CALIFORNIA TRANSPORTATION COMMISSION

2006 ANNUAL REPORT TO THE CALIFORNIA LEGISLATURE
EXECUTIVE SUMMARY

CALIFORNIA
TRANSPORTATION
COMMISSION

On the cover:

The collage of toll bridge seismic retrofit construction, the Pacific Surfliner along the coast, and construction of SR 125 in San Diego demonstrate some of the breadth of the Commission's investments in California's transportation infrastructure (Caltrans)

The California Transportation Commission is an independent state commission responsible for programming and funding several billion dollars annually for transportation projects in California in partnership with the California Department of Transportation (Caltrans) and regional transportation agencies. The Commission is also responsible for advising the California Secretary of Business, Transportation and Housing Agency and the California Legislature on key transportation policy matters.

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CHAIR AND VICE CHAIR LETTER

Members of the Legislature:

We are pleased to present the California Transportation Commission's 2006 annual report to you. This has been a remarkable year. Through the leadership of Senate President Pro Tempore Don Perata, Senate Minority Leader Dick Ackerman, Assembly Speaker Fabian Nuñez, Assembly Minority Leader George Plescia, and Governor Arnold Schwarzenegger, you approved sweeping, historic, bipartisan transportation bond legislation. In November, California voters overwhelmingly endorsed Propositions 1A and 1B, the two major transportation elements of the infrastructure bond package. The certainty of Proposition 42 funding that Proposition 1A establishes, coupled with the nearly $20 billion in funding that Proposition 1B makes available, provide transportation in California with a much-needed shot in the arm.

The Commission stands ready to work with you and the Schwarzenegger administration to implement Proposition 1B expeditiously, fairly and in keeping with the trust you have invested in the Commission. The state's voters and travelers expect quick mobility results, as do we. We will be working diligently over the next six months to develop and program the key elements of Proposition 1B—the Corridor Mobility Improvement Account, the 2006 State Transportation Improvement Program (STIP) Augmentation, the State Route 99 Improvement Program, the State-Local Partnership Program, and the Trade Corridors Improvement Fund.

This level of activity is unprecedented in the Commission's history. We are confident that with the California Department of Transportation (Caltrans) and regional transportation agencies we can meet and exceed your expectations in developing, adopting and implementing these programs.

In addition to the success of the transportation bond package, 2006 was the first calendar year that Proposition 42 was fully funded. As a result, the Commission allocated a record $4.4 billion in State Transportation Improvement Program, State Highway Operation and Protection Program (SHOPP), and Traffic Congestion Relief Program (TCRP) funds to 1,172 projects statewide. After several lean years, transportation funding rebounded in a big way in 2006. This level of state transportation funding should be sustained into future fiscal years with proceeds from both Propositions 1A and 1B.

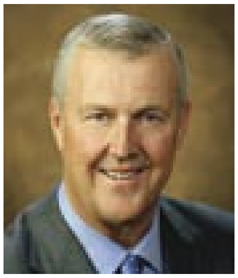
In 2006 the Commission adopted both a STIP and SHOPP. The adopted STIP includes $5.3 billion in transportation investments. The SHOPP includes $7.9 billion in safety, major rehabilitation and mobility investments on the state system. Passage of both propositions enhances the prospects for both of these essential programs.

As we look to the future, we feel compelled to remind you that basic state transportation funding remains a critical issue begging for resolution. The state's gas tax proceeds are now exclusively dedicated to funding the major rehabilitation needs of the State Highway Operation and Protection Program—and even then at a level that is just more than half of the actual need. Funding for the STIP is reliant exclusively on Proposition 42 transfers. The transportation bonds are an important down payment on the state's nearly $200 billion in transportation needs. However, we will need to ensure that we have stable funding sources for transportation that can meet the needs of a growing population, an expanding economy and an aging transportation infrastructure.

The coming year looks to be an exciting one. We look forward to playing our role in providing the mobility solutions Californians need, and we look forward to working with you to ensure that the necessary resources are available to meet the traveling public's expectations.

Sincerely yours,

Marian Bergeson
Chair



James C. Ghielmetti
Vice Chair

The 105/110 interchange in Los Angeles -

The Commission intends to make programming benefits and enhanced attention to project delivery hallmarks of the discretionary Proposition 1B programs.

The infusion of Proposition 42 funding and the passage of Propositions 1A and 1B have generated optimism in the transportation community that the period of underinvestment in the beginning of the decade has given way to a time of plenty. Clearly this was the intent of both the Schwarzenegger administration and the Legislature in providing transportation funding as part of the 2006-07 budget and in passing Senate Bill 1266 (Perata; Chapter 25, Statutes of 2006), which authorized Proposition 1B. Key issues in 2007 will be building on this momentum to implement Proposition 1B appropriately and to push toward addressing the need for enhanced, stable funding for transportation, as well as revisiting key policy issues involved in public-private partnerships, project delivery, and meeting the state's massive rehabilitation and maintenance needs for the entire transportation network.

Implementing Proposition 1B

The Commission initiated a series of efforts in the summer of 2006 to prepare for the passage of Proposition 1B. In order to meet the statutory deadlines for the Corridor Mobility Improvement Account (CMIA)—the most important of which is initial adoption of the program by March 1, 2007—the Commission had to jumpstart the guideline development process ahead of the election. The Commission reached out to many in the transportation community to assist in the development of the CMIA guidelines. Through the hard work of many in the community, the Commission was able to consider draft guidelines at its October 2006 meeting and to adopt the CMIA guidelines on November 8, 2006 at its meeting in Jackson—a day after the voters approved Proposition 1B.

Caltrans and regional transportation agencies are poised to nominate CMIA projects to the Commission by January 16. In the run-up to the nomination date, Commission staff has continued to impress upon the transportation community the need to take advantage of the unique opportunity that the voters have provided by emphasizing early and efficient delivery of CMIA projects and by focusing on achieving corridor-level congestion relief and connectivity benefits.

The Commission intends to make programming benefits and enhanced attention to project delivery hallmarks of the discretionary Proposition 1B programs, particularly the CMIA and the Trade Corridors Improvement Fund (TCIF). The Commission will also pay more attention to benefits and delivery as part of the 2006 State Transportation Improvement Program (STIP) Augmentation and the 2006 State Highway Operation and Protection Programs (SHOPP) Augmentation.

Over the first six months of 2007, the Commission will adopt the initial CMIA program, the 2006 STIP Augmentation, and the SR-99 Bond Act Program. Following the lead of the Legislature, the Commission would also like to adopt an initial State-Local Partnership Program for implementation as early as possible in the 2007-08 fiscal year. The various implementation issues involved in the State-Local Partnership Program may require additional legislation that could push implementation of the program into the next fiscal year. At a minimum, the Commission would like draft SLPP guidelines to serve as the basis of any additional legislation.

Similarly, the Commission will be drafting guidelines for implementing the TCIF so that if further legislation is required enough work has been completed to provide an adequate framework and context for legislative direction. These guidelines will need to take into consideration the administration's Goods Movement Action Plan and the California Marine and Intermodal Transportation System Advisory Council effort initiated by the Legislature.

The Commission, working with Caltrans and the eleven councils of government along SR-99, adopted guidelines for the SR-99 bond-funded improvement program at its December 2006 meeting. The SR-99 program will be on the same schedule as the CMIA, with project submittals due by January 16 and program adoption by March 1. The regional agencies and Caltrans agreed that 85 percent, or $850 million, of the $1 billion available would be targeted for priority improvements in the San Joaquin Valley portion of the corridor, and 15 percent, or $150 million, would be dedicated to improvements in the Sacramento Valley. In both sections of the corridor, priority projects will be consistent with The State Route 99 Business Plan Element of the Master Plan and The Route 70/99 Corridor Business Plan.

The STIP and SHOPP augmentations will follow established guidelines and procedures for those programs. However, the Commission assumes that the bond funds designated for those programs will be fully available for allocation beginning with the 2007-08. For this STIP augmentation the Commission intends to exercise a fair amount of discretion within the parameters of the STIP formulae. The SHOPP augmentation will require coordination between Caltrans and the Commission to ensure that funds are invested strategically and for maximum benefit and delivery.

All told, the Commission's view is that a sizable budget appropriation request is warranted as part of the 2007-08 budget process, not only for the programs within the purview of the Commission but also for the transit capital and local road elements of the bond package.

Pursuing Stable State Transportation Financing

Notwithstanding the substantial and welcome shots in the arm that Propositions 1A and 1B provide, transportation in California still needs a stable revenue source to fund existing capital programs. The gas tax, both the state and federal portions, is no longer adequate to meet all the major capital needs in transportation. With the 2006 STIP, and now with the bond proceeds from Proposition 1B, transportation is dependent on General Fund dollars to pay for capacity enhancing projects. Reliance on the General Fund means reliance on the annual state budget process.

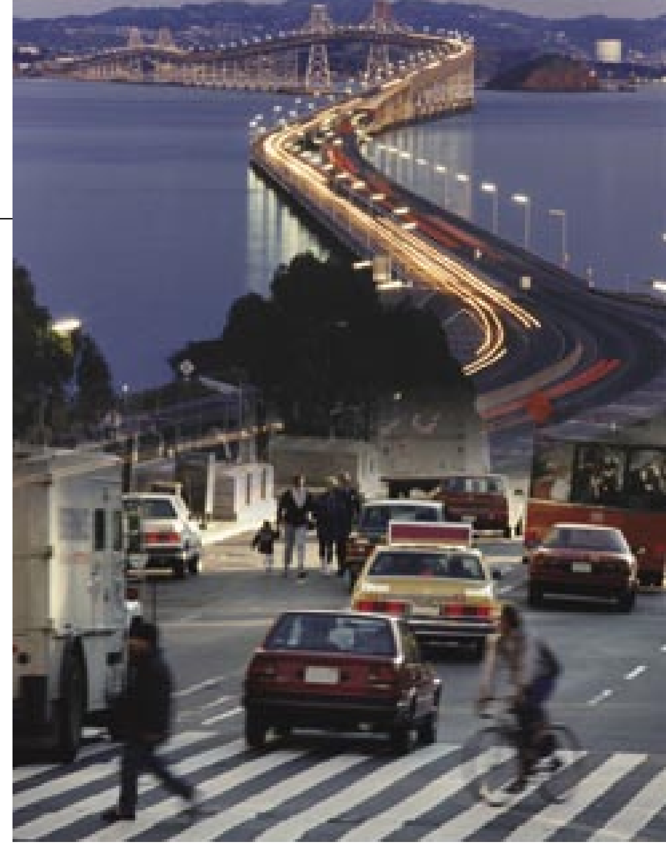
At this point, it is unclear what ramifications this situation has on the development and implementation of a multi-year capital program. However, if recent history is any guide, the Commission will need to be prepared to alter its allocation strategy depending on the funds available through appropriation.

An added impetus to reestablish a dedicated, special funding source is that the Federal Highway Trust Fund will likely not have enough resources to meet all of its obligations by the end of the decade. This will be a driving force behind the next round of federal transportation reauthorization coming in 2009.

The Commission suggests that the Legislature consider convening a Blue Ribbon Commission on Future Transportation Funding Needs to examine the options for enhancing transportation revenues and to consider additional ways to raise revenues, especially in light of the Legislature's and administration's support for alternative fuel vehicles. Alternative fuels are either not presently assessed any fees or taxes, like gasoline and diesel are, or they are assessed a lower tax, and the Commission thinks this mismatch raises issues of equity that the Legislature should address.

Meeting the Rehabilitation and Maintenance Needs of the State Highway System

As has been pointed above, California is under-investing in the rehabilitation and maintenance needs of the state highway system. The state's gas tax can now only cover between fifty and sixty percent of the annual rehabilitation need in the SHOPP, rapidly increasing the number of distressed lane miles on the system. In 2001-02, the amount of distressed lanes miles was approximately 10,400. The number in 2005-06 was more than 13,800. Caltrans estimates that every dollar of preventative maintenance saves six dollars in rehabilitation and twenty dollars in major reconstruction costs. This under-investment is unsafe and has lead to California having the second worst road conditions in the nation. Californians pay an estimated $500 per vehicle on repairs because of our poor road conditions.



Street scene (PhotoDisc) and the Richmond-San Rafael Bridge (Caltrans)

Pavement rehabilitation is not the only area of the SHOPP in need of increased funding. Safety, mobility, safety roadside rest stops, landscaping, mandates (such as stormwater run-off) all need significantly enhanced funding to meet the state's needs.

Although Caltrans will be presenting a 2007 Ten-Year SHOPP to the Commission for its approval, the Commission finds the massive rehabilitation needs requires immediate attention. To that end, the Commission would suggest that the Legislature and the administration consider the following funding strategies for the 2007-08 fiscal year.

- Pursue Grant Anticipation Revenue Notes (GARVEE Bonds) to bring forward federal transportation funds that could be targeted to the state's top SHOPP pavement rehabilitation and safety needs.

- Program a 2006 SHOPP augmentation with the $500 million in dedicated SHOPP funding in Proposition 1B. When combined with the GARVEE strategy above and the proposed $1.9 billion in regular SHOPP funding for 2007-08, Caltrans could have more than $4 billion in resources available.

- Evaluate the possibility of converting unprogrammed Public Transportation Account (PTA) capacity into near-term SHOPP funding. Given the current lack of suitable transit capital projects to absorb PTA funding, the unprogrammed capacity could be tapped to supplement the $4 billion cited above.

Enhancing mobility is ultimately about how Californians travel across all modes.

The tremendous SHOPP needs are matched by equally large and important rehabilitation and maintenance needs at the city and county levels. The historic and chronic under-investment in transportation has created a situation in California in which neither capacity nor maintenance needs can adequately be met at all levels of government. The rehabilitation needs underscore the need for stable, dedicated transportation funding that grows with economic activity and transportation use.

Creating Public-Private Partnerships in Transportation in California

Much was made in 2006 about the need for California to adopt up-to-date public-private partnership powers. The passage of Assembly Bill (AB) 680 in 1989 (Baker; Chapter 107, Statutes of 1989), which called for four public-private partnership demonstration projects, ignited a fire of public-private partnership legislation in more than 20 states. This fire has overtaken the state's initial attempts, which resulted in the SR 91 Express Lanes in Orange County and the nearly-completed SR 125 toll road in San Diego County. While Texas, Virginia, Florida, Illinois, Indiana, Colorado and many other states embraced public-private partnerships as a key strategy for developing and implementing major transportation

ISSUES FOR 2007

The current political and transportation environment requires developing a new California approach to public-private partnerships.

projects, California has only now begun to examine public-private partnerships seriously.

The passage of AB 1467 (Nuñez; Chapter 32, Statutes of 2006) signaled the state's willingness to re-enter the public-private partnership fray. The bill calls for four goods-movement related public-private partnership demonstration projects—two in the north and two in the south. The bill also calls for implementation of high-occupancy toll (HOT) lanes around the state. HOT lanes, such as the 91 Express Lanes, enable solo drivers to use a high-occupancy vehicle (HOV) by paying a toll.

The Commission is responsible for implementing AB 1467 and recommending suitable partnerships to the Legislature for its concurrence. AB 521 (Runner; Chapter 107, Statutes of 2006) clarified the way in which the Legislature can consider the partnership proposals, mandating that the Legislature can only disapprove of the proposals. Notwithstanding this change, AB 1467 contains several implementation challenges, the most notable of which is the prohibition against auto tolls. Without the ability to toll automobiles, it is unclear whether truck tolls can generate enough revenues to enable truck-only toll lanes to be built.

As a result, the Commission recommends that the Legislature and the administration revisit the public-private partnership issue in 2007. The success of countries and other states with similar political, demographic, environmental, and transportation challenges suggests that the institutional challenges to public-private partnerships can be overcome.

A key threshold question that needs to be answered in the policy debate is where will the funding come from to build the transportation capacity a California with 40 to 45 million people will need. Proposition 1B is a much-needed shot in the arm for transportation funding; however, the resources in Proposition 1B are inadequate to deal with the capacity needs of 2015 and beyond. Based on the experience of other countries and states, gas and sales taxes cannot be raised high enough to meet these needs; tolls and user fees are necessary to pay for the needed mobility.

However, the Commission recognizes that the current political and transportation environment requires developing a new California approach to public-private partnerships. Such an approach might emphasize the need for public-public-private partnerships in which the State and regional agencies enter into agreements that the private sector implements with appropriate public-sector oversight on toll rates, procurement, and implementation. And, the next iteration of public-private partnership legislation needs to include design-build authority for at least the public-private partnership projects.

Chicano Park Murals under the Coronado Bridge (Caltrans)

Enhancing System Performance Measures and Project Delivery

Proposition 1B affords the Commission and the entire transportation community the opportunity to move away from programming projects to programming benefits that deliver real results for the traveling public.

Caltrans and transportation agencies need to measure these benefits quantitatively, review them periodically, and maintain the benefits over time. Key to system performance measurement is having good, well-maintained monitoring equipment deployed throughout the system. The Commission's emphasis on corridor management plans as part of the CMIA, coupled with the funding in Proposition 1B for intelligent transportation system (ITS) projects, provide the wherewithal to monitor more of the transportation network in real time and to manage congestion so that travelers have mobility choices to deal with ongoing congestion and accidents.

Enhanced system performance measures are a key first step toward incorporating more demand management strategies that will squeeze out even more capacity in constrained corridors.

Programming benefits also means a renewed emphasis on project delivery that values early implementation and project cost savings. Transportation projects are clearly complex undertakings, requiring years to implement. The complexity has increased significantly with the high costs of materials and shortages of available contractors. In 2007, the Legislature and the administration may want to turn attention to ways in which materials and labor can be made more readily available at more stable prices. The administration's efforts in this regard have generated positive momentum that is starting to show results.

Another way to enhance project delivery is for the Legislature to approve design-build legislation. The Commission has long supported design-build, especially for large, complex projects. Design-build is not appropriate for all projects, but generally offers time savings that provide mobility benefits more rapidly than the traditional design-bid-build procurement method.

Investing to Support Goods Movement and Logistics

California is set to embark on the first effort in the nation to dedicate transportation investments toward improving the flow of goods to, from and through the state. Through the TCIF, Proposition 1B provides $2 billion in funding for the Commission to invest in goods movement projects and strategies that increase capacity, improve throughput, enhance velocity, and contribute to improved air quality.

Programming benefits means a renewed emphasis on project delivery.

the Metro bus station along the Harbor Freeway in Los Angeles (Caltrans) and rail facility (PhotoDisc)

The economic value of logistics and goods movement to California is immense. The dollar value of the cargo shipped through the Port of Los Angeles and the Port of Long Beach came to nearly $260 billion in 2005. The value of air cargo at Los Angeles International Airport and San Francisco International Airport was a combined $130 billion that year.

A key factor to maintaining the health of the logistics industry in California is improved ground access in and around major goods movement facilities, like ports, airports, and intermodal rail facilities. The growth in logistics activity has enhanced congestion on the major highways, roadways and railways serving these facilities. The ability to now begin addressing the drag that congestion has on the velocity and throughput of goods in California can not only enhance the state's economic prospects but can improve the overall mobility picture, especially in the key urban areas.

The growth in logistics activity has also contributed to increased concentrations of poor air quality in, and around, major goods movement facilities. In recognition of the twin challenges of congestion and air quality, the administration launched an effort in 2005 to develop a Goods Movement Action Plan that proposes policy options and strategies for improving ground access while at the same time improving air quality. This Plan has been submitted to the Commission and will be a key factor in the Commission's efforts to develop guidelines and criteria for implementing the TCIF. The Commission will also consider the recommendations of the Legislature's California Marine and Intermodal Transportation System Advisory Council report, as well as regional agency planning efforts—including the joint Clean Air Plan of the Port of Los Angeles and the Port of Long Beach.

Key to maintaining the health of the logistics industry is improved ground access in and around major goods movement facilities.

The Commission will be convening a TCIF guideline and criteria work group in early January. It is Commission staff's intent to have guidelines before the Commission in the spring for consideration. The Commission will need to maintain close coordination with the Legislature on several key policy areas involved in implementing the TCIF, such as:

- The role and types of private-sector funding match for TCIF dollars. The TCIF requires at least a one-to-one match and much discussion has occurred over what types of funding would be appropriate and feasible, from truck tolls to container fees. Sorting out what funding would be suitable may fall to the Legislature to decide.

- The coordination of infrastructure investments with emission reduction investments. The opportunity exists to target air emission reduction strategies that complement corridor-level capacity investments. It is the Commission's view that the administration and the Legislature should provide direction to the responsible agencies that takes advantage of this opportunity.

- The appropriate roles for the public and private sectors in developing, funding and implementing TCIF projects and strategies. The Commission will now be interacting with ports, railroads, and other business interests in a new way. The ability to invest a public dollar to gain public benefit, while being matched or leveraged by a private dollar for private benefit, should be thought through carefully.

Preparing for the Next Round of Federal Transportation Reauthorization

The passage of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) last year established what California can expect in terms of federal transportation funding and policy direction from 2005 to 2009. A sobering expectation is that the Federal Highway Trust Fund will not have sufficient resources to meet all of its obligations by the end of the current reauthorization period. For a large donor state like California the uncertainty of federal funding at the end of the decade places additional pressure on how the Commission, Caltrans and regional agencies plan, program and implement projects across all the programs—both the existing programs and the new Proposition 1B programs.

As federal funding becomes more constrained, it is not necessarily the case that state funding will be able to make up the difference, even with the massive infusion that Proposition 1B provides. During the SAFETEA-LU deliberations California transportation interests spoke with one voice, which helped the state overall. With the next round of reauthorization just around the corner, it is vital that the state's transportation interests speak with one voice again. The passage of Proposition 1B and the protection of Proposition 42 under Proposition 1A demonstrate what the state's voters are willing to do to address the state's transportation needs. The passage of sales tax measures for transportation demonstrate what voters at the county level are willing to do. A key part of the California message ought to be that the federal government needs to fund its share, especially in the goods movement area.

To help guide the development of new revenue options, Congress and the Bush administration created the National Surface Transportation Policy and Revenue Study Commission. The hearings this Commission will have in California, as well as its overall deliberations, are an opportunity for California to present a unified position, one that is an extension of the unified position the transportation community took in supporting the passage of Propositions 1A and 1B. From the CTC's perspective, maintaining a consistent approach to improving the state's funding picture, while implementing Proposition 1B expeditiously, is the best game plan for success at the federal level. The continuing support of the Legislature of this unified position is an important element of the federal game plan.

By any measure 2006 was an extraordinary year for transportation in California. From the full funding of Proposition 42 in both the 2005-06 and 2006-07 fiscal years to the approval of Propositions 1A and 1B, transportation issues dominated the discussion of how to address California's infrastructure needs. At the regional level, four counties renewed sales tax measures for transportation and one, Tulare County, joined the self-help counties club.

The emergence of transportation as a priority for policy attention and funding is the result of a convergence of Schwarzenegger administration emphasis and a determined focus on the parts of Senate President Pro Tempore Don Perata, Senate Minority Leader Dick Ackerman, Assembly Speaker Fabian Nuñez, and Assembly Minority Leader George Plescia. The leadership these political leaders showed elevated transportation issues—especially congestion relief—to the forefront of Sacramento's priorities in 2006. The Governor's Strategic Growth Plan posited a plan to reduce congestion over the next ten years to more than 18 percent below today's levels. The Strategic Growth Plan matched the emphasis that both Senator Perata and Assembly Member Nuñez had placed on transportation issues in 2005. As a result, the stage was set for a dramatic bipartisan effort to address the state's mobility needs.

Proposition 42 Funding

In previous California Transportation Commission annual reports, the Commission lamented that Proposition 42 funding had been diverted to reduce the general fund debt. However, the Schwarzenegger administration backed up its full funding of Proposition 42 in the 2005-06 fiscal year with a budget proposal for the 2006-07 fiscal year that again contained full funding of Proposition 42. The administration's and the Legislature's commitment to Proposition 42 funding sets the overall tone for how transportation issues will fare. This support helps the Commission maintain program commitments to projects in the Traffic Congestion Relief Program (TCRP) and the State Transportation Improvement Program (STIP) and fulfill the promise to the voters who overwhelmingly approved Proposition 42 in 2002.

With full funding of Proposition 42 in the 2005-06 fiscal year, the Commission allocated a record $4.4 billion to 1,172 projects statewide. In the first six months of the 2006-07 fiscal year, the Commission has allocated more than $2.6 billion to over 400 projects and is on pace to allocate $4.4 billion for all of the fiscal year.

Adoption of the 2006 State Transportation Improvement Program and the State Highway Operation and Protection Program

In 2006 the Commission adopted the biennial State Transportation Improvement Program (STIP) and State Highway Operation and Protection Program (SHOPP). These two programs comprise the bulk of the Commission's programming activities. The 2006 STIP contains $5.3 billion in programming commitments over the next five years for capacity enhancing projects statewide. Even at this level of programming, the Commission was unable to fund nearly $780 million in proposed highway and road projects. In addition, due to the type of funds flowing into the STIP, the Commission left some $730 million


Benicia/Martinez Bridge (Caltrans)

By any measure 2006 was an extraordinary year for transportation in California.

in Public Transportation Account (PTA) funds unprogrammed. The mismatch between available funding for highway and roadway programming and transit capital programming will not be easy to rectify. With the adoption of the 2006 STIP, Proposition 42 funding is now the exclusive source of STIP funding; the State Highway Account (SHA) funds the SHOPP exclusively. The formula distribution of Proposition 42 funding creates an imbalance in available capital dollars that will, in the near term, favor transit capital over highway and roadway capital funding.

The Commission adopted a 2006 SHOPP totaling $7.9 billion in rehabilitation investments over the next fours years, including a $793 million reserve for unforeseen emergency and safety projects. This level of SHOPP funding is only between 50 and 60 percent of the four-year need. Caltrans estimates that it needs $11.9 billion over this period, from 2006-07 to 2009-10, to address the safety, pavement rehabilitation, mobility, and landscaping needs of the state highway system. The annualized 2006 SHOPP funding level of $1.73 billion per year exacerbates the continuing deterioration of the state system. As mentioned above, the State Highway Account is now the sole source of SHOPP funding. The funding pressures on the State Highway Account indicate that, absent an infusion of new resources to the account, the SHOPP will remain under funded.

Passage of Propositions 1A and 1B

The voters' overwhelming passage of Propositions 1A and 1B signaled to the Schwarzenegger administration, the Legislature and the transportation community that the state's traveling public understands the need to invest in transportation. Their support further indicates that they expect prompt congestion relief results.

Proposition 1A, Transportation Funding Protection, provided Proposition 42 transfer guarantees similar to those the voters approved for city and county funding in 2004. Under Proposition 1A, the administration and Legislature may only suspend the Proposition 42 transfers twice in a ten-year period, and, then, only when previous suspensions, or loans, have been fully repaid. Any loans the Legislature makes from Proposition 42 funds must be repaid within three fiscal years. Proposition 1A provides funding reliability and stability that enhances the Commission's ability to program the STIP and implement the

Traffic Congestion Relief Program (TCRP). More than 70 percent of the voters approved Proposition 1A.

Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, provides $19.9 billion for a variety of transportation programs and uses. Of this amount, the Commission will be responsible for programming, allocating and overseeing nearly $12 billion. Among the major programs of Proposition 1B are:

Passage of Prop. 1A and Prop. 1B signaled that the traveling public understands the need to invest in transportation.

- $4.5 billion for the Corridor Mobility Improvement Account (CMIA) for improvements on highly congested travel corridors in California.

- $4.0 billion for the Public Transportation Modernization, Improvement, and Service Enhancement Account, of which $400 million is for intercity rail improvements and the remaining $3.6 billion will be distributed to transit agencies according to the existing State Transportation Assistance (STA) formula.

- $3.1 billion for the California Ports Infrastructure, Security, and Air Quality Improvement Account. Of this amount, the Commission will be responsible for $2 billion as part of the Trade Corridors Improvement Fund. This $2 billion is to be matched by other funds on at least a one-to-one basis. The California Air Resources Board is responsible for $1 billion in emission reduction projects, and the California Office of Emergency Services is responsible for $100 million in port security grants. This is the first time that any state in the nation has dedicated funding to infrastructure improvements that fundamentally enhance the flow of goods to and through a state.

- $2 billion for a STIP augmentation to address the backlog of STIP projects seeking funding to complete the projects.

- $1 billion for State Route 99 improvements from Kern County through Butte County.

- $1 billion for a new State-Local Partnership Program that provides at least a dollar-for-dollar match for eligible highway, roadway and transit capital projects nominated by local agencies.

Richmond/San Rafael Bridge, Highway 1 near Hearst Castle, construction of SR 125 in San Diego County (Caltrans)

- $1 billion for local road improvements at the city level, to be distributed according to the Proposition 42 formula for cities.

- $1 billion for local road improvements at the county level, to be distributed according to the Proposition 42 formula for counties.

- $1 billion for the Transit System Safety, Security, and Disaster Response Account to provide increased protection against security and safety threats to transit operators in California.

- $750 million for a SHOPP augmentation, of which $250 million is to go for intelligent transportation system (ITS) and technology improvements on local arterials and roads. The remaining $500 million is for traditional SHOPP purposes.

- $250 million for the Highway-Railroad Crossing Safety Account to fund high priority grade separations statewide.

The Commission initiated guideline development efforts to prepare for the implementation of Proposition 1B. Working closely with various elements of the transportation community, the Commission:

- Convened a CMIA guideline work group that provided invaluable assistance on eligibility, delivery and benefit issues associated with the program.

- Convened a State-Local Partnership Program work group that helped Commission staff array the salient issues involved in the program. The Commission reviewed initial program guidelines at its December 2006 meeting and directed staff to work further with the transportation community and the Legislature.

- Conducted listening sessions around the state with key goods movement stakeholders to understand better the challenges associated with implementing the Trade Corridor Improvement Fund. The Commission will fold the input from the listening sessions into the guideline work group that will begin its work in early 2007.

- Met with key players in the public-private partnership arena to delve into the implementation issues associated with Assembly Bill (AB) 1467 (Nuñez; Chapter 32, Statutes of 2006), which permits four goods movement-related public-private partnership demonstration efforts. Much work remains to be done on public-private partnerships, and the Commission is encouraged by the Legislature's willingness to continue discussing how best to reestablish public-private partnerships in transportation in California.

Awarding the SAS contract removed the last major hurdle to replacing the eastern span of the SFOBB.

Through these efforts the state's transportation community is well-positioned to take advantage of funds made available upon appropriation by the Legislature as part of the 2007-08 budget process.

Toll Bridge Seismic Retrofit Program Oversight Committee

The resolution of the toll bridge seismic retrofit funding challenge in 2005, through AB 144 (Hancock; Chapter 71, Statutes of 2005), carved out a role for the Commission in overseeing the construction and retrofit of the San Francisco Oakland Bay Bridge (SFOBB) and the Benicia-Martinez Bridge. For the first time, the Commission became an implementing, as well as programming, agency by sharing responsibility on the Toll Bridge Seismic Retrofit Program Oversight Committee (TBPOC) with Caltrans and the Metropolitan Transportation Commission/Bay Area Toll Authority.

The Bay Bridge at dusk (Caltrans)

In 2006, the highlight of the TBPOC's efforts was the successful rebidding of the Self-Anchored Suspension (SAS) portion of the San Francisco Oakland Bay Bridge east span replacement. American Bridge Four Enterprises, Inc., a Joint Venture was the winning team, bidding $1.43 billion for the SAS project—nearly $49 million less than Caltrans engineer's estimate.

Placing the SAS portion under contract effectively removed the last major remaining unknown component to completing the replacement of the eastern portion of the SFOBB. The TBPOC can now turn its attention exclusively to managing the construction of the replacement span and the new Benicia-Martinez span.

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