2008
CALIFORNIA TRANSPORTATION COMMISSION

ANNUAL REPORT TO THE CALIFORNIA LEGISLATURE

CALIFORNIA
TRANSPORTATION
COMMISSION

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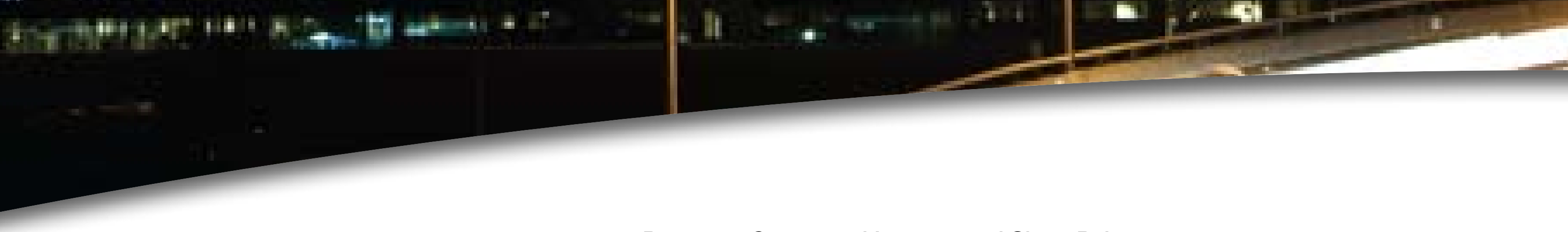


Members of the Legislature:

We are pleased to present the California Transportation Commission's (Commission) 2008 annual report to you. The Commission fulfilled its promise to program the remainder of the Proposition 1B funding under its purview, save for State-Local Partnership Program (SLPP). At the close of the year, the Commission had programmed more than $10.6 billion in projects, just two years after the voters approved Proposition 1B.

Much progress was made towards improving the state's transportation infrastructure as the Commission adopted the 2008 State Highway Operation and Protection Program (SHOPP) in March. This $8.4 billion program supports the Department of Transportation's (Caltrans) major rehabilitation program through 2011-12. Unfortunately, the available funding provides less than half of the estimated rehabilitation need for the state highway system over this period. This is a problem begging for attention and resolution.

The Commission adopted the Trade Corridors Improvement Fund (TCIF) program in April. Building on the $2 billion made available in Proposition 1B, the Commission and Caltrans dedicated an additional $500 million in SHOPP funds, as well as programming an additional 20 percent in future revenues, to create a $3 billion program covering 79 projects.

In May, the Commission adopted the $5.75 billion 2008 State Transportation Improvement Program (STIP) covering highway and road capacity projects through 2012-13. While highway and road funding is fairly robust, due in large measure to the STIP portion of Proposition 1B, the transit capital portion of the STIP has been reduced by various budget actions in 2007-08 and 2008-09 and the enactment of Senate Bill (SB) 717 and SB 79 in 2007. We must point out that any reduction in transit capital funding will make it very difficult for transportation agencies and stakeholders to reach the goals outlined in Assembly Bill (AB) 32 and SB 375.

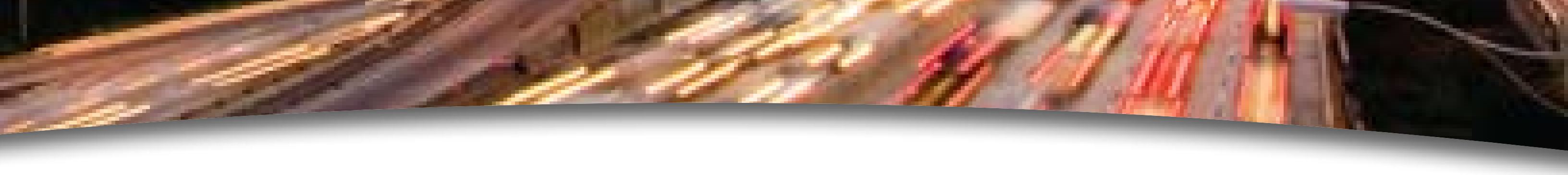
The Commission also adopted the Traffic Light Synchronization Program (TLSP) in May. This $250 million Proposition 1B program provides funding for 83 projects that will deliver mobility benefits to travelers on many of the state's major arterial roadways. In August, the Commission also adopted the $250 million Highway-Railroad Crossing Safety Account (HRCSA) program. The 23 rail grade separation projects in this Proposition 1B program complement the grade separations included in the TCIF.

At year's end, nearly all of the TCIF, TLSP and HRCSA projects have approved project baseline agreements detailing the cost, scope and schedule for each project. These agreements are the foundation of the Commission's accountability and oversight program under SB 88 (2007). And, at year's end, the Commission has adopted guidelines for the SLPP, the remaining Proposition 1B program that the Commission has yet to program. In total, the Commission has achieved virtually all of the programming objectives set out in Proposition 1B.

In 2008, the Commission allocated nearly $5 billion in transportation funding, helping the state to achieve transportation construction activity in excess of $10 billion. Construction in the transportation sector was a bright spot in the state's economy and looks to be one of the few major economic positives as 2009 approaches. This is the third consecutive year that the Commission has allocated more than $4 billion to transportation projects.

As the 2008-09 budget deliberations continued well beyond the July 1 deadline, the Commission felt compelled to communicate its intention to suspend all project allocations and to reprogram the 2008 STIP if Proposition 42 funds were suspended due to the state's budget deficit. This remains the Commission's perspective as you and the administration grapple with further 2008-09 budget action. Of equal peril is the global recession that began in the second half of the year. The collapse of the financial and consumer markets exacerbates the budget deficit and casts a cold, dark shadow on 2009.

As we look toward next year, transportation will face two major challenges. The first challenge is the resolution of the state's on-going budget deficits. While Proposition 42 funding has remained intact, transit capital and operating funds have been decimated.



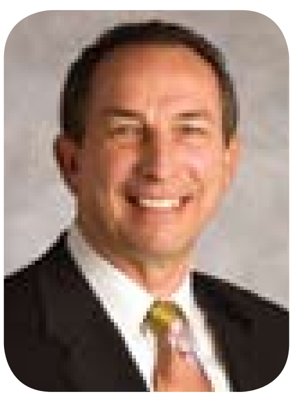
A healthy transportation system in California is one in which all modes are performing well. Rubber tire and rail transit, automobiles, trucks, heavy rail, and air travel interact to move people and goods to and through this state. When one part of the system is suffering, the other parts feel the pressure.

The Commission recognizes the tremendous pressures and strain you face in achieving the requirement of a balanced budget. As pragmatists, we realize that all aspects of California government will need to play a part in resolving the state's fiscal crisis. We would make the following observations. First, transportation funding supports one of the few job-creating sectors of the economy while also generating revenue for the state's treasury. Second, the longer the budget deficit is allowed to linger the more difficult the atmosphere becomes for issuing transportation bonds, let alone other types of infrastructure bonds. Given the state's precarious cash position as we enter 2009, a lack of bond proceeds may result in the Commission reevaluating how much Proposition 1B funding can be allocated for the balance of the 2008-09 year, and beyond.

The second challenge deals with how to integrate SB 375 and AB 32 requirements into the planning and programming of transportation projects. The Legislature's environmental direction is clear to the transportation community. However, given the long lead-times necessary to complete major transportation projects, care is needed when adding sustainability and emission reduction goals to the current transportation objectives of safety, mobility and economic development. This effort will require an efficient use of available funding to ensure a well-integrated transportation system, and the Commission stands ready to provide programming guidance and oversight in this area. In 2009, the Commission will have an opportunity to begin incorporating SB 375 and AB 32 in its regional transportation plan (RTP) guidelines, 2010 fund estimate, and 2010 STIP guidelines. While the Commission stands ready to facilitate the transportation community's efforts in this regard, we need to advise you that without reliable, sustainable, and increased transportation funding in the next decade the transportation community will not meet its AB 32 reduction targets.

Much work needs to be done in 2009. The new year will likely bring promises of economic stimulus at both the state and federal levels that will emphasize transportation project delivery. The Commission is positioned to help target stimulus funding where it will improve the statewide transportation system and provide economic and mobility benefits. But the short-term benefits of such stimulus cannot obscure the need for the Legislature, the governor and the state's transportation stakeholders to work on providing stable, sustainable, and growing transportation funding that will enable California to meets its mobility, economic and environmental objectives—and provide Californians with the transportation network they expect and deserve.

Sincerely yours,



John Chalker
Chair

Robert Alvarado
Vice Chair

Issues for 2009

Four issues will capture the transportation community's attention in 2009. The first is the state's ongoing budget deficit and its impact on available transportation resources. The second is how to program and allocate economic stimulus funds so that meaningful economic stimulus and mobility are achieved. The third, as it was last year, is how to incorporate Assembly Bill (AB) 32 and Senate Bill (SB) 375 greenhouse gas (GHG) reduction measures into the planning, programming and implementation of transportation projects. And finally, the pursuit of reliable funding to address the state—and the locals—major rehabilitation needs must be a part of the transportation agenda as well.

While these issues will require extra attention and effort, the California Transportation Commission's (Commission) top priority will be working with the Department of Transportation (Caltrans) and transportation stakeholders to deliver Proposition 1B projects as promised.

Resolving California's Budget Challenges

While the administration and the Legislature have spared Proposition 42 funding in the ongoing budget difficulties, transit capital and operating funds have been decimated to provide budget deficit relief. From a programming standpoint, the Commission has been able to absorb the decline in transit capital funding in the 2008 State Transportation Improvement Program (STIP). However, transit operators in California have not been so fortunate. In terms of the health of the state's transportation system, the reduction in transit funding is resulting in reduced service at a time when transit ridership is increasing. These funding cutbacks threaten overall mobility and sustainability issues in California.

The ongoing budget saga, combined with reduced revenues from transportation taxes and fees, is jeopardizing delivery of existing transportation capital programs. Project sponsors, especially self-help counties, will have less transportation revenue in 2009 to maintain their delivery commitments—especially for Proposition 1B projects. Transportation community fears persist that Proposition 42 funding is in jeopardy due to persistent budget challenges and this would delay project delivery by several years.

The budget challenges also jeopardize the state's ability to access Proposition 1B funds in the bond markets through the sale of infrastructure bonds. Should the state be unable to fund Proposition 1B allocations, the Commission will be forced to reevaluate its allocation commitments in 2009. This would negatively impact project baseline agreement schedules and fail to provide any economic stimulus through increased construction activity.

Facilitating Economic Stimulus

As the year draws to a close, the state's transportation community is preparing to put prospective state and federal economic stimulus funding to work. Based on the Schwarzenegger administration's transportation stimulus proposals, the Commission assumes that Proposition 1B appropriations would be accelerated from the 2009-10 fiscal year to the 2008-09 year. At the federal level, the Commission is assuming that additional funding will be distributed according to existing federal formulae. The Commission would caution transportation stakeholders to recognize that the acceleration of funding at the state and federal levels does not constitute "new, free money", but rather brings forward funding from the future. Enhanced funding today, no matter its origin, has many benefits but does not correct the chronic under investment in transportation infrastructure at the state and federal levels.

As a result, the Commission would advise that enhanced near-term revenue be directed to projects that can commence construction over the next six to twelve months. The Commission would recommend allocating federal stimulus funds, in particular, according to existing program guidelines to ensure efficient delivery of the funds. The Commission is committed to working with all stakeholders to streamline the targeting of these dollars.

The Commission would also suggest that the employment of stimulus funds follow a rational policy path, one that is consistent with the state's objectives and policy principles, especially at the federal level. Keeping this broader perspective will help the state achieve the economic stimulus intended and at the same time advance the state's mobility and sustainability objectives.

Incorporating Greenhouse Gas Reductions in Transportation

In 2007 the Commission led a consensus-building effort to incorporate AB 32 objectives into regional transportation plan guidelines. The Commission's effort predated SB 375 but was ultimately in concert with the overall direction of the bill. Passage of SB 375 left several unanswered questions for the transportation community, questions the author has indicated a willingness to answer in 2009. The Commission looks forward to working with the Legislature to provide further clarification on the intent, objectives and process envisioned by SB 375.

As the Commission and the transportation community deal with SB 375 issues, the transportation community will also be dealing with implementation of AB 32 GHG emission reduction targets. The California Air Resources Board's (CARB) AB 32 scoping plan will go from plan to implementation scheme in 2009. The transportation and land use sectors will be key to achieving the AB 32 reduction targets. The Commission is already working with CARB, Caltrans, the Governor's Office of Planning and Research, and Housing and Community Development on AB 32 implementation strategies. To succeed, the transportation community will need both reasonable, measurable standards and sufficient funding sized to meet those standards. The Commission notes that the state's major metropolitan planning organizations (MPOs) and regional transportation agencies are already working on strategies to comply with AB 32 and SB 375. From the Commission's viewpoint, the issue is not if suitable emission reduction strategies exist; but whether transportation agencies will have reliable, sustainable, growing state and federal transportation revenues by which to fund the reduction strategies. Based on the past two decades, the Commission would suggest that the prognosis for such funding is poor. And, based on recent budget actions and proposals—particularly related to transit operating funds—it would appear that both the administration and the Legislature are willing to jeopardize transit's ability to reduce vehicle miles traveled (VMT).

In summary, without reliable, sustainable, growing transportation revenues in the next decade, the transportation community will not achieve CARB's AB 32 planning targets for the land use component of the transportation sector.

Focusing Funding on Rehabilitation

The Commission has previously communicated its support for funding the rehabilitation of the state highway system and the local road network a key priority. An efficient and well maintained transit and highway system is the foundation upon which to implement the emission reduction strategies noted above. The top priority for transportation funding should be improving the safety and the poor condition of the state, the counties, and the cities networks. Every provider of transportation—from Caltrans to transit operators to small rural cities—faces a staggering bill for keeping the existing system from falling apart, let alone in good repair. The investment of our parents and grandparents is crumbling before our eyes. Without priority attention, our children and grandchildren will be stuck with a much larger bill for today's projects and a system unworthy of the state's position as a world economy.

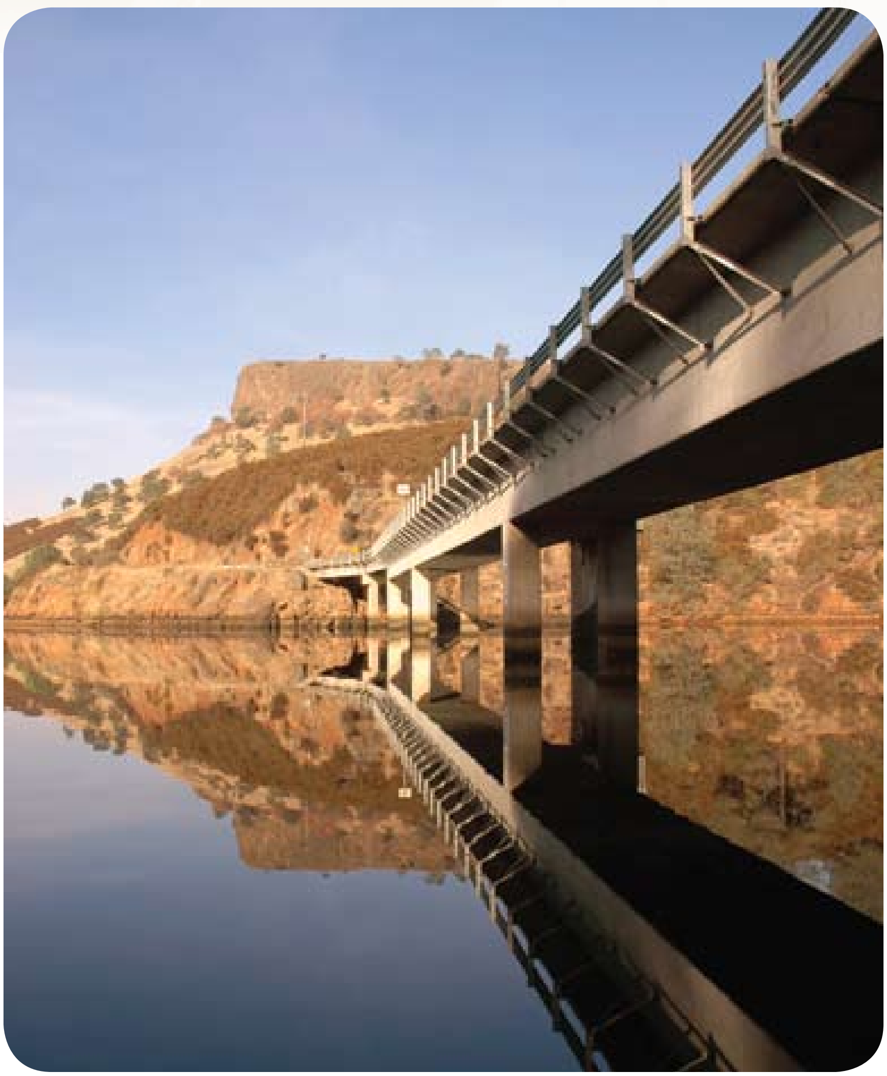
With new information developed by the cities and counties on the local rehabilitation needs and Caltrans' updated information on the state system, the Commission would urge the Legislature to pay particular attention to this issue in 2009—even in the face of existing financial difficulties.

Implementing Proposition 1B

The coming year represents the second year of implementing Proposition 1B. The Commission has established accountability and oversight measures that should make project delivery more open and transparent. Knowing the status of projects is one thing; working with project sponsors to manage the inevitable delivery challenges is another. The Commission would urge the Legislature to be mindful that project delivery is not always a linear process and to understand that the Commission, Caltrans and project sponsors are committed to delivering projects and their mobility benefits. The transportation community collectively is working collaboratively to fulfill our promise to the state's voters. We have been successful in 2008 and expect to be so again in 2009 provided that adequate funding is available to maintain construction.

Overview of 2008

The California Transportation Commission (Commission) shifted from programming to implementation mode for eight of the nine Proposition 1B programs before the close of 2008. The Commission has programmed all Proposition 1B dollars within its purview with the exception of the State-Local Partnership Program (SLPP), the guidelines were approved at the Commission's December 2008 meeting, and a program for 2008-09 is expected to be in place by April 2009.



Detailed descriptions and progress of Proposition 1B programs are provided in subsequent sections of this annual report.

In last year's report, the Commission identified two key issues for 2008, in addition to implementing Proposition 1B programs:

- Managing existing programs amidst uncertain budget and revenue forecasts
- Working to incorporate climate change emission reduction measures into the planning, programming and implementation of transportation projects

In July 2008, the Commission notified the Legislature of the impact of a suspension of Proposition 42 in 2008-09. In the Commission's view, the full or partial suspension of Proposition 42 revenues would have had a negative material impact on the 2008 State Transportation Improvement Program (STIP), calling into question the programming decisions the Commission made for the entire 5-year STIP period. With the enactment of the budget in September, the Commission and Department of Transportation (Caltrans) estimates that this funding should allow all STIP

projects programmed in 2008-09 to be allocated within the fiscal year.

However, Proposition 42 funding remains at risk as long as the state's general fund budget remains in a deficit. Should Proposition 42 be suspended in the future, the Commission would likely be forced to delay projects over multiple years. Because of the inter-related nature of STIP funding to the Corridor Mobility Improvement Account (CMIA) and State Route 99 (SR) Corridor Account funding, diverting Proposition 42 funding could result in under-funded, and therefore incomplete, CMIA and SR 99 projects.

To begin a productive analysis of state funding for transit capital, the Commission and the California Transit Association held a Transit Capital Summit in October. The event brought together nearly 150 people from transit systems and state and regional government agencies, as well as a number of legislative staff and transit advocates. A roundtable session was held to develop possible solutions for future transit capital funding at the state level. At the conclusion of the discussion sessions, a task force comprised of regional agencies, transit system operators and others was designated to develop an action plan regarding implementation of some of the recommendations. A spring summit is planned to review and formalize the work completed by each task force.

Proposed transportation projects that may increase greenhouse gas (GHG) emissions have come under increased scrutiny as a result of Assembly Bill 32 – the California Global Warming Solutions Act of 2006. In May 2008, the Commission adopted an addendum to the 2007 Regional Transportation Plan (RTP) Guidelines addressing climate change and GHG emissions during the RTP process. The addendum included guidance for smart growth, land use and transportation modeling. The realization that any future transportation projects must consider GHG issues came to the forefront with the passage of Senate Bill (SB) 375, which further confirms that global warming issues must be addressed during the transportation planning process.

In reviewing this legislation, the Commission composed a letter to the Governor highlighting two issues that should be addressed in clarifying legislation: 1) that transportation sales tax measures passed by 2010 should be exempt from evaluation under SB 375 requirements, and 2) that GHG analyses should be done at the program level and that individual project environmental documents tier off from the program analyses.

In late November, executives and staff from the Commission, the Air Resources Board, the Governor's Office of Planning and Research, and Caltrans held the first in a series of meetings to discuss how the agencies will coordinate the new requirements resulting from SB 375. Meetings of this group will continue through 2009.

Any future transportation projects must consider GHG issues with the passage of Senate Bill 375.

State Transportation Improvement Program

The State Transportation Improvement Program (STIP) is the biennial five-year plan adopted by the California Transportation Commission (Commission) for future allocations of certain state transportation funds for state highway improvements, intercity rail, and regional highway and transit improvements. State law requires the Commission to update the STIP biennially, in even-numbered years, with each new STIP adding two new years to prior programming commitments.

The Commission adopted the 2008 STIP, covering the five-year period through the 2012-13 fiscal year, in May, 2008. The development of the 2008 STIP began with the adoption of the fund estimate in October, 2007 as described in the Commission's 2007 Annual Report. As noted in that report, the 2008 STIP required the selection of projects in three distinct categories, reflecting the restrictions on two of the STIP's three funding categories. The STIP adopted by the Commission programmed $870 million in Public Transportation Account (PTA) funds (limited to rail and transit projects), $362 million in Transportation Enhancement (TE) funds (limited to federally approved transportation enhancement activities), and $4.5 billion in Proposition 42 Transportation Investment Fund (TIF) and Proposition 1B Transportation Facilities Account (TFA) flexible funds (which can be used for highway, rail or transit projects).

STIP Development Process

The Commission exercised its option under state law to delay the development of the 2008 STIP because of pending state and federal legislation that would have a significant impact on the STIP fund estimate. In this case,

the delay was about two months, and considered final action on the 2007-08 budget and trailer bills, and final action on Senate Bill (SB) 717 (Chapter 733, Statutes of 2007), which, along with SB 79 (Chapter 173, Statutes of 2007), reduced the distribution of PTA funding to the STIP in future years.

With the delay, the Commission adopted the fund estimate on October 24, 2007. Regional agencies and the Department of Transportation (Caltrans) made their STIP proposals through the regional transportation improvement programs (RTIPs) and the interregional transportation improvement program (ITIP) by February 19, 2008. The Commission subsequently held two public hearings on the STIP proposals, one on March 12 in Sacramento and the other on March 18 in Los Angeles. The Commission staff issued its STIP recommendations on May 9, and the Commission adopted the 2008 STIP on May 29, 2008.

The 2008 STIP fund estimate included new capacity of $1.164 billion, including $144 million in federal TE funds, $1.034 billion from the TIF and the TFA, and a funding shortfall of $14 million in the PTA. In addition, the programming of the 2008 STIP included $4.59 billion in carryover capacity from projects carried forward from the 2006 STIP. The $4.59 billion included $178 million for scheduled cash reimbursements to local agencies that advanced local funds for STIP projects by agreement pursuant to Assembly Bill (AB) 3090 (Chapter 1243, Statutes of 1992).

Summary Of 2008 STIP Capacity (dollars in millions)

	Carryover Capacity (programmed)	New Capacity	Total
Federal Transportation Enhancement (TE)	$ 218	$ 144	$ 362
Public Transportation Account (PTA)	879	-14	865
Highway/roads (TIF Prop 42, TFA Prop 1B)	3,493	1,034	4,527
Total	**$4,590**	**$1,164**	**$5,754**

Summary Of 2008 STIP Capacity By Year (dollars in millions)

	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Enhancement (TE)	$ 67	$ 72	$ 73	$ 74	$ 76	$ 366
Transit (PTA)	0	140	225	250	250	865
Roads (TIF,TFA)	1,776	730	686	643	692	4,527
Total	**$1,843**	**$942**	**$984**	**$967**	**$1,018**	**$5,754**

STIP Adoption

When the Commission adopted the 2008 STIP in May, it included:

- $4.506 billion in highway and road programming, for a net increase of $1.013 billion. This includes $73 million that was reserved for further review of STIP requests for increases in Corridor Mobility Improvement Account (CMIA) and State Route 99 (SR 99) Corridor Account bond projects. That reserve was fully programmed to those projects by July.
- $870 million in rail and transit projects, a net decrease of $9 million. Even with the decrease, rail and transit programming slightly exceeded the estimated STIP capacity from the PTA.
- $362 million in TE projects and reserves, for a net increase of $144 million.

The following is a breakdown of 2008 STIP programming by funding category and fiscal year, including amendments through November 2008:

Summary Of 2008 STIP Programming (dollars in millions)

	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Enhancement (TE)	$ 61	$ 90	$ 73	$ 74	$ 63	$ 362
Transit (PTA)	50	136	245	256	251	938
Roads (TIF,TFA)	1,624	891	693	641	692	4,540
Total	**$1,734**	**$1,117**	**$1,011**	**$971**	**$1,006**	**$5,840**

The 2008 State Transportation Improvement Program required the selection of projects in three distinct categories.

The figures cited above do not include projects programmed in the 2006 STIP for 2007-08 or earlier, and they do not include programmed cash outlays for debt service on Grant Anticipation Revenue Vehicle (GARVEE) bonds or scheduled AB 3090 cash reimbursements to local agencies for advancing their own funds for STIP projects.

The TE projects carried forward from the prior year were generally programmed in the year identified in the RTIP or ITIP. New TE projects were generally programmed in the two outer years, regardless of the year for which they were nominated.

Most carryover PTA projects were delayed at least one year and new projects were programmed only in the two outer years. PTA rail and transit programming included all rail and transit projects nominated in the RTIPs and the ITIP except for $112 million in lower priority nominations from Orange County and a $200 million Tier 2 project nomination from Los Angeles County. This fully programmed all of the PTA capacity. No rail or transit projects were programmed in 2008-09, reflecting the absence of PTA capacity in 2008-09.

For 2008-09, the 2008 STIP programming of highway projects included all projects that were programmed in 2008-09 in the prior STIP that Caltrans and the regional agencies proposed to retain in 2008-09. For 2009-10 and 2010-11, the 2008 STIP retained STIP funding for all CMIA and SR 99 bond projects and delayed funding for most other carryover highway projects by at least one year. New highway projects were generally programmed only for the outer two years.

STIP Allocations

During the first two months of the fiscal year, the Commission made STIP allocations on a conditional basis due to the delay in the enactment of the state budget. The allocations were contingent upon both the enactment of the budget and the full funding of Proposition 42. In July 2008, the Commission, acting in its role as advisor to the Legislature and the Secretary of the Business, Transportation and Housing Agency, notified the Legislature of the impact of a suspension of Proposition 42 funding in 2008-09.

In the Commission's view, the full or partial suspension of Proposition 42 revenues would have had a negative material impact on the 2008 STIP. That impact would have called into question the programming decisions the Commission made for the entire STIP period, 2008-09 thru 2012-13. The Commission indicated a Proposition 42 suspension would have required postponing the allocation of STIP funds until after the preparation and adoption of a new fund estimate, and the reprogramming of the 2008 STIP.

This action would have necessitated a re-evaluation of all the STIP project commitments, including those projects in the CMIA and the SR 99 Corridor programs. Because of the inter-related nature of STIP funding to CMIA and SR 99 funding, diverting Proposition 42 funding could result in under-funded CMIA and SR 99 projects, thereby necessitating a thorough re-evaluation of these programs and the entire five-year STIP schedule.

The Legislature ultimately enacted a 2008-09 budget without suspending Proposition 42. Current Commission and Caltrans estimates indicate that this funding should allow all STIP projects programmed in 2008-09 to be allocated within the fiscal year.

However, Proposition 42 funding remains at risk as long as the state's general fund budget remains in a deficit. Should the Legislature find it necessary to suspend Proposition 42 in the future, the Commission would be forced to delay projects over multiple years. The Commission recognizes that the Administration and the Legislature face serious challenges in resolving continuing budget deficits. However, under our current funding structure, these are the only funds available to help Californians tackle mobility issues while stimulating the state's faltering economy.

Proposition 1B Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006

After the passage of Proposition 1B, Governor Schwarzenegger issued Executive Order S-02-07 that requires the California Transportation Commission (Commission) to be accountable for ensuring that bond proceeds are expended in a manner consistent with the provisions of either the applicable bond act and the State General Obligation Bond Law or laws pertaining to state lease revenue bonds and all other applicable state and federal laws. The Executive Order also requires that the Commission establish and document a three-part accountability structure for bond proceeds and requires that information to be available to the public in a transparent and timely manner.

Senate Bill (SB) 88, a trailer bill to the Budget Act of 2007, also includes implementation and accountability requirements for Proposition 1B projects and further defines the role of the Commission as the administrative agency for certain bond programs. SB 88 requires project nominations to include project delivery milestones and identifies reporting requirements as a condition of allocating bond funds. SB 88 also requires the Commission to approve or direct the recipient agency to modify its corrective plan when project costs are anticipated to exceed the approved project budget or the recipient agency is considering a reduction in the project scope to remain within budget.

To date, the Commission has programmed all available Proposition 1B dollars within its purview with the exception of the State-Local Partnership Program (SLPP). The Commission approved the SLPP guidelines in December 2008, and a program for fiscal year 2008-09 is expected to be in place by April 2009.

Year To Date As Of October 31, 2008 (dollars in thousands)

Program	Available	Committed	Allocated
Corridor Mobility Improvement Account (CMIA)	$ 4,500,000	$ 4,489,707	$ 1,577,956*
Route 99 Corridor Account (SR 99)	1,000,000	1,000,000	17,524
Trade Corridors Improvement Fund	2,000,000	2,000,000	97,605
State Transportation Improvement Program (STIP) Augmentation	2,000,000	2,000,000	1,087,000
State Highway Operations and Protection Program (SHOPP)	500,000	500,000	304,000
Traffic Light Synchronization	250,000	250,000	41,057
Local Bridge Seismic Retrofit Account	125,000	125,000	35,000
Highway-Railroad Crossing Safety Account	250,000	250,000	0
State-Local Partnership Program Account	1,000,000	0	0
	$11,625,000	**$10,610,249**	**$3,160,142**

*$89,162 CMIA funds to be replenished with funds from the Transportation Facilities Account in FY 08/09.

In its programming actions, the Commission required the development of project baseline agreements that would be signed by the recipient agency's Executive Director and the Department of Transportation's (Caltrans) Director, and for some programs the Commission's Executive Director. The baseline agreements set forth the agreed upon project scope, schedule, cost and expected benefits. These agreements also include the estimated cost and the start and completion dates for the environmental, right-of-way, design, and construction phases of the project. Recipient agencies are responsible for managing the scope, cost and schedule of the project consistent with the adopted programs and executed baseline agreements. The baseline agreement is considered the front-end document that forms the foundation for the Commission's in-progress and follow-up accountability.

The Commission also requires recipient agencies to report, on a quarterly basis, on the activities and progress made toward the implementation of a project, including those activities taking place prior to the allocation of bond funds. The quarterly progress report includes approved budgets, actual expenditures and forecasted costs, as well as approved schedules, progress to date, and forecasted completion dates for each phase of a project.

The Commission put forth an accountability implementation plan that incorporates provisions from Proposition 1B, the Governor's Executive Order, and SB 88. The accountability implementation plan emphasizes transparency and accountability throughout the lifetime of a project. One of the most significant accountability actions taken by the Commission, in its program adoption actions for most Proposition 1B programs, is the mandate that bond funding be limited to the cost of construction. This mandate ensures bond funds are only expended for physical capital improvements with quantifiable benefits.

The Commission's accountability plan builds on many decades of transportation project delivery experience and established roles and responsibilities involving Caltrans and other recipient agencies. The Commission's accountability implementation plan allows a review of the project's progress on a quarterly basis, and requires the recipient agency to develop a corrective plan to address anticipated deviations or variances from the approved project baseline agreement. Efficiency measures for possible cost increases or schedule delays are addressed on an ongoing basis by the project team and documented through the corrective plans.

The Commission incorporated audit requirements in its program guidelines as mandated by SB 88. The audits will be performed at the completion of construction when the facility becomes operable (typically when the construction contractor has completed the work and the recipient agency has opened the facility to traffic) and at the conclusion (close-out) of all project activities to document the full cost of the project.

Corridor Mobility Improvement Account Program

Proposition 1B authorized $4.5 billion in general obligation bond proceeds to be deposited in the Corridor Mobility Improvement Account (CMIA). Funds in the CMIA are available for performance improvements on the state highway system, or major access routes to the state highway system on the local road system, that relieve congestion by expanding capacity, enhance operations, or otherwise improve travel times within these high-congestion travel corridors. Under the Bond Act, bond proceeds are available, upon appropriation by the Legislature, for allocation by the Commission for projects included in the CMIA program.

The Commission adopted the CMIA program on February 28, 2007. Consequently, project baseline agreements were executed between the regional transportation planning agencies' Executive Directors, the Caltrans' Director, and the Commission's Executive Director. The baseline agreements set forth the agreed upon project scope, schedule, cost and expected benefits. These agreements also included the estimated cost and the start and completion dates for the environmental, right-of-way, design, and construction phases of the project. The Commission adopted these baseline agreements on June 7, 2007.

The CMIA program represents a substantial investment in the state's transportation infrastructure. The adopted program utilizes $4.4 billion from the CMIA, which is limited to the cost of construction with a couple of minor exceptions, and is supplemented with $4.9 billion of other state, local and federal funding resulting in a CMIA program of approximately $9.3 billion dedicated to the completion of 54 major transportation projects.

During 2007-08 the Commission allocated a total of $732 million to CMIA projects that were ready to commence construction, in addition to $6 million for certain project pre-construction activities. The following is a list of project-by-project allocations:

CMIA Allocations (FY 07/08) (dollars in thousands)

Project Title	County	State Route	Pre-Construction	Construction
State Route 580 Eastbound HOV Lanes	Alameda	580	$ 0	$ 43,417
Angels Camp Bypass	Calaveras	4	0	4,438
WB 580/NB 101 Connector	Marin	101	4,200	0
Westbound 580/Northbound 101 Connector	Marin	580	500	0
Lincoln Bypass*	Placer	65	0	162,877
Placer 80 Capacity/ Operational Improvements Phase 2	Placer	80	0	17,700
White Rock Rd Widening, Grant Line to Prairie City	Sacramento		1,500	0
Managed Lanes South Segment (Unit 1)	San Diego	15	0	99,025
Managed Lanes South Segment (Unit 2)	San Diego	15	0	146,236
Managed Lanes South Segment (Unit 3)	San Diego	15	0	104,739
Route 5/805 North Coast Corridor - Stage 1A	San Diego	5	0	24,500
I-80 HOV Lanes	Solano	80	0	44,184
US 101 HOV Lanes - Santa Rosa to Windsor	Sonoma	101	0	69,860
State Route 219 Expressway Phase I	Stanislaus	219	0	14,760
		Total Allocations	**$6,200**	**$731,736**

*$89,162 CMIA funds to be replenished with funds from the Transportation Facilities Account in FY 08/09.

The status of individual projects in the CMIA program is reported to the Commission on a quarterly basis. The commitment to the scope, schedule and cost as outlined in project baseline agreements has been demonstrated by the responsible agencies. During the year, the project sponsors and implementing agencies took actions necessary to ensure successful project delivery. In a few instances, the baseline agreements were amended to reflect scope, cost and schedule adjustments. None of these adjustments negatively affected the scope or schedule of these projects in a significant manner.

Specific project information for the CMIA projects, including total project cost, CMIA contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

State Route 99 Corridor Account

Proposition 1B authorized $1.0 billion in general obligation bond proceeds to be deposited in the State Route 99 (SR 99) Corridor Account. Funds in the SR 99 Account may be used for safety, operational enhancements, rehabilitation, or capacity improvements necessary to improve the SR 99 Corridor, traversing approximately 400 miles in the central valley. Under the Bond Act, bond proceeds are available upon appropriation by the Legislature for allocation by the Commission for projects included in the SR 99 program.

Similar to the CMIA program, project baseline agreements were executed by the regional transportation planning agency's Executive Director, Caltrans' Director, and the Commission's Executive Director. The baseline agreements set forth the agreed upon project scope, schedule, cost and expected benefits. These agreements also included the estimated cost and the start and completion dates for the environmental, right-of-way, design, and construction phases of the project. These baseline agreements were adopted by the Commission on June 7, 2007.

The SR 99 program consists of projects totaling $1.3 billion dollars. This significant investment of SR 99 Account funds leverages additional commitments by the project sponsors of $320 million in state, local and federal funding.

The status of each SR 99 project is reported to the Commission on a quarterly basis. With the exception of a few projects, there were no impacts to scope, cost or schedule requiring an amendment to the baseline agreement. For those that required an amendment, there was no change to the bond funding programmed for the projects and no material impacts to project delivery.

Specific project information for the SR 99 projects, including total project cost, SR 99 contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

Trade Corridors Improvement Fund

Proposition 1B authorized $2 billion of state general obligation bonds for the Trade Corridors Improvement Fund (TCIF). Funds in the TCIF are available to the Commission, upon appropriation by the Legislature, for allocation for infrastructure improvements along federally designated "Trade Corridors of National Significance" in the state or along other corridors within the state that have a high volume of freight movement. Proposition 1B provides for highway capacity and operational improvements to more efficiently accommodate the movement of freight; for improvements in the freight rail system's ability to move goods from seaports, land ports of entry and airports to warehousing and distribution centers throughout California; truck corridor improvements, including dedicated truck facilities or truck toll facilities; border access improvements to enhance goods movement between California and Mexico; and surface transportation improvements to facilitate the flow of goods to and from the state's airports. Proposition 1B requires that the Commission allocate funds for trade infrastructure improvements in a manner that places an emphasis on projects that improve trade corridor mobility while reducing emission of diesel particulate and other pollutant emissions.

Subsequent to the passage of Proposition 1B and in response to stakeholder input, the Commission established a TCIF Work Group and held a series of Work Group meetings in the spring of

2007. The TCIF Work Group included transportation, logistics and environmental stakeholders, as well as representatives from the Business, Transportation and Housing Agency, Caltrans, the California Environmental Protection Agency, California Marine & Intermodal Transportation System Advisory Council (CALMITSAC) and legislative staff. The purpose of the TCIF Work Group was to develop a policy framework for the implementation of the TCIF and to develop long-term strategies for goods movement investments in California. The TCIF Work Group focused on several key policy areas involved in implementing the TCIF, including:

- The appropriate programming framework for the TCIF, ensuring that TCIF funds are programmed in a manner that addresses the State's most urgent needs, provides reasonable geographic balance between the state's regions, and places emphasis on projects that improve trade corridor mobility while reducing emissions of diesel particulate and other pollutant emissions.
- The role and types of funding match for the TCIF dollars.
- The appropriate roles for the public and private sectors in developing, funding and implementing TCIF projects and strategies.

Based on the input from the TCIF Work Group, Commission staff developed guidelines for the TCIF and these guidelines were adopted by the Commission at a special meeting on November 27, 2007.

As part of the guideline development process, the Commission determined that the following corridors have a high volume of freight movement and are eligible for funding under the TCIF:

- Bay Area Corridor
- Central Valley Corridor
- Los Angeles/Inland Empire Corridor
- San Diego/Border Corridor

The Commission acknowledged that other regions of the state may have goods movement infrastructure needs along corridors that have a high volume of freight movement that would be eligible for funding through the TCIF and allowed these regions to nominate projects for consideration.

In the guidelines, the Commission supported a corridor-based programming approach to the TCIF, which recognized and complemented the goods movement planning work already done within the major trade corridors. The Commission also recognized and supported the key role that the state played in project identification and supported integrating statewide goods movement priorities into the corridor approach.

To promote this corridor-based approach, the Commission developed geographic programming ranges, in consultation with Caltrans and the corridor regional agencies. The targets are neither minimums nor maximums. They did not constrain what any agency could propose nor what the Commission could approve for programming and allocation within any particular corridor. The targets reflected the intent of the Commission to establish an ongoing goods movement program for the state, acknowledging that the infrastructure needs far exceed the $2 billion provided under Proposition 1B and that other sources of funding should be explored for meeting those needs. The Commission also supported the funding strategy proposed by Caltrans and the corridor agencies to increase TCIF funding by approximately $500 million from the State Highway Account (SHA) to fund state-level priorities that are critical to goods movement. In addition, the targets reflected the Commission's intent to program approximately 20 percent more than the resulting $2.5 billion available from the TCIF and the SHA. This over programming assumes that new revenue sources will become available and will be dedicated to funding the adopted program. This assumption now appears to be "at risk" in the current economic environment. The Commission anticipates reviewing the programming and delivery status of all projects in 2010 and may adopt amendments to the program based on the availability of funds or changes in project delivery schedules. The geographic programming targets adopted in the guidelines are as follows:

TCIF Corridor Programming Ranges (dollars in millions)

	Low	High
Los Angeles/Inland Empire Corridor	$ 1,500	$ 1,700
San Diego/International Border Corridor	250	400
San Francisco/Central Valley Corridor	640	840
Other Corridors	60	80
Administration Fees	40	40
Total	**$2,490**	**$3,060**

The guidelines also established screening and evaluation criteria for nominated projects. The screening criteria addressed the key elements of eligibility, including deliverability, air quality considerations, economic impact, and the ability to expand transportation funding through the requirement of a 1:1 match. The evaluation criteria were outcome oriented and customizable to each corridor.

The guidelines required nominations to be submitted to the Commission by January 17, 2008. The Commission received 84 nominations totaling $4.1 billion of TCIF funding requests. Commission staff reviewed the nominations and applied the screening and evaluation criteria included in the guidelines. The Commission staff also took into consideration the methods by which the corridor coalitions had determined the relative priority of their nominations.

The Commission adopted the initial TCIF program of 79 projects, valued at $3.088 billion, on April 10, 2008. The total value of these projects is estimated at approximately $8.439 billion resulting in an average match of 1.7 to 1.0.

In adopting the initial TCIF program, the Commission directed the nominating agencies to provide executed Project Baseline Agreements that set forth the proposed project scope, measurable expected performance benefits, delivery schedule, and a project budget and funding plan. The Commission also directed that the project baseline agreements be signed by the Director of Caltrans, the regional transportation planning agency and nominating agency Executive Directors, and the Commission's Executive Director. For investments in rail projects, the Commission required that the project baseline agreement include a memorandum of understanding between the private railroad and the regional transportation planning agency and/or Caltrans, if applicable.

AB 268 codified the Commission's TCIF program adoption and set the corridor programming targets in law.

The Commission approved the first TCIF Project Baseline Agreement at its June 2008 meeting and as of November 1, 2008, had approved 63 of the 79 project baseline agreements. Several of the remaining agreements consist of rail projects that are engaged in active negotiations.

Specific project information for the TCIF projects, including total project cost, TCIF contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

Traffic Light Synchronization Program

Proposition 1B authorized $250 million for the Traffic Light Synchronization Program (TLSP) from the Highway Safety, Rehabilitation and Preservation Account (HSRPA).

The TLSP funds are available, upon appropriation by the Legislature, for allocation by the Commission, to Caltrans for traffic light synchronization projects and other technology-based improvements to improve safety, operations and the effective capacity of local streets and roads. Caltrans developed a proposed program of projects for the TLSP on the basis of project applications prepared by regional transportation planning agencies or recipient local agencies.

SB 88 designated the Commission as the administrative agency responsible for programming TLSP funds and the agency authorized to adopt guidelines for the program. SB 88 directed that $150 million from the TLSP be allocated to the City of Los Angeles for upgrading and installing traffic signal synchronization within its jurisdiction.

Consistent with other Proposition 1B programs, a fee of 2 percent to cover bond administrative costs per the Department of Finance has been deducted from funds available, thus reducing the amount of funds available to the City of Los Angeles to $147 million, and reducing the amount available for projects nominated by agencies other than the City of Los Angeles to $98 million.

On February 13, 2008, the Commission adopted the TLSP Guidelines. The guidelines specified timelines for program development, the content of project application proposals, and criteria for project application scoring. The deadline for project submittal was March 28, 2008. Caltrans received a total of 118 project applications on or before the due date for nominations. Of the 118 submittals, one application was from the City of Los Angeles covering 21 nominations equal to the $147 million level for the city.

Caltrans formed a committee of representatives from the Federal Highway Administration and the Commission to review and evaluate project applications from agencies other than the City of Los Angeles. The remaining 117 projects nominated by agencies other than the City of Los Angeles were evaluated using criteria included in the Commission's TLSP Guidelines. The committee recommended that the 62 projects with the highest scores be programmed in the TLSP for $98 million.

On May 28, 2008, the Commission adopted the TLSP program and approved 21 traffic light synchronization projects totaling $147 million for the City of Los Angeles and $98 million for 62 additional traffic light synchronization projects for agencies other than the City of Los Angeles.

On October 29, 2008, the Commission approved an amendment to the TLSP. The project list for the City of Los Angeles was amended to modify construction start dates and funding plans to be consistent with the approved baseline agreements. The project list for those agencies other than the City of Los Angeles was revised to swap a project in San Francisco with another one in the city.

In accordance with the TLSP Guidelines, the development of project baseline agreements was initiated upon approval of the program. The baseline agreements set forth the project scope, delivery schedule, estimated costs and funding plan, and the expected benefits to be derived from the project. The project baseline agreements were executed by the applicant agencies and Caltrans on October 28, 2008.

The Commission has made the following TLSP project allocations through October 2008:

Co.	Applicant Name	Corridor Name	Date Voted	Allocations
SON	Santa Rosa	Steele Lane / Guerneville Road	Aug-08	$1,100,000
SBD	Rancho Cucamonga	Foothill Boulevard	Aug-08	$225,000
SAC	Sacramento County	Madison Avenue	Aug-08	$142,000
SD	Vista	North Santa Fe Avenue	Aug-08	$161,000
SD	Vista	South Melrose Drive	Aug-08	$267,000
SD	San Diego County	South Mission Road	Aug-08	$78,000
SD	San Diego County	Bonita, Sweetwater, and Briarwood Roads	Aug-08	$718,000
SD	San Marcos	San Marcos Blvd. Smart Corridor	Aug-08	$549,000
SD	San Marcos	Rancho Santa Fe Road	Aug-08	$266,000
SAC	Citrus Heights	TLSP Phase II Greenback Lane	Sep-08	$180,000
PLA	Roseville	East ITS Coordination	Sep-08	$1,165,000
KIN	Hanford	12th Avenue	Sep-08	$90,000
SCL	San Jose	Citywide Synchronization	Sep-08	$9,277,000
MRN	Marin County	Sir Frances Drake Boulevard	Sep-08	$208,000
SD	SANDAG	East-West Metro Corridor	Oct-08	$1,267,000
SD	SANDAG	At-grade Crossing Traffic Synchronization	Oct-08	$820,000
SD	SANDAG	I-15 Corridor	Oct-08	$2,162,000
SD	SANDAG	I-805 Corridor	Oct-08	$640,000
RIV	Murrieta	Murrieta Hot Springs Road	Oct-08	$478,000
SD	SANDAG	Transit Signal Priority	Oct-08	$951,000
ALA	San Leandro	ATMS Expansion	Oct-08	$350,000
ORA	Garden Grove	TMC Upgrade	Oct-08	$1,859,000
SF	San Francisco MTA	Franklin, Gough & Polk Streets	Oct-08	$5,110,000
RIV	Corona	TLSP ATMS Phase II	Oct-08	$4,488,000
LA	Reseda	ATSAC - Reseda	Oct-08	$8,506,000
			Total	**$41,057,000**

Specific project information for the TLSP projects can be found at: http://www.bondaccountability.ca.gov.

Highway-Railroad Crossing Safety Account

Proposition 1B includes $250 million for the Highway-Railroad Crossing Safety Account (HRCSA) Program to fund the completion of high-priority grade separation and railroad crossing safety improvements. The HRCSA funds are available, upon appropriation by the Legislature, to Caltrans, as allocated by the Commission.

SB 88 designated the Commission as the administrative agency responsible for programming HRCSA funds and the agency authorized to adopt guidelines for the program. SB 88 required that the Commission consult with the Public Utilities Commission (PUC), Caltrans and the High Speed Rail Authority in the development of guidelines.

The Commission adopted HRCSA Program Guidelines on April 9, 2008 that identified the Commission's policy and expectations for the HRCSA program, including program development timelines, requirements for project nomination, and criteria for project evaluation and scoring.

The HRCSA Program is subject to the provisions of Government Code Section 8879.23(j), as added by Proposition 1B, and includes:

1. $150 million under Section 8879.23(j)(1), described in the Commission's guidelines as Part 1, for projects on the priority list established by the PUC pursuant to the process established in Chapter 10 (commencing with Section 2450) of Division 3 of the Streets and Highways Code
2. $100 million under Section 8879.23(j)(2), described in the Commission's guidelines as Part 2, for high-priority railroad crossing improvements that are not part of the PUC priority list process.

The Commission received 49 project applications requesting $794 million in HRCSA funds by the deadline of June 16, 2008, and held a public hearing on July 24, 2008, receiving comments and testimony on nominated projects.

Commission staff reviewed and evaluated the project nominations consistent with the criteria set forth in the adopted HRCSA Guidelines, giving higher priority to projects that can commence construction by December 2010, and to those that have a higher level of non-state funding contribution. Commission staff released its recommendation on August 8, 2008, to program $240 million for 22 projects. The Commission received further public comment and testimony at its August 27, 2008 meeting, and directed staff to make adjustments to the recommended program.

The Commission adopted the HRCSA Program on August 28, 2008, programming $144 million for twelve projects in Part 1 and $100.884 million for eleven projects in Part 2, for a total of $245 million. Including $5 million set aside for bond administrative fees, the total program is $250 million.

The Commission expects Caltrans and nominating agencies to execute project baseline agreements that set forth the project scope, measurable expected performance benefits, delivery schedule, and estimated costs and funding plan. The Caltrans' Director and nominating agency Executive Directors shall sign the baseline agreements.

The Commission requires that baseline agreements include quantification of expected benefits related to the effectiveness of the proposed project and the degree in which the project reduces corridor or air basin emissions, and that these benefits be updated at the time an allocation of HRCSA funding is requested.

The Commission may delete a project from the adopted HRCSA Program for which a baseline agreement is not executed and the Commission will not approve project allocations prior to the execution of the baseline agreement.

Specific project information for the HRCSA projects, including total project cost, HRCSA contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

Local Bridge Seismic Retrofit Account

The passage of Proposition 1B created the $125 million Local Bridge Seismic Retrofit Account (LBSRA). Funds from the LBSRA provide the required 11.5 percent local match needed to receive

Federal Highway Bridge Program (HBP) funds. Federal HBP funds are the primary funding source used to seismically retrofit local bridges, ramps and overpasses.

At the April 2007 Commission meeting, Caltrans presented a list identifying 479 local seismic retrofit bridges eligible to receive match funds from the $125 million LBSRA bond fund. The 479 local bridges are the un-retrofitted bridges remaining from the 1,235 local bridges initially identified as in need of seismic retrofit under the Local Bridge Seismic Retrofit Program (LBSRP) mandated by emergency legislation SB 36X (1989) following the October 17, 1989 Loma Prieta earthquake.

The LBSRA is subject to implementing legislation SB 88, which designates the Commission as the administrative agency responsible for the use of LBSRA funds and authorizes the adoption of implementing guidelines. The Commission at its May 2008 meeting adopted by Resolution LBS1B-G-0708-1 the Proposition 1B Local Bridge Seismic Retrofit (LBSR) Guidelines.

The Commission adopted LBSR Guidelines that require local agencies responsible for delivery of local seismic retrofit projects to execute project baseline agreements that set forth project scope, cost and delivery schedule. At the Commission's September 2008 meeting, Caltrans reported that all baseline agreements were executed with the following two exceptions:

Fresno County – Bridge Number 42C0280, West Althea Ave & Delta-Mendota Canal and Bridge Number 42C0281, West Sierra Ave & Delta-Mendota Canal. Fresno County claims the two bridges are under the jurisdiction of the United States Bureau of Reclamation. The Bureau of Reclamation failed to affirm ownership. A determination of ownership is in progress.

Cabrillo College – Bridge Number 36C0103, Soquel Dr. & Cabrillo College Pedestrian Overcrossing. Cabrillo College has no experience with federal aid projects and is seeking help from Caltrans in developing project scope, cost and schedule.

At the same September, 2008 meeting, Caltrans reported that ten local bridges, from an initial total of 479, were removed from the initial local seismic retrofit bridge list because after additional investigation the bridges were found to be either not owned by local agencies or the seismic retrofit had already been completed or the bridge had been demolished. In addition, Merced County declined Proposition 1B bond matching funds for its one listed bridge. The county chose to replace the bridge under the HBP and not pursue the small amount of retrofit work that would have been allowed under Proposition 1B. The eleven bridges were removed from the Commission adopted list. This action reduced the total number of local bridges identified to receive bond funds to 468.

Fiscal Year 2007-08 Allocations

Consistent with the 2007 Budget Act, the Commission at its July 2007 meeting, allocated $13.5 million to Caltrans for use as required local match for seismic retrofit work on local bridges programmed for delivery in federal fiscal year 2007-08. The Commission authorized Caltrans to sub-allocate the $13.5 million to local seismic retrofit projects on a first-come, first-serve basis, including projects outside the 2007-08 program year, until the allocation is exhausted. As of June 30, 2008, Caltrans sub-allocated $6.28 million to 34 projects, 14 programmed in federal fiscal year 2007-08 and 20 advanced from subsequent program years.

Fiscal Year 2008-09 Allocations

Consistent with the 2008 Budget Act, the Commission at its July 2008 meeting, allocated $21.0 million to Caltrans for use as required local match for seismic retrofit work on local bridges programmed for delivery in federal fiscal year 2008-09. The Commission authorized Caltrans to sub-allocate the $21.0 million to local seismic retrofit projects on a first-come, first-serve basis, including projects outside the 2008-09 program year, until the allocation is exhausted. In addition, Caltrans will exchange $24.28 million of local share federal HBP funds for state funds, consistent with the adopted LBSR Guidelines. Of this amount, Caltrans will allocate $10.2 million to the San Francisco Bay Area Rapid Transit District (BART) to cover the match initially covered by BART with local funds in fiscal year 2007-08.

Specific project information for the LBSRA projects, including total project cost, LBSRA contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

High Occupancy Toll Lanes

Assembly Bill (AB) 1467, approved by the Governor May 19, 2006, authorizes that, until January 1, 2012, regional transportation planning agencies, in cooperation with the Department of Transportation (Caltrans), may apply to the California Transportation Commission (Commission) to develop and operate high-occupancy toll (HOT) lanes, including the administration and operation of a value pricing program and exclusive or preferential lane facilities for public transit, as specified. The number of projects that may be approved is limited to four, two in Northern California and two in Southern California.

AB 1467 provides that the Legislature will select the HOT lane project(s). The Commission's role in implementing this legislation is limited to establishing eligibility criteria, determining whether each HOT lane application is eligible, holding public hearings in both Northern and Southern California for each eligible application, and submitting eligible application(s) and any public comments to the Legislature for approval or rejection. Approval is achieved by enactment of a statute.

On October 27, 2007, the Commission adopted the Public Partnership High Occupancy Toll Lane Guidelines and Application to implement the requirements of AB 1467. In order for the Commission to consider a project eligible for consideration by the Legislature, a nominating agency was required to submit an application in accordance with the guidelines and provide evidence that the project is consistent with Streets & Highways Code Sections 149-149.7; that there is cooperation with Caltrans and consistency with state highway system requirements; that the project is technically and financially feasible; that the project is consistent with the Regional Transportation Plan; and that there are performance measures established for project monitoring and tracking.

Subsequent to adopting the HOT Lane Guidelines, the Commission received two eligible applications, both from Southern California. On December 13, 2007, the Riverside County Transportation Commission (RCTC) submitted its Public Partnership Application for HOT Lanes for the Interstate 15 Corridor and HOT Lane Project in Riverside County to the Commission. The Commission found the RCTC application eligible for consideration by the Legislature on April 9, 2008. The Northern California hearing was held on April 10, 2008 and the Southern California hearing was held on April 24, 2008. AB 1954 authorizing the RCTC project was passed by the Legislature in August 2008 and signed by the Governor on September 27, 2008.

On March 31, 2008 the Los Angeles County Metropolitan Transportation Authority (LA Metro) submitted its application for the Los Angeles Region Express Lanes Project to the Commission. The Commission found the LA Metro application eligible for consideration by the Legislature on July 23, 2008. The Southern California hearing was held on July 23, 2008 and the Northern California hearing was held on July 28, 2008. Senate Bill 1422 authorizing the LA Metro project was passed by the Legislature in August 2008 and signed by the Governor on September 28, 2008.

A nominating agency was required to submit an application in accordance with the guidelines and provide evidence that the project is consistent with state highway system requirements.

Traffic Congestion Relief Program

The California Transportation Commission (Commission) allocated a total of $122 million to Traffic Congestion Relief Program (TCRP) projects in 2008.

In the first half of 2008, the Commission allocated $13 million that remained from 2007-08. In the second half of 2008, the Commission allocated $109 million from 2008-09.

2008-09 Allocations

With indications from the Department of Transportation (Caltrans) that a sufficient cash balance would exist to allow allocations up to $26 million in excess of the $83 million available in 2008-09, the Commission allocated $109.2 million as of October 2008. These allocations included $71 million for projects ready for construction, $3.7 million for pre-construction project activities, and $34.5 million for previously approved Letters of No Prejudice (LONPs).

TCRP Allocation Plan

After allocating the $83 million available in 2008-09, the projected TCRP allocation shortfall for the remainder of the fiscal year was $579 million. Senator Alan Lowenthal, chair of the Senate Transportation and Housing Committee and Assemblyman Mark DeSaulnier, chair of the Assembly Committee on Transportation, acknowledged that the Commission had to make choices regarding TCRP allocations and composed a letter supporting the Commission's adoption of an allocation strategy to mitigate the lack of funding.

At its August 2008 meeting, the Commission directed staff to return at the following meeting (September 2008) with a TCRP allocation criteria recommendation for future fiscal years.

In response to that direction, staff worked with Caltrans and the regions' TCRP Working Group to develop a TCRP Allocation Plan for future fiscal years (beyond 2008-09).

Under current statute, of the $1.061 billion to be available for future TCRP allocations (including the $26 million in allocation advancement in 2008-09), $579 million is to be repaid as required by Proposition 1A and $482 million is to be repaid from Tribal Gaming Bond revenues.

Repayment of the $1.061 billion is scheduled to be completed by fiscal year 2016-17. The intent of the TCRP Allocation Plan is to align the available annual amounts to match the allocation need by fiscal year. If the TCRP funding does not materialize on schedule for any reason, the allocation plan will be revisited.

Tier 1 of the allocation plan includes projects with existing LONPs and projects for which the agency has agreed to schedule allocations over several years (these include Proposition 1B Corridor Mobility Improvement Account projects with baseline agreements). These Allocation Plan Tier 1 scheduled allocations are commitments that take priority over and supersede LONPs.

Funding for projects in Tier 2 would be allocated on a first-come, first-serve basis. The second tier would include all other TCRP projects, which would be prioritized for allocation only after Tier 1 commitments have been met. If a shortfall exists, Tier 2 projects would have to wait for allocation until such time as the Tribal Gaming Bonds are available or until some other legislative resolution of the TCRP shortfall occurs.

The October 2008 TCRP Biannual Progress Report estimated the allocation need for 2009-10 is $266 million. A funding shortfall of $142 million is projected as only $124 million is expected to be available for TCRP allocations in 2009-10. The size of the shortfall would be significantly larger if not for the commitment of local funds and deferral of the reimbursement with TCRP funds over several years in the future.

Program Status

The Commission has approved $4.488 billion in applications through October 2008, including at least a partial application for each of the 141 designated projects. Application approval is equivalent to project programming, and it defines the scope, cost, and schedule of a project or project phase, and it generally includes expenditures projected for future years. The Commission has approved $3.865 billion in allocations through October 2008. Caltrans reports that the total expended through October 2008 is $2.877 billion. This is $372 million more than was expended through October 2007.

Information for each project, including authorized TCRP funding, amount approved, allocated, and expended as of October 2008, can be found at: http://www.catc.ca.gov/programs/tcrp/tcrp status.pdf.

Background

The Traffic Congestion Relief Act of 2000 (AB 2928 and SB 1662) created the TCRP, the Traffic Congestion Relief Fund (TCRF), and committed $4.909 billion to 141 specific projects designated in law. The TCRF was scheduled to receive revenues for the TCRP from:

- $1.595 billion in 2000-01 from a General Fund transfer and directly from gasoline sales tax revenues.
- $3.314 billion in transfers from the Transportation Investment Fund (TIF) over five years, the transfers were to be $678 million per year for the first four years and the balance of $602 million in the fifth year.

Assembly Bill 438 (Statutes of 2001) delayed the five-year schedule for the TIF transfers by two years, from 2001-02 through 2005-06 to 2003-04 through 2007-08. AB 438 also authorized a series of loans to the General Fund, including a $482 million loan from the TCRF.

In 2004-05, the Governor negotiated tribal gaming compacts to repay these loans through bonds but legal challenges have prevented the bonds from being issued. In the meantime, tribal gaming revenues are being used to make annual payments towards the remaining loan balances. The current projection is that 2009-10 is the earliest the tribal gaming funds will be available to begin repayment of the $482 million TCRF loan balance.

Proposition 42 (2002) transfers were partially suspended in 2003-04 ($389 million) and fully suspended in 2004-05 ($678 million), with just enough transferred to reimburse prior TCRP allocations. A total of $1.067 billion of TCRF was suspended and loaned to the General Fund. After a $323 million repayment in 2006-07 the loan balance stood at $744 million.

Proposition 1A, passed in November 2006, addressed the suspensions occurring on or before July 1, 2007 under Proposition 42 and requires that any revenues that are not transferred from the General Fund to the TIF as of July 1, 2007, be transferred from the General Fund to the TIF no later than June 30, 2016. The amount of the transfer payments to be made in each fiscal year shall not be less than one-tenth of the total amount remaining to be transferred.

After Proposition 1A payment of $83 million in both 2007-08 and 2008-09, the outstanding loan balance stands at $579 million to be repaid at approximately $83 million per year through 2015-16.

2008 Report on County and Interregional Share Balances

Section 188.11 of the Streets and Highways Code 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.

On August 1, 2008, the Commission issued its eleventh annual Report of STIP Balances, County and Interregional Shares. The report included the 2008 STIP adopted in May 2008, including technical adjustments approved in June and July 2008, and allocations approved through June 30, 2008. The balances in the report were based on the allocation capacity identified through 2012-13 in the 2008 STIP fund estimate, adopted in October 2007. The balances also included all current cash commitments made for Assembly Bill 3090 reimbursements and all debt service for the Grant Anticipation Revenue Vehicle (GARVEE) bonds authorized in 2004.

The following table provides a summary of the status of each individual county share and the interregional share. The table displays the total share amount, the amount programmed, and the unprogrammed balance or balance advanced for each county and the interregional share.

County	Share Amount	Share Programmed	Unprogrammed Balance	Balance Advanced
Alameda	$ 227,562	$ 217,760	$ 9,802	$ 0
Alpine-Amador-Calaveras	13,337	8,338	4,999	0
Butte	47,356	42,206	5,150	0
Colusa	11,566	10,444	1,122	0
Contra Costa	160,657	158,880	1,777	0
Del Norte	9,294	23,793	0	14,499
El Dorado LTC	22,916	30,421	0	7,505
Fresno	149,621	149,299	322	0
Glenn	11,100	10,107	993	0
Humboldt	72,663	70,803	1,860	0
Imperial	99,902	99,658	244	0
Inyo	54,013	43,823	10,190	0
Kern	295,411	297,901	0	2,490
Kings	46,543	66,879	0	20,336

County	Share Amount	Share Programmed	Unprogrammed Balance	Balance Advanced
Lake	30,026	26,391	3,635	0
Lassen	34,214	30,709	3,505	0
Los Angeles	1,580,980	1,587,532	0	6,552
Madera	29,598	28,784	814	0
Marin	32,151	57,695	0	25,544
Mariposa	14,667	12,348	2,319	0
Mendocino	56,370	56,280	90	0
Merced	47,268	49,128	0	1,860
Modoc	14,730	15,183	0	453
Mono	46,770	38,348	8,422	0
Monterey	168,880	173,914	0	5,034
Napa	38,855	39,085	0	230
Nevada	33,736	28,689	5,047	0
Orange	446,456	452,837	0	6,381
Placer TPA	45,106	98,271	0	53,165
Plumas	19,876	12,153	7,723	0
Riverside	315,793	324,921	0	9,128
Sacramento	101,840	97,554	4,286	0
San Benito	13,810	23,702	0	9,892
San Bernardino	582,407	583,786	0	1,379
San Diego	397,886	401,583	0	3,697
San Francisco	120,392	120,392	0	0
San Joaquin	130,172	115,766	14,406	0
San Luis Obispo	89,006	88,175	831	0
San Mateo	122,791	119,903	2,888	0
Santa Barbara	175,076	181,255	0	6,179
Santa Clara	97,931	137,519	0	39,588
Santa Cruz	48,336	44,605	3,731	0
Shasta	54,727	49,215	5,512	0
Sierra	8,503	8,595	0	92
Siskiyou	28,119	27,427	692	0
Solano	88,080	86,908	1,172	0
Sonoma	94,920	112,948	0	18,028
Stanislaus	142,969	136,856	6,113	0
Sutter	25,387	28,865	0	3,478
Tahoe RPA	19,677	17,140	2,537	0
Tehama	30,745	25,856	4,889	0
Trinity	28,032	27,688	344	0
Tulare	148,231	152,023	0	3,792
Tuolumne	25,581	25,648	0	67
Ventura	85,361	98,241	0	12,880
Yolo	41,292	43,945	0	2,653
Yuba	13,023	3,237	9,786	0
Statewide Regional	6,891,711	7,021,412	125,201	254,902
Interregional	2,425,916	2,439,066	0	13,150
TOTAL	**$9,317,627**	**$9,460,478**	**$125,201**	**$268,052**

State Highway Operation and Protection Program

As required by section 14526.5 of the Government Code, the California Transportation Commission (Commission) biennially approves the State Highway Operation and Protection Program (SHOPP). The SHOPP program is the plan for the expenditure of transportation funds for major capital improvements that are necessary to preserve and protect the state highway system. The SHOPP is prepared by the Department of Transportation (Caltrans), and is reviewed by the Commission for overall adequacy, annual funding needed to implement the program, and the impact on the State Transportation Improvement Program (STIP).

Caltrans submitted the 2008 SHOPP to the Commission on January 31, 2008. The Commission approved the 2008 SHOPP on March 13, 2008, and submitted it to the Legislature on March 28, 2008.

The 2008 SHOPP, covering fiscal years 2008-09 through 2011-12, includes projects for safety, emergency, legal mandates, bridge preservation, roadway preservation, roadside preservation, mobility, and highway related facilities.

The 2008 SHOPP programmed $8.429 billion for capital outlay and capital outlay support over the four-year period.

This funding level is insufficient to cover even half of the identified SHOPP needs. Under the state's current funding structure, the State Highway Account and Federal resources, both of which are generated primarily by fuel excise taxes, are available to fund the SHOPP; however, these revenue sources can only fund about 40% of the identified needs and other state transportation resources are not available to fund the SHOPP.

The outlook for SHOPP funding continues to deteriorate. At the funding level in the 2008 SHOPP, the state's ability to meet the rehabilitation and preservation needs of the state highway system is severely restricted. Construction and operating costs have risen in recent years. Fuel consumption and thus available SHOPP revenue has begun to decline. Additionally, rehabilitation and reconstruction needs are increasing as our infrastructure ages, and the continued increase in vehicle travel and goods movement are contributing to an increased rate of pavement and bridge deterioration. Further, increased legal, statutory and regulatory mandates that must be addressed limit the SHOPP funding available.

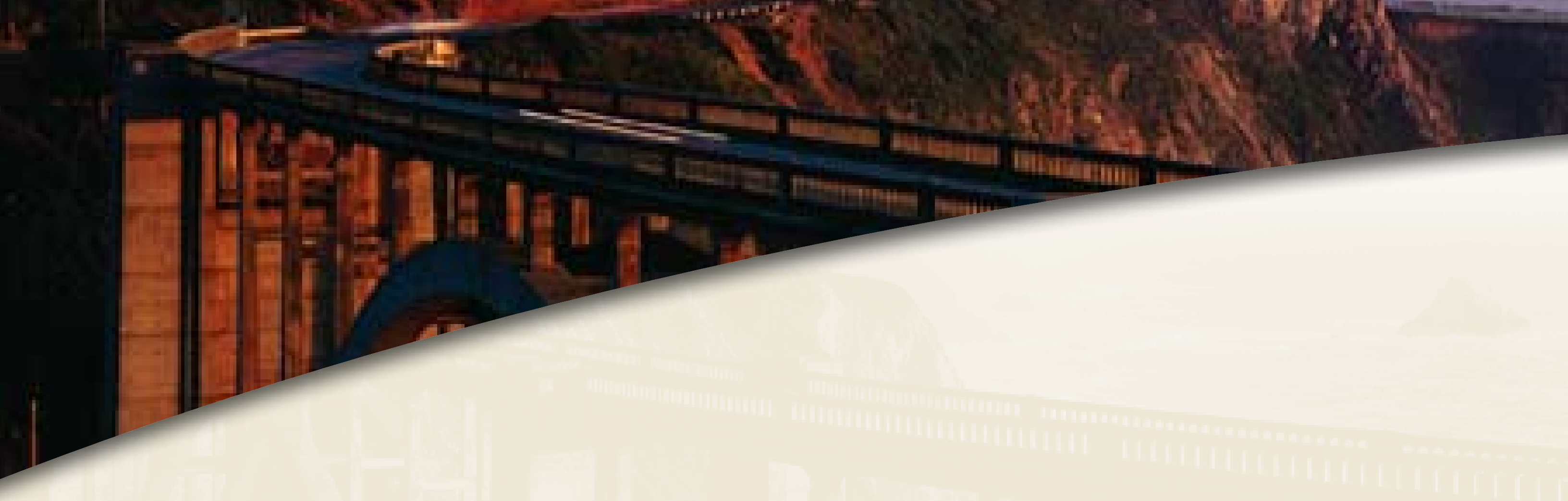
The average annual capital outlay level, excluding support costs, in the 2008 SHOPP is $1.5 billion. This is a decrease of nearly 20% from the $1.9 billion level in the 2007 Ten-Year SHOPP Plan. Looking forward, the estimated 2008-09 SHOPP capital outlay allocation capacity, excluding bond funded projects, is $1.2 billion, 23% below the average level in the 2008 SHOPP and 38% below the level in the 2007 SHOPP.

The SHOPP program is the plan for the expenditure of transportation funds for major capital improvements that are necessary to preserve and protect the state highway system.

Comparison of Annual SHOPP Capital Outlay Levels (dollars in millions*)

	2008 SHOPP	2007 SHOPP	Need (2007)
Bridge preservation	$ 300	$ 295	$ 611
Collision reduction	297	317	317
Emergency response	128	110	110
Facilities	20	44	80
Mandates	139	144	296
Minor	103	100	100
Mobility	98	120	399
Roadside preservation	38	50	178
Roadway preservation	441	750	2073
Total, Capital Outlay	**$1,563**	**$1,930**	**$4,164**

* Values from the 2007 SHOPP are un-escalated.



Federal Grant Anticipation Bonds

Under state and federal law, the California Transportation Commission (Commission) may select projects from the State Transportation Improvement Program (STIP) and State Highway Operation and Protection Program (SHOPP) to be funded from the proceeds of federal grant anticipation (GARVEE) bonds, a form of borrowing against future federal funding. Based upon the State Treasurer's Office's annual analysis of GARVEE capacity presented to the Commission in June 2008, the GARVEE bond capacity is from $1.51 billion to $2.73 billion, with the actual capacity depending upon the interest rate and maturities of the GARVEE bonds.

As a part in the 2008 SHOPP, the Department of Transportation (Caltrans) proposed using $2.2 billion in GARVEE bond financing to fund over a dozen large rehabilitation and reconstruction projects. These are projects that would otherwise not be afforded by the available State Highway Account funding. Although this financing mechanism allows these projects to be allocated within the 2008 SHOPP period, the debt service will limit future flexibility.

On April 9, 2008 the Commission approved the allocation of the first of these GARVEE projects: $70 million for pavement rehabilitation on Interstate 80 in Placer County, and $73 million for pavement rehabilitation on Interstate 80 in Nevada and Sierra Counties. Bonds were sold, and the contracts for these two projects were awarded, in October 2008.

Caltrans proposed using $2.2 billion in GARVEE bond financing to fund over a dozen large rehabilitation and reconstruction projects.

Comparison of Annual SHOPP Capital Outlay Levels (dollar in millions)

County	Route	Project	Year	Amount
Shasta	5	Antlers Bridge Replacement	2009-10	$ 191
Placer	80	Roadway Rehabilitation: Emigrant Gap	2009-10	134
Los Angeles	47	Schuyler Heim Bridge Replacement	2009-10	276
			FY Subtotal:	$ 601
San Francisco	101	Doyle Drive Bridge Reconstruct	2010-11	405
Los Angeles	10	Rte 10/605 Interchange	2010-11	43
Los Angeles	710	Rehabilitate roadway: Compton to Monterey Park, from Atlantic Ave. to Rt 10	2010-11	268
Los Angeles	710	Gerald Desmond Bridge Replacement	2010-11	250
			FY Subtotal:	$ 966
Sacramento	80	Rehabilitate Roadway: Sacramento River Bridge to Norwood Ave.	2011-12	40
San Luis Obispo	101	Rehabilitate Roadway: Atascadero, Cuesta Grade overhead to Traffic Way	2011-12	39
San Joaquin	12	Rehabilitate Roadway: Mokelumne River Bridge to New Potato Slough Bridge	2011-12	40
Alameda	580	East bound Truck Climbing Lane	2011-12	41
Solano	80	Cordelia Truck Inspection Terminal	2011-12	50
			FY Subtotal:	$ 209
Alameda	880	23rd Ave and 29th Ave interchanges	2012-13	73
			FY Subtotal:	$ 73
			Total Proposed:	**$1,849**

2007-08 Project Delivery

Project delivery (making projects ready to go to construction) continued to improve in 2007-08 for the Department of Transportation (Caltrans) and local agencies. The California Transportation Commission (Commission) 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), and the Congestion Mitigation and Air Quality (CMAQ) program. For the STIP, 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.

Caltrans delivered 45 of the 51 originally scheduled projects for 2007-08, an 88 percent project delivery rate.

STIP Project Delivery

The Commission tracks project allocations as scheduled in the STIP. For Caltrans projects, the Commission allocates project funding only for construction capital outlay. The Commission does not allocate funds for Caltrans support activities (including environmental and design work, right-of-way support, and construction engineering), and it allocates right-of-way capital outlay funds on an annual lump sum basis, not by specific project.

Caltrans delivered 45 of the 51 originally scheduled projects for 2007-08, an 88 percent project delivery rate. In 2007-08, the Commission allocated $1.105 billion to Caltrans STIP projects.

For local agency projects, unlike Caltrans projects, the Commission allocates all programmed STIP funds and tracks each discrete programming component (environmental, design, right-of-way, and construction) as a separate project.

The local agencies delivered 328 of the 396 originally scheduled projects for 2007-08, an 83 percent project delivery rate. In 2007-08, the Commission allocated $843.74 million to local agency STIP projects.

For the 68 undelivered projects, the Commission granted delivery deadline extensions to 28 projects valued at $23.77 million and local agencies lapsed 40 projects valued at $35.90 million. The lapsed $35.90 million reverted to county share balances to be available for future programming.

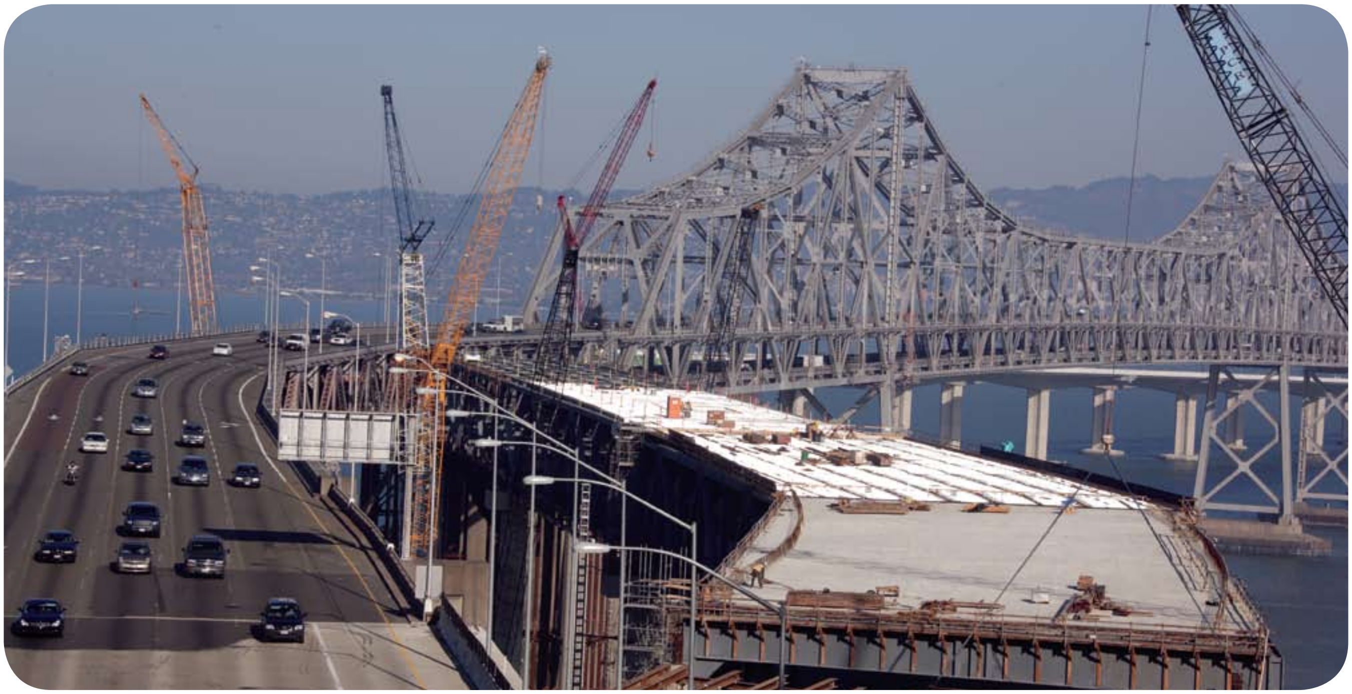
The following table summarizes the 2007-08 STIP delivery record and compares it against the two prior years.

Caltrans STIP Delivery (dollars in millions)

	2005-06		2006-07		2007-08	
	Dollars	Projects	Dollars	Projects	Dollars	Projects
Programmed	$490.0	60	$235.10	50	$1,106.21	51
Extensions			-2.15	-3	-16.51	-3
Allocation savings						
Lapsed	-11.9	-1	-0.04	-1	-4.38	-3
Delivered as programmed	478.1	59	232.91	46	1,085.32	45
Percent of projects		98%		92%		88%
Advanced	41.0	3	174.44	12	9.68	2
Delivered, with advances	519.1	62	407.35	58	1,095.00	47
Percent of dollars	109%		175%		99%	
Prior-year extensions delivered			37.54	6	10.00	4
Total delivered	519.1	62	444.89	64	1,105.00	51
Funded by allocation	519.1	62	444.89	64	1,105.00	51
Funded through AB 3090						
Funded through GARVEE						
Placed on pending list, not funded	$0	0	$0	0	$0	0

Local STIP Delivery (dollars in millions)

	2005-06		2006-07		2007-08	
	Dollars	Projects	Dollars	Projects	Dollars	Projects
Programmed	$355.3	432	$391.72	304	$883.41	396
Ineligible per allocation plan	-17.8	-18				
Total eligible for delivery	337.5	414	391.72	304	883.41	396
Extensions	-8.5	-12	-26.26	-29	-23.77	-28
Lapsed	-20.5	-24	-40.65	-49	-35.90	-40
Delivered as programmed	308.5	378	324.81	226	823.74	328
Percent of projects		91%		74%		83%
Percent of dollars	91%		83%		93%	
Advanced			55.84	21	4.77	8
Delivered, with advances			380.65	247	828.51	336
Prior-year extensions delivered			84.82	61	15.23	23
Total delivered	308.5	378	465.47	308	843.74	359
Funded by allocation	308.5	378	465.47	308	843.74	359
Funded through AB 3090						
Funded through GARVEE						
Placed on pending list, not funded	$0	0	$0	0	$0	0



Project delivery continued to improve in 2007-08 for the Department of Transportation and local agencies.

SHOPP Project Delivery

Caltrans delivered 265 of the 256 originally scheduled projects for 2007-08, a 104 percent delivery rate. 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 TE projects. In 2007-08, the Commission allocated $2.082 million to SHOPP projects.

The following table summarizes the 2007-08 SHOPP delivery record and compares it against the prior two years.

Caltrans STIP Delivery (dollars in millions)

	2005-06		2006-07		2007-08	
	Dollars	Projects	Dollars	Projects	Dollars	Projects
Planned	$1,376	302	$1,331	253	$1,839	256
Delivered	1,385	309	1,366	258	2,082	265
Percent	101%	102%	103%	102%	112%	104%

Caltrans Annual Right-of-Way Allocation

Commission Resolution G-91-1 authorizes Caltrans to suballocate 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 right-of-way activities. Caltrans is also authorized to allot funds for acquisition of hardship and protection parcels when circumstances warrant such acquisitions. During 2007-08, Caltrans initially requested and the Commission allocated $330.4 million for right-of-way activities. After a review of projected expenditures, Caltrans requested a decrease in the right-of-way allocation to $284 million at the Commission's April 2008 meeting. Caltrans spent the entire $284 million on right-of-way activities in 2007-08.

Caltrans Environmental Document Delivery

Tracking the completion of environmental documents is particularly important in flagging possible delays of future construction projects. In 2007-08, Caltrans achieved a 90 percent delivery rate for environmental document delivery. Of particular note is the increase in delivery of Draft Environmental Documents, which rose from only 59 percent in 2006-07 to 79 percent in 2007-08.

Local RSTP and CMAQ Projects

When Assembly Bill (AB) 1012 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. AB 1012 specified that RSTP and CMAQ funds not obligated by a region within the first three years of federal eligibility were subject redirection by the Commission in the fourth year. 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.

- **2004-05 Federal Apportionment**
  Caltrans released its eighth cycle AB 1012 "use-it-or-lose-it" notices in November 2006. At that point, the unobligated amount subject to redirection in November 2007 totaled $134 million. By the November 2007 deadline, all but $13.5 million had been obligated. Of the remaining $13.5 million, $12.6 was programmed to one agency, the Riverside County Transportation Commission (RCTC). At the December 2007 Commission meeting, RCTC requested and was granted an extension of the period to obligate these federal funds.
- **2005-06 Federal Apportionment**
  Caltrans released its eighth cycle AB 1012 "use-it-or-lose-it" notices in November 2007. At that point, the unobligated amount subject to redirection in November 2008 totaled $77 million.

Caltrans monitors the obligation of funds, reports the status of those apportionments and provides written notice to the regional agencies one year in advance of any apportionment reaching its three year limit.

Other Local Assistance Projects

Local agencies have dedicated considerable effort toward improving the delivery of local RSTP and CMAQ projects, but the performance is not as good with other local assistance project categories in which the AB 1012 "use-it-or-lose-it" provisions are in force. However, the 2007-08 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 2007-08 local assistance allocations, totaling $1.4 billion were used by local agencies in the first year of availability and provides a comparison with the usage of prior first year availability.

Use of Local Assistance Allocations, First Year of Availability (dollars in thousands)

	2005-06		2006-07		2007-08	
Category	Allocation	Use	Allocation	Use	Allocation	Use
RSTP	$310,600	$103,308	$382,458	$102,974	$417,450	$113,968
RSTP match & exchange	51,250	50,801	58,150	52,292	57,558	50,747
CMAQ	333,608	95,817	411,367	31,103	404,269	164,374
FTA Transfers		245,450		228,321		80,118
Subtotal, RSTP/CMAQ	$695,458	$495,376	$851,975	$414,690	$879,277	$409,207
Br. Inspection & Match	2,460	1,460	3,375	362	3,375	0
Br. Rehab & Replacement	127,311	40,705	138,406	104,640	116,945	180,638
Bridge Seismic Retrofit	53,905	25,693	94,551	6,423	104,000	30,967
RR Grade Crossing						
Protection	10,911	374	8,009	0	11,195	246
Maintenance	1,000	1,000	1,000	0	2,000	2,000
Grade Separations	15,000	0	15,000	10,000	15,000	15,000
Hazard Elimination/Safety	18,549	3,016	19,961	4,191	30,757	5,295
High Risk Rural Roads	7,021	0	7,435	0	7,098	2,522
Safe Routes to School	37,353	696	41,624	68	40,797	6,649
Regional TEA	2,000	0	0	0	0	0
Demo Projects	0	23,365	0	0	0	0
High Priority Projects			215,109	50,735	196,605	111,570
Miscellaneous	4,616	34,576	3,625	36,770	2,625	124,152
Total	$975,584	$626,621	$1,400,070	$627,879	$1,409,674	$888,246

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 the table and included in the "use of allocation" figures for RSTP and CMAQ.

Aeronautics Program

The California Transportation Commission's (Commission) 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 prepared by the Department of Transportation (Caltrans) that defines state policies and funding priorities for general aviation and commercial airports in California; and
- Adopting and allocating funds under the biennial three-year Aeronautics Program, prepared by Caltrans, which directs the use of Aeronautics Account funds to:
  - provide a part of the local match required to receive Federal Airport Improvement Program (AIP) grants; and
  - fund Acquisition and Development (A&D) capital outlay projects for airport rehabilitation, safety and capacity improvements at public-use airports.

Technical Advisory Committee on Aeronautics

Under Section 14506.5 of the California Government Code, the Commission appoints a Technical Advisory Committee on Aeronautics (TACA) to give technical advice on the full range of aviation issues considered by the Commission. The current TACA membership 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, a manager from a commercial air and spaceport, metropolitan and local planning organizations, and federal and state aviation agencies.

2008 Activities

During the year, the Commission received advice from TACA regarding the overall Aeronautics Program and the matching ratios for specific grant programs. The Commission also received advice from TACA on pending legislation and specific programs.

The Aeronautics Program comes from a 10-year Capital Improvement Plan comprised of a fiscally unconstrained list of projects from eligible airports. The Aeronautics Program, a biennial three-year program of projects, is fiscally constrained. The Aeronautics Account, which receives revenues from state general aviation fuel taxes, funds the Aeronautics Program. Funding from the Aeronautics Program, combined with local matching funds, is used to match federal AIP grants and fund capital outlay projects at public-use airports through the A&D element of the California Aid to Airports Program (CAAP). The CAAP also includes a statutory annual credit grant program, which provides annual non-discretionary grants of $10,000 for each general aviation airport in the State. Aeronautics Account funds are applied first to Caltrans aeronautics operations and the annual credit grant program. Any remaining funds are then available for the projects in the Aeronautics Program adopted by the Commission.

At its May meeting, the Commission amended the 2007 Capital Improvement Plan. This action enabled the state to capture additional federal funds that became available. In June 2008, the Commission retained a match rate of 10 percent that local agencies must provide to obtain State funds for A&D projects. The Commission also acted in June to retain the reduced AIP match rate of 2.5 percent thereby increasing the local match required to qualify for federal grants. The reduction in the AIP matching rate will permit previously unfunded A&D non-safety projects to receive State funding.

The Commission received advice from TACA regarding the overall Aeronautics Program and on pending legislation and specific programs.

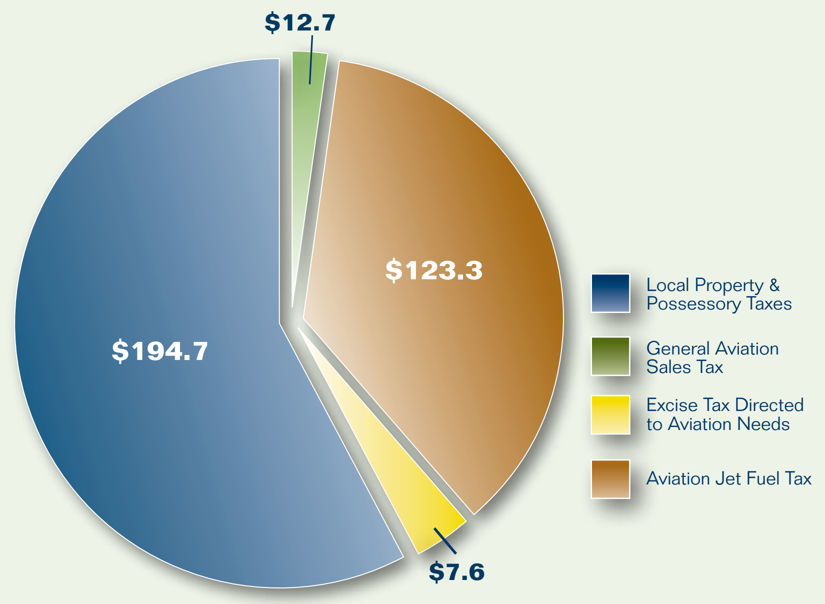
The Commission received advice from TACA on pending legislation. The Commission supported and directed its staff to testify in support of Senate Bill 1118 (Negrete McLeod), which would have made changes in airport and land use compatibility law. TACA also reviewed, on the Commission's behalf, the California Airports Best Practices Guide, a joint venture by the Association of California Airports, Federal Aviation Administration (FAA), and the Caltrans Division of Aeronautics, and recommended statewide distribution of the guide to public use airports. TACA also received briefings from aviation entrepreneurs and experts regarding the impact of new aircraft, aviation technology, and air traffic control/routing equipment on California's aviation system. Lastly, the Commission requested in a letter to BT&H Agency that it lend its leadership and participate with national aeronautics groups working to implement the next generation (NextGen) of aeronautics guidance technology, and to position California as the next test bed for that next generation of guidance technology.

Existing State Aviation Funding

The State Aeronautics Account represents the sole state source of funding for the Caltrans Division of Aeronautics and the programs it administers. Revenue sources for the Aeronautics Account include an 18-cent per gallon motor vehicle fuel excise tax on general aviation gasoline and a two-cent per gallon excise tax on general aviation jet fuel. Air carrier, military aircraft and aviation manufacturing are exempt from the two-cent per gallon excise tax on jet fuel. The annual revenue transferred by the State Controller's Office (SCO) into the State Aeronautics Account has steadily decreased. In fact, the highest transfer of $8.36 million occurred in Fiscal Year (FY) 1990-00 and since then it has declined steadily. In FY 2007-08, the SCO reported a transfer of $7.46 million into the State Aeronautics Account, the lowest transfer since FY 1992-93. Based on trend line analysis, jet fuel sales could become the major funding source for the State Aeronautics Account as early as FY 2011-2012. Although increased general aviation jet fuel sales have helped slow the decline, the downward trend continues. The State Aeronautics Account will continue to decrease until another funding source comes on line.

The latest available data show that aviation activities annually generate $338.3 million in taxes from aviation activities that flow into state and local government coffers, yet only 2.3 percent or $7.6 million from excise taxes addresses aviation needs (see chart below). Of the remaining $330.7 million in tax revenues, sales tax on aviation jet fuel and general aviation gasoline accounts for an estimated $123.3 million and $12.7 million respectively. Property taxes and possessory interests accounts for the remaining $194.7 million. The State General Fund received $77.3 million of the $123.3 million generated from sales and use tax on general aviation jet fuel.

Aviation Revenues and Funding for General Aviation
($338.3 Million From Taxes)



The Commission has long supported increasing state funding to develop an integrated system of airports that adequately meets the demands of California's economy. California could make significant progress in implementing state priorities for increasing airport capacity and safety, security, enhancing air passenger mobility, improving air cargo efficiency, mitigating the impacts of airport operations on local communities, and mitigating the impacts of land use encroachment on airport operations. The Commission supports redirecting a portion of state sales tax revenues from the sale of aviation jet fuel to fund state aviation programs. These tax revenues are a "user fee" paid by the aviation industry and users, in the same way that sales tax revenues on gasoline and diesel fuel, currently directed to highway and transit program funding, are user fees on drivers.

Estimated Demand for Future State Aviation Funding

The Commission, based on proposals from TACA, recommends that the Legislature and the Administration act to address state aviation system needs through legislation that would provide a stable funding source of about $9 million per year from the aviation jet fuel sales tax for the Aeronautics Account. The Commission would program and allocate the funding to publicly owned general aviation airports and air carrier public use airports for activities addressing airport safety/security, capacity needs, and needed studies such as economic and land use studies, and comprehensive land use compatibility plans to enhance the capacity and capability of those airports. The chart below shows the estimated five-year need by category, based upon the information provided by the Caltrans Division of Aeronautics.

Jet fuel sales could become the major funding source for the State Aeronautics Account as early as FY 2011-2012.

Federal Reauthorization of Vision 100

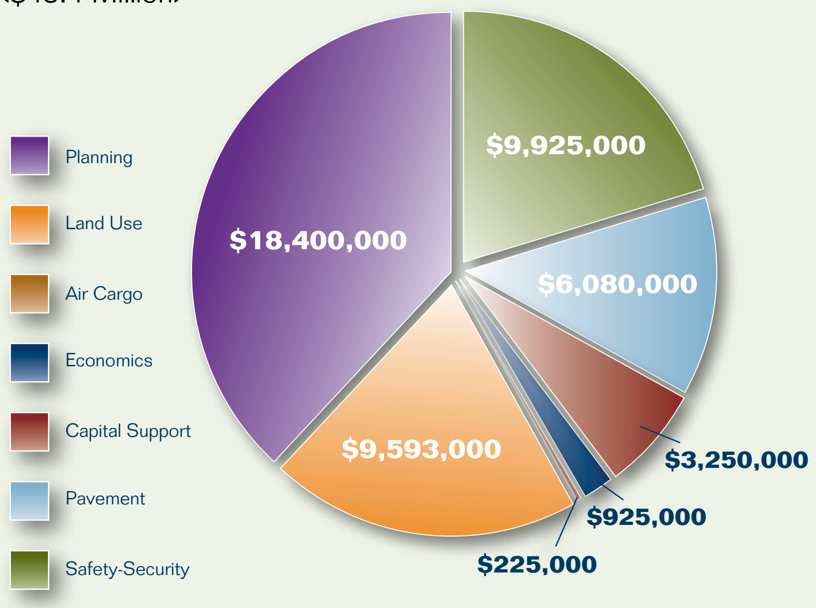
Vision 100, Century of Flight Authorization Act of 2003, is a four-year statute that lapsed September 2007. The Act provides funding for the FAA's AIP. These revenues are extremely important for the overall preservation and enhancement of California's Public Use Airport System. Nationwide the annual authorized AIP funding levels averaged around $3.55 billion. California typically receives around eight to 10 percent of the funds appropriated.

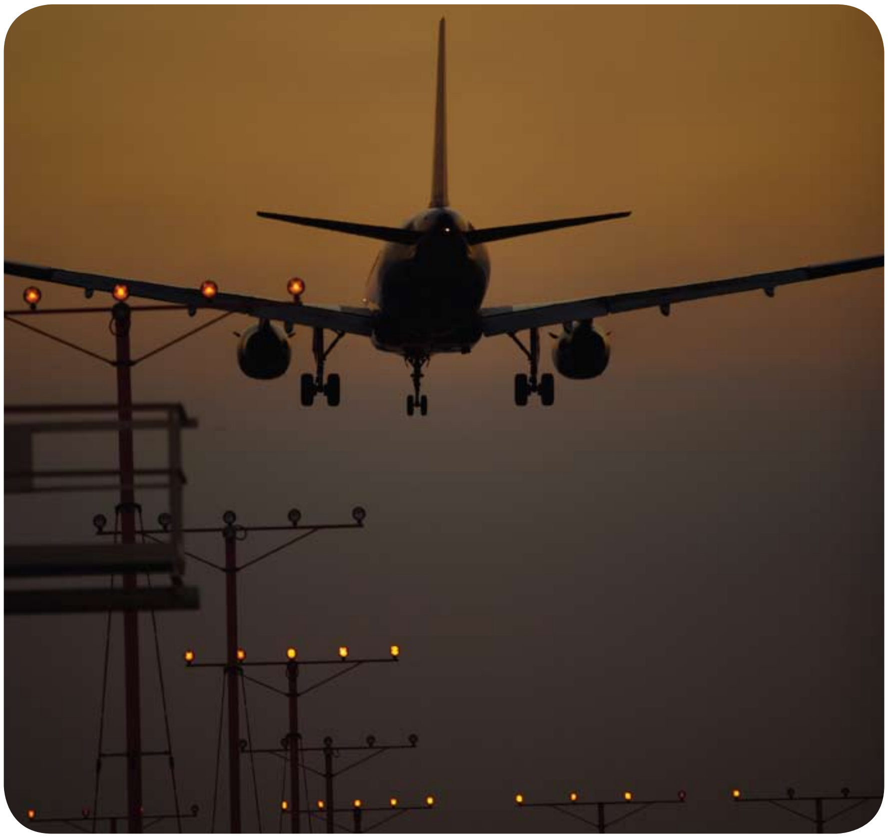
Over the past several years, the federal administration proposed smaller appropriations than the authorized levels for the AIP program, including General Aviation Airport Entitlements, and the Small Community Air Service Development Program. Smaller appropriations have negatively impacted the funding for nearly 200 of California's general aviation airports. The Legislature and Governor should inform the California Congressional delegation of the need to maintain and increase federal funding, including appropriations, for aeronautics in the next reauthorization.

In February 2007, the FAA introduced the Administration's proposal for meeting the challenges of transforming the aviation system to handle future demand. The Administration's proposal included fundamental changes to the funding structure of the FAA and the services it provides.

This year Congress attempted to pass a four-year extension of Vision 100. Congress, however, was unable to agree on a long-term reauthorization of federal aviation policies and programs. Congress also struggled with unrelated highway funding disputes in the Senate that entangled the aeronautics reauthorization and prevented passage. Prior to the session's end, Congress passed House Resolution 6984 to extend current taxes and FAA spending authority through March 31, 2009. FAA can continue to collect taxes for and make expenditures from the Airport and Airway Trust Fund. Authorizations include $4.5 billion for operations, $1.95 billion

Fiscal Year (2007/08 – 2011/12)
Five-Year Estimated Need by Category
($48.4 Million)





for the AIP, and $1.36 billion for facilities and equipment. President Bush signed the stop-gap measure. The extension gives the new Congress and new Administration time to craft a multi-year measure. A complete reauthorization package must provide long-term stability and continue to modernize America's aviation system.

TACA Work Plan for 2009

At the Commission's direction, TACA will work in 2009 with representatives of BT&H Agency and Caltrans to:

- Identify potential roles and policies for the state in developing California's aviation system. This could include continuing work on updating the CASP System Requirements Element and developing with Caltrans ALUC information and education materials.
- Solicit and receive input from aeronautics groups regarding issues and needs that the state should address, including activities such as updating the requirements for Airport Land Use Compatibility handbook, participation in a state stakeholders' summit, or establishing links with aeronautics groups that share common goals with the Commission.
- Identify emerging statewide issues in the aviation and airport sector. TACA should identify the state's interests and its potential responsibilities. This could include considering the increasing importance of reliever/regional airports in light of hub-airport capacity constraints, opportunities provided by military base reuse, air travel infrastructure needs associated with very light jets (VLJs), aviation safety and security and other evolving trends.
- Support appropriate legislative proposals that would:
  - Dedicate the Aeronautics Account revenues derived from the existing aviation fuel excise tax and the potential set-aside of a portion future aviation jet fuel sales tax for aviation purposes.
  - Increase funding for Caltrans to assist smaller airports in securing state and federal aviation grants, to ensure that California receives the maximum amount of federal funding and uses state funds effectively for planning and matching fund purposes.
  - Update the California Public Utilities Code sections 21670 through 21679 to further solidify and strengthen airport land use law to preclude and prevent incompatible land use around airports.
  - Amend current statute to allow local agencies to request Commission approval for an agency to use its own funds, to advance funding for the required match of a Federal AIP grant with the promise for later repayment by the state.
  - Authorize and fund the Caltrans Division of Aeronautics to provide information to pilots and business aviation departments to promote the use of a larger number of California's airports and use more efficiently the existing system capacity. Existing and newly upgraded facilities often are not used to their potential. Caltrans could help to manage both highway congestion and runway congestion by marketing alternatives to congested airports that are within a convenient distance of major business destinations, especially in light of the growth of air taxi services using VLJs.

Vision 100 provides funding for the Federal Aviation Administration's Airport Improvement Program.

Real Estate Advisory Panel

Given the increasingly complex and interwoven transportation, land use, and real estate issues facing California, the California Transportation Commission (Commission) established the Real Estate Advisory Panel (REAP) in 2005 to advise the Commission. At its May 2005 meeting, the Commission adopted a mission statement for the new advisory panel to:

Caltrans evaluates annually the properties that it owns with the goal of retaining only those that support its mission.

- Advise the Commission on issues relating to real estate, land use, land use and transportation policies, and existing statutes and proposed legislation and their resulting impact on transportation.
- Advise the staff of the Commission and the Department of Transportation (Caltrans), within the framework of existing statutes and pertinent Commission policies, on maximizing income from leasing and managing properties owned by the state.

2008 Activities

In 2008, the REAP met twice. During the year:

- The REAP advised Caltrans over the course of two meetings on the renewal of the Caltrans master wireless lease program. The REAP reviewed the revised master license agreement and particularly the lease rates to ensure that the rates were competitive, since the wireless industry holds such information closely. The Commission approved at its October meeting the master wireless lease program.
- Caltrans reported to the REAP on the progress of its Excess Land Disposal Plan. Caltrans developed the plan two years ago with the REAP's advice regarding stratagems that Caltrans could use to improve its property management practices for evaluating properties for retention and sale.
- Caltrans reported to the REAP on its annual Real Property Retention Review. Caltrans evaluates annually the properties that it owns with the goal of retaining only those that support its mission. Caltrans owns 4,985 parcels. Of that total, Caltrans needs 1,580 parcels for its operations. Caltrans needs another 2,403 parcels for viable future projects and 216 parcels for current projects. Caltrans has 548 parcels it deemed excess, but local public agencies have requested Caltrans to hold those parcels. Lastly, Caltrans considered 238 parcels as excess and available for sale or other conveyance.

Environmental Enhancement and Mitigation Program

The Environmental Enhancement and Mitigation (EE&M) Program was established by the Legislature in 1989 to fund environmental enhancement and mitigation projects directly or indirectly related to transportation projects. Funding is ordinarily provided by a $10 million annual transfer to the EE&M Fund from the State Highway Account. EE&M program 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 Resources Agency evaluate projects submitted for the program and that the California Transportation Commission (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 need not be a transportation- or highway-related organization, but it 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 accordance with the provisions of Section 187 and 188 of the Streets and Highways Code, an attempt will be made to allocate 40 percent of the total amount recommended to projects in northern counties and 60 percent of the total amount to projects in southern counties.

2007-08 EE&M Program

The Resources Agency evaluated 57 applications and recommended funding 30 projects from the $10 million included in the 2007-08 State Budget for the EE&M Program. The Resources Agency recommended funding 14 projects in the north for $4,033,590, and 16 projects in the south for $5,966,410, for a 2007-08 EE&M program total of $10,000,000.

The Commission approved an allocation of $8,277,210 for 23 projects at its April 2008 meeting. At its May 2008 meeting, the Commission approved a second allocation of $1,722,790 for seven more projects. The 30 projects funded in 2008 include 10 highway landscape and urban forestry projects, 7 resource land projects, and 13 roadside recreation projects.

To date, a total of 617 projects have been programmed and allocated by the Commission at a total cost of $145,224,835. Of those, 214 have been for highway landscape and urban forestry projects, 215 for resource land projects, and 188 for roadside recreation projects.

2008-09 EE&M Program

The 2008-09 State Budget included $10 million for the EE&M program. It is anticipated that the Resources Agency will submit its recommended project list to the Commission in February 2009 for programming and allocation. The Commission will report on the projects funded through the EE&M Program in 2008-09 in its 2009 Annual Report to the Legislature.

Proposition 116 Programs

In 2008, the California Transportation Commission (Commission) and the Legislature allocated $8.7 million from the proceeds of Proposition 116, the $1.99 billion initiative bond measure approved in June 1990. As of December 2008, 18 years after passage, just over $172.7 million of the original authorization still remains unallocated.

Proposition 116 enacted the Clean Air and Transportation Improvement Act of 1990, designating $1.99 billion for specific projects, purposes, and geographic jurisdictions, primarily for passenger rail capital projects. Of this amount, Proposition 116 authorized $1.852 billion for the preservation, acquisition, construction, or improvement of rail rights-of-way, rail terminals and stations, rolling stock acquisition, grade separations, rail maintenance facilities, and other capital expenditures for rail purposes; $73 million for 28 nonurban counties without rail projects, apportioned on a per capita basis, for the purchase of paratransit vehicles and other capital facilities for public transportation; $20 million for a competitive bicycle program for capital outlay for bicycle improvement projects that improve safety and convenience for bicycle commuters; another $30 million to a water-borne ferry program ($20 million competitive and $10 million to the City of Vallejo) for the construction, improvement, acquisition, and other capital expenditures associated with water-borne ferry operations for the transportation of passengers or vehicles, or both.

The funds authorized under Proposition 116 are made available under a two-step process that is similar to the process used for State Transportation Improvement Program funding. First, the Commission programs the funds for projects eligible under the original authorization, which it does by approving project applications that define a project's scope, schedule, and funding. Then the Commission allocates the funds when the project is ready for funding.

Potential Reallocation of Funds

Under the terms of Proposition 116, all funds authorized for an agency were to have been obligated or spent by July 1, 2000, unless economically infeasible. For any funds not expended or encumbered by July 1, 2000, Proposition 116 permits the Legislature to reallocate funds by statute to another rail project within the same agency's jurisdiction. In the case of the Department of Transportation (Caltrans), the reallocation must be to a state-sponsored passenger rail project. After July 1, 2010, the Legislature may reallocate any unencumbered Proposition 116 funds to another passenger rail project anywhere in the state. Any legislative reallocation must be passed by a two-thirds vote in each house of the Legislature.

In 2004, Senate Bill (SB) 111 repealed the statutory reference to $1 million for a Caltrans project to conduct a statewide survey of rail rights-of-way (Section 99621 of the Public Utilities Code). SB 79, enacted in 2007, added Section 99655 to the Public Utilities Code, allocating the $1 million to a substitute passenger rail project.

This year, the Budget Act of 2008 reallocated $8,200,000 in unexpended Caltrans funds under PUC Section 99624, assigning them to the High Speed Rail Authority.

After July 1, 2010, the Legislature may reallocate any unencumbered Proposition 116 funds to another passenger rail project anywhere in the state.

Proposition 116 Authorizations with Unallocated Amounts

County	Agency, Project	Authorization	Balance Unallocated
Humboldt/Mendocino	North Coast Railroad Authority	$ 10,000,000	$ 129,289
Los Angeles	Caltrans, Alameda Corridor	80,000,000	17,437
Los Angeles	Los Angeles County MTA, rail	229,000,000	62,083
Los Angeles/San Diego	Various Agencies, rail	45,000,000	1,122
Marin/Sonoma	SMART, rail	28,000,000	28,000,000
Monterey	County, rail	17,000,000	6,247,813
Nonurban Counties	Counties, transit capital	73,000,000	87,565
Orange	City of Irvine, guideway	125,000,000	121,298,778
Sacramento	Sac. Regional Transit, rail	100,000,000	4,931
San Diego	MTDB/NCTD, rail	77,000,000	560
San Joaquin	SJCOG, Altamont Corridor	14,000,000	65,130
San Joaquin	Caltrans, San Joaquin Corridor	140,000,000	352
Santa Clara	Santa Clara VTA, rail	47,000,000	137,957
Santa Cruz	County, rail	11,000,000	10,200,000
Solano	City of Vallejo, ferry	10,000,000	472,841
State Parks and Recreation	Museum of Rail Technology	5,000,000	5,000,000
Statewide	Competitive, bicycle	20,000,000	460,851
Statewide	Competitive, water-borne ferry	20,000,000	29,350
Statewide	Caltrans, rail cars, locomotives	100,000,000	85,913
		Total	**$172,706,131**

After June 30, 2010, the Legislature may redirect any unallocated amount to a passenger rail project anywhere in the state. The following is a summary of the status of the individual authorizations that remain unallocated as of December 2008:

- **Humboldt and Mendocino Counties.** Proposition 116 authorized and the Commission allocated $10 million to the North Coast Railroad Authority (NCRA) for improvement of rail service, including rail freight service and tourist-related services, important to the regional economy of Humboldt and Mendocino Counties. As a result of project deletions, the sale of nine rail cars, and disallowed project costs, $129,289 remains available for allocation to the NCRA through 2009-10. After June 30, 2010, the Legislature may redirect any remaining balance to a passenger rail project anywhere in the state.

- **Los Angeles.** Proposition 116 authorized $80 million to the Caltrans for grade separations along the Alameda-San Pedro branch rail line connecting Los Angeles and Long Beach Harbors with downtown Los Angeles and paralleling Alameda Street, to alleviate vehicle traffic congestion, conserve energy, reduce air pollution in the area, and facilitate the more efficient and expeditious shipment of freight to and from the Los Angeles and Long Beach Harbors. The Commission allocated the $80 million, and four grade separations were completed by 2004 with a total savings of $8,217,437. In the Budget Act of 2008, the Legislature reallocated $8,200,000 to the High Speed Rail Authority, leaving $17,437 remaining available for allocation to another rail project.

- **Los Angeles.** Proposition 116 authorized and the Commission allocated $229 million to the Los Angeles County Transportation Commission, now the Los Angeles County Metropolitan Transportation Authority (LA Metro), for expenditure on rail projects within Los Angeles County. The allocated projects were completed. A balance of $62,083 remains unallocated and is available to the LA Metro for rail projects within Los Angeles County through 2009-10. After June 30, 2010, the Legislature may redirect any remaining balance to a passenger rail project anywhere in the state.

- **Marin.** Proposition 116 authorized $11 million either (1) to the County or a joint powers authority for a rail project along the Santa Rosa to Larkspur rail corridor, or (2) to the County for the purchase of paratransit vehicles and other capital facilities for public transportation. These funds are not yet programmed. AB 2224 (2002) created the Sonoma-Marin Area Rail Transit District (SMART) and authorized it to own, operate, manage, and maintain a passenger rail system within the Counties of Sonoma and Marin. SMART has completed environmental and the project is in design. Measure Q, asking for a ¼% increase in the sales tax to fully fund the project, was placed on the November 2008 ballot and was passed. With this funding now assured, an application and allocation request is expected in Spring 2009. After June 30, 2010, the Legislature may redirect any remaining balance to a passenger rail project anywhere in the state.
- **Monterey.** Proposition 116 authorized $17 million to the Transportation Agency for Monterey County (TAMC) for extension of Caltrain service or other rail projects within Monterey County. To date, $932,187 has been allocated for preliminary activities for the Caltrain extension to Monterey County, from Gilroy to Salinas. Another $9.82 million has been allocated for the Monterey County Branch Line project to reestablish rail transportation between San Francisco and Monterey, a service that ran from 1880 until 1971. The use of the $9.82 million was for right-of-way acquisition and related right-of-way costs. These activities have been completed. Thus, $6,247,813 million remains available for allocation to TAMC for rail projects within Monterey through 2009-10. After June 30, 2010, the Legislature may redirect any remaining balance to a passenger rail project anywhere in the state.
- **Nonurban Counties.** Proposition 116 authorized $73 million for apportionment on a per capita basis to 28 nonurban counties without passenger rail projects. These amounts were available for paratransit vehicles or other public transportation capital projects. The remaining unallocated balance of $87,565 includes the $51,886 per capita share for Alpine County and $35,679 in savings from projects in other counties. Alpine County requested the programming of its share in November 2008. After June 30, 2010, the Legislature may redirect any remaining unallocated balance to a passenger rail project anywhere in the state.
- **Orange.** Proposition 116 authorized $125 million to the City of Irvine for construction of a fixed guideway demonstration project. To date, the Commission has allocated $3.7 million to the City for study of the Centerline light rail project. Since the Orange County Transportation Authority (OCTA) Board voted to discontinue the Centerline light rail project in July 2005, the City has been engaged in preliminary activities to identify a substitute Proposition 116-eligible project. The $121.3 million balance remains available for allocation to the City through 2009-10. After June 30, 2010, the Legislature may redirect any remaining balance to a passenger rail project anywhere in the state.
- **Santa Clara.** Proposition 116 authorized and the Commission allocated $47 million to the Santa Clara County Transit District, now the Santa Clara Valley Transportation Authority (VTA), for expenditure on rail projects within Santa Clara County. The allocated projects are now complete. A balance of $137,957 remains available through 2009-10 for allocation to the VTA for rail projects within Santa Clara County. After June 30, 2010, the Legislature may redirect any remaining balance to a passenger rail project anywhere in the state.
- **Santa Cruz.** Proposition 116 authorized $11 million to the Santa Cruz

County Regional Transportation Commission (SCCRTC) for intercity rail projects connecting the City of Santa Cruz with the Watsonville Junction or other rail projects within Santa Cruz County "which facilitate recreational, commuter, intercity and intercounty travel." To date, the Commission has allocated $800,000 to the SCCRTC for preliminary right of way activities for the Santa Cruz Branch Line rail project, including appraisals. The $10.2 million balance remains available through 2009-10 for allocation to the SCCRTC for the Branch Line or other rail projects within Santa Cruz County. Other funding for the Santa Cruz Branch Line includes $10 million programmed in the STIP in 2009 10. After June 30, 2010, the Legislature may redirect any remaining Proposition 116 balance to a passenger rail project anywhere in the state.

- **San Joaquin.** Proposition 116 authorized and the Commission allocated $14 million to the San Joaquin Council of Governments (SJCOG) for expenditure on rail projects along the Stockton-Manteca-Tracy corridor to the Alameda County line (Altamont Corridor). The allocated projects are now complete. A balance of $65,130 remains available through 2009-10 for allocation to the SJCOG for Altamont Corridor rail projects or for redirection by the Legislature to another rail project within San Joaquin County. After June 30, 2010, the Legislature may redirect any remaining balance to a passenger rail project anywhere in the state.
- **San Joaquin Corridor.** Proposition 116 authorized and the Commission allocated $140 million to Caltrans for expenditure on improvements to the Los Angeles-Fresno-San Francisco Bay Area passenger rail corridor and extension of the corridor to Sacramento. A balance of only $352 remains available for allocation to another rail project.
- **Solano.** Proposition 116 authorized and the Commission allocated $10 million to the City of Vallejo for expenditure on water-borne ferry vessels and terminal improvements. With project savings, a balance of $472,841 remains available to the City through 2009-10. After June 30, 2010, the Legislature may redirect any remaining balance to a passenger rail project anywhere in the state.
- **Sonoma.** Proposition 116 authorized $17 million either (1) to the County or a joint powers authority for a rail project along the Santa Rosa to Larkspur rail corridor, or (2) to the County for the purchase of paratransit vehicles and other capital facilities for public transportation. These funds are not yet programmed. See the discussion of the Sonoma-Marin Area Rail Transit District under Marin County above.
- **Statewide Bicycle.** Proposition 116 authorized $20 million for a program of competitive grants to local agencies for capital outlay for bicycle improvement projects which improve safety and convenience for bicycle commuters. This entire amount was programmed and allocated. Through cost savings and project deletions, $460,851 became available for other

To date, $932,187 has been allocated for preliminary activities for the Caltrain extension to Monterey County, from Gilroy to Salinas.

Proposition 116 authorized $20 million for a program of competitive grants to local agencies for bicycle improvement projects which improve safety and convenience for bicycle commuters.

competitive bicycle projects. In June 2008, the Commission evaluated and approved an application from the City of Saratoga to fully program the $460,851 available for the Highway 9 Bicycle Safety project. The Commission expects to allocate the full amount to this project early in 2009.

- **Statewide Water-Borne Ferry.** Proposition 116 authorized and the Commission allocated $20 million for a program of competitive grants to local agencies for the construction, improvement, acquisition, and other capital expenditures associated with water-borne ferry operations for the transportation of passengers or vehicles. Through project cost savings, $29,350 remains unallocated. After June 30, 2010, the Legislature may redirect any remaining balance to a passenger rail project anywhere in the state.
- **State Museum Department of Parks and Recreation.** Proposition 116 authorized $5 million to the Department of Parks and Recreation (DPR) for construction of the California State Museum of Railroad Technology, to be provided "when sufficient funding for the entire project is available." The funding has not been programmed or allocated. The DPR has submitted its notice of intent for the Proposition 116 funds to the Department of Finance and the Legislature stating that its share of the costs had not increased because the two historic buildings for the museum were being donated by the developer, Thomas Enterprises. The California State Parks Foundation and the developer are working on a phased approach, to develop one building at a time. The total estimated cost to convert the first building into a working museum is $17 million. The DPR anticipates requesting allocation of the $5 million in 2009. After June 30, 2010, the Legislature may redirect any remaining balance to a passenger rail project anywhere in the state.

2008 Proposition 116 Allocations

County	Agency, Project	Allocated Amount
Santa Cruz	SCCRTC, rail	$ 500,000
Various	HSRA, rail	8,200,000
	Total	**$8,700,000**

2008 Commission Activity

In 2008, $8.7 million in Proposition 116 funding was allocated, including $500,000 allocated by the Commission for the Santa Cruz Branch Line acquisition project and $8.2 million allocated by the Legislature to the High Speed Rail Authority. The table to the left lists the 2008 allocations.

Seismic Safety Retrofit Program

The massive state seismic safety retrofit program is moving toward completion, with only 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, the Department of Transportation (Caltrans) has retrofitted 1,150 bridges (including two completed in fiscal year 2007 08), one bridge is under construction, another three bridges are advertised for construction and one remains in design. Caltrans has completed the retrofit of six of the seven state-owned toll bridges that required retrofitting. Work on the San Francisco-Oakland Bay Bridge (SFOBB) is under way, including a new east span with ten construction contracts and work on the west approach in San Francisco is rapidly concluding construction. Retrofit of the SFOBB west span was completed in July 2004.

The SFOBB east span "Skyway" contract was completed in December 2007. American Bridge/Flour, the prime contractor for the signature Self Anchored Suspension (SAS) span of the SFOBB, is well under way with the fabrication of the steel roadway deck sections and the steel tower sections in Shanghai, China. Temporary support structures needed to facilitate the erection of the SAS are starting to be placed on Yerba Buena Island (YBI) and in the San Francisco Bay. Erection of the 900-foot temporary detour structure on Yerba Buena Island is proceeding on schedule for a planed traffic switch in the Fall of September 2009. The temporary detour structure will facilitate the removal of the existing and construction of the new transition structures between the Yerba Buena Island tunnel and the SAS span. The SFOBB west approach project is approximately 98 percent complete and is running ahead of schedule, with a forecast early construction completion in January 2009.

Progress continues on the retrofit of local bridges, with about 69 percent of the bridge retrofits completed or under construction. With the passage of Proposition 1B on November 7, 2006, $125 million in bond funds became available to local agencies for use as local match for federal funds. Delivery of local bridges should now only be controlled by the amount of federal bridge fund available each year and local agency design efforts.

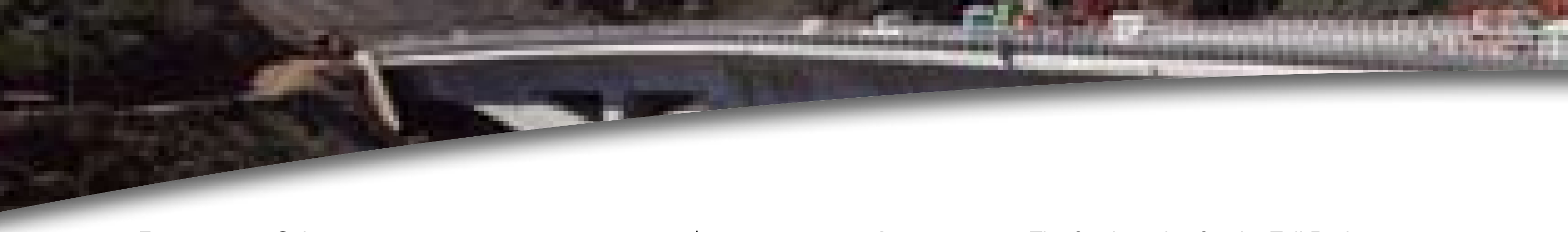
Background

The seismic safety retrofit program is a major endeavor for Caltrans and the Business, Transportation and Housing Agency. Four major subprograms comprise the seismic safety retrofit program: Phase 1, Phase 2, toll bridges (state-owned) and local bridges. The current estimate to seismically retrofit the state-owned bridges is $11.67 billion: $1.08 billion for Phase 1, $1.35 billion for Phase 2 plus an additional $0.56 billion in State Highway Operation and Protection Program (SHOPP) funds, and $8.68 billion for the state-owned toll bridges. Nearly $2.15 billion more is required to retrofit local bridges not on the state highway system.

Phase 2

After the 1994 Northridge earthquake, Caltrans determined that an additional 1,155 state highway bridges (mostly multi-column 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 and Multi-District Litigation (MDL) funds, expended prior to the passage of Proposition 192) was set aside to finance the retrofit of the 1,155 Phase 2 bridges.

Four major subprograms comprise the seismic safety retrofit program: Phase 1, Phase 2, toll bridges and local bridges.



For 2007 08, Caltrans reports construction on two more Phase 2 bridges was completed, bringing the total completed as of June 30, 2008, to 1,150 bridges (99.57 percent). Of the remaining five bridges, one is under construction scheduled to be completed in calendar year 2010. Three bridges are advertised for construction and one (0.09 percent) remains in the design stage. Caltrans reports that it still expects to complete construction on all but four of the Phase 2 bridges by December 2009. The four remaining Phase 2 bridges 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, the 5th Avenue Overhead on Route 880 in the City of Oakland and two High Street Separation Bridges on Route 880 in the City of Oakland). Caltrans does not expect to complete the seismic retrofit work on these four bridges until late 2013, a delay of 18 months from last year's report.

Of the $1.21 billion made available from Proposition 192 for the Phase 2 bridges, $1.170 billion has been allocated as of June 30, 2008. The $1.170 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. Since the total cost to finish the Phase 2 bridges exceeds the remaining $40.0 million Proposition 192 unallocated balance, Caltrans' strategy is to utilize federal Highway Bridge Program (HBP) funds available through the SHOPP program to complete the seismic projects where bridge replacement is the most cost-effective long-term retrofit and bridge rehabilitation solution. Through June 30, 2008, $194.0 million in SHOPP funds has been allocated to two Phase 2 bridges ($20.4 million Ten Mile River Bridge on Route 1 near Fort Bragg and $173.6 million 5th Avenue Overhead on Route 880 in the City of Oakland). Caltrans estimates that an additional $368.3 million in SHOPP funds is required to finish the Phase 2 bridges ($93.3 million High Street Separation and $275 million Schuyler Heim Bridge).

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 August 2005, seismic work had been completed on six of the bridges, the San Mateo-Hayward, the Carquinez Eastbound, the Benicia-Martinez, the Vincent Thomas, the San Diego-Coronado and the Richmond-San Rafael. Seismic work is underway on the SFOBB. Caltrans estimates seismic safety will be achieved on the SFOBB west span approach by late-2008 and on the SFOBB east span by mid-2013. The SFOBB west span retrofit was completed in July 2004.

The funding plan for the Toll Bridge Seismic Retrofit Program (TBSRP) was originally established by Senate Bill (SB) 60 (1997) and was updated for cost increases, especially on the SFOBB, by Assembly Bill (AB) 1171 (2001) and AB 144/SB 66 (2005). AB 144 consolidated financial management of all toll revenues collected on state-owned toll bridges under the jurisdiction of the Bay Area Toll Authority (BATA). In addition, BATA received authority from the Legislature to set Bay Area tolls as necessary to cover any cost increases that would exceed the AB 144/SB 66 TBSRP cost estimate of $8.685 billion.

AB 144/SB 66 significantly strengthened oversight activities for the TBSRP by creating a Toll Bridge Program Oversight Committee (TBPOC) comprised of the Director of the Caltrans, the Executive Director of BATA, and the Executive Director of the California Transportation Commission (Commission).

Estimated Costs to Retrofit Toll Bridges

Bridge	AB 144/SB 66 Estimate
Benicia-Martinez	$ 177,830,000
Carquinez (eastbound*)	114,130,000
Richmond-San Rafael	914,000,000
San Diego-Coronado	103,520,000
San Mateo-Hayward	163,510,000
Vincent Thomas	58,510,000
San Francisco-Oakland Bay Bridge	
West Span	307,900,000
West Span Approach	429,000,000
East Span Replacement	5,516,600,000
Subtotal	**$7,785,000,000**
Program Contingency	900,000,000
Total	**$8,685,000,000**

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

Toll Bridge Seismic Retrofit Funding (AB 1171 & AB 144)

Source of Funds (AB 1171)	**Amount**
Bay Area Toll Bridges $1 Surcharge	$ 2,282,000,000
Proposition 192 Bonds	790,000,000
Public Transportation Account	80,000,000
San Diego-Coronado Bridge Account	33,000,000
Vincent Thomas Bridge Account	15,000,000
State Highway Account	1,437,000,000
State Highway Account Contingency	448,000,000
Subtotal Funds Available (AB 1171)	**$5,085,000,000**
Source of Funds (AB 144)	
Bay Area Toll Bridges Additional $1 Surcharge	$ 2,150,000,000
BATA Consolidation	820,000,000
Motor Vehicle Account (MVA)	75,000,000
Redirected Spillover	125,000,000
State Highway Account	430,000,000
Subtotal Funds Available (AB 144)	**$3,600,000,000**
Total Funds Available	**$8,685,000,000**

Pursuant to AB 144, the Commission adopted a schedule for the transfer of remaining state funds to BATA to fund the TBSRP.

The following chart is the Commission-adopted state contribution schedule.

Schedule of State Contributions to the Toll Bridge Seismic Retrofit Program
(dollars in millions)

Source	Description / FY	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
AB 1171	SHA	$290									$ 290
	PTA	80	$ 40								120
	HBRR***	100	100	$100	$42						342
	Contingency				1	$99	$100	$100	$148		448
AB 144	SHA*	2	8				53	50	17		130
	MVA	75									75
	Spillover		125								125
	SHA**									$300	300
	Total	**$547**	**$273**	**$100**	**$43**	**$99**	**$153**	**$150**	**$165**	**$300**	**$1,830**

* Caltrans efficiency savings.
** SFOBB east span demolition cost.
*** The federal Highway Bridge Replacement and Rehabilitation (HBRR) program is now known as the federal Highway Bridge Program (HBP).

In the early 1990's, Caltrans determined that the Antioch and Dumbarton toll bridges built in the late 1970's and early 1980's using design criteria developed after the 1971 Sylmar earthquake were not vulnerable during a major seismic event. Since that time, Caltrans has pursued an aggressive seismic research program, and based on results from that research has significantly revised its seismic design practices. Using the revised seismic design practices, Caltrans completed seismic vulnerability studies on the Antioch and Dumbarton bridges. Caltrans determined that large foundation rotations are possible from a Maximum Credible Event (MCE) earthquake at the two bridges. These rotations may result in damage to the superstructure and possible damage to the piles. A comprehensive seismic analysis based on geotechnical soil data is being performed in order to determine the appropriate level of retrofit and the cost of such retrofit for the two bridges.

Local Bridges

In addition to the work necessary on state-owned bridges, Caltrans was charged with the responsibility of identifying the seismic retrofit needs of all non-state publicly owned bridges, except for bridges in Los Angeles County and in the unincorporated areas of Santa Clara County. To date, Caltrans, Los Angeles County, and Santa Clara County have identified 1,235 locally owned bridges in need of seismic evaluation. As of June 30, 2008, 38 (3 percent) of the 1,235 bridges were in the retrofit strategy development stage, 349 (28 percent) were in the design stage, 124 (10 percent) were under construction, and 724 (59 percent) were either completed or were judged not to require seismic retrofitting. The total cost of the local bridge retrofit program is roughly estimated at $2.149 billion (a $518 million increase from the June 30, 2007 report). Approximately $676 million has been spent or obligated for local bridges to date, leaving an estimated $1.473 billion needed to complete the remainder of the local retrofit work. Because 387 (31 percent) of the 1,235 bridges are still in the strategy development or design stages, the $1.473 billion 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.

With the passage of Proposition 1B, a $125 million Local Bridge Seismic Retrofit Account (LBSRA) was created. Funds from the LBSRA will provide the 11.5 percent local match for the federal Highway Bridge Program (HBP) funds used to retrofit the local bridges. Please see the Local Bridge Seismic Retrofit Account section under the Proposition 1B chapter for more information on the LBSRA projects.

Status of Proposition 192

The Seismic Retrofit Bond Act of 1996 (Proposition 192) authorized $2 billion in state general obligation bonds for the seismic retrofit of state-owned 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, 2008, the amount of Proposition 192 funds allocated for Phase 2 seismic retrofit totaled $1,170.0 million, including $808.9 million for capital outlay and right-of-way, $261.3 million for project support costs, and $99.8 million to reimburse the 1994 95 and 1995 96 seismic project support expenditures made with State Highway Account 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 $1,170 million total. The total amount of Proposition 192 funds allocated for toll bridge seismic retrofit as of June 30, 2008 is $789.0 million, including $673.5 million for capital outlay and right-of-way, $106.0 million for project support costs, and $9.5 million to reimburse the 1994 95 and 1995 96 seismic project support expenditures made with State Highway Account funds.

The overall total of Proposition 192 funds allocated through June 2008 is $1,959.0 million, excluding the $81.2 million allocated for interest costs, leaving $40.0 million in bond authority available for allocation to Phase 2 retrofit projects and $1.0 million for toll bridge projects.

As of June 30, 2008, the amount of Proposition 192 funds allocated for Phase 2 seismic retrofit totaled $1,170.0 million

Elderly and Disabled Individuals Transit Program

In February 2008, the California Transportation Commission (Commission) adopted amended Quantitative Scoring Criteria and Project Rating Worksheets for the Federal Transit Administration (FTA) Section 5310 Elderly Individuals and Individuals with Disabilities Transit Program (Program).

The Department of Transportation (Caltrans) presented the Federal Fiscal Year (FFY) 2008 draft project list for Commission consideration in December 2008.

The Program project list for FFY 2008 is slated for public hearing and adoption in January 2009.

Background

In 1975, Congress established the Section 5310 program to provide financial assistance for nonprofit organizations to purchase transit capital equipment to meet the specialized needs of elderly and disabled individuals 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 nonprofit 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 Caltrans was delegated this authority and has administered this Federal Program since its inception.

In 1996, state legislation (Assembly Bill 772) assigned the Commission a role in the Program. It mandated that the Commission direct the allocation of Program funds, establish an appeals process, and to hold at least one public hearing prior to approving each annual Program project list. To implement this mandate, the Commission developed an annual Program review and approval process in cooperation with regional transportation planning agencies, state and local social service agencies, the California Association for Coordinated Transportation, and the Caltrans.

The process adopted by the Commission calls for each regional agency to establish scoring based on objective criteria adopted by the Commission. A State Review Committee then reviews the scoring and creates a statewide priority list using the same criteria. The State Review Committee consists of representatives from the state Departments of Transportation, Aging, Rehabilitation, and Developmental Services, with Commission staff acting as facilitator. When the State Review Committee has completed its review, Commission staff and the committee hold a staff-level conference with project applicants and regional agencies to hear any appeals based on technical issues related to scoring. After the staff conference and a public hearing, the Commission adopts the annual Program project list. All projects receive 88.53 percent federal funding and require an 11.47 percent local match.

SAFETEA-LU Program Requirement

Under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) certain federal formula programs, including the Section 5310 Elderly Individuals and Individuals with Disabilities Transit Program, are required to be derived from a coordinated public transit-human services transportation plan for funding received in FFY 2007 and beyond.

Consequently, the project application and project evaluation criteria adopted by the Commission needed to be updated to include the coordinated public transit-human services transportation plan requirement and management mobility activities. The Commission reconvened its Section 5310 Advisory Committee, which consists of members from regional transportation planning agencies, state and local social service agencies, the California Association for Coordinated Transportation, Caltrans and Commission staff.

The committee met four times in the second half of 2007 to consider the SAFETEA-LU changes to the Program. The revised application, Quantitative Scoring Criteria and Project Rating Worksheets were presented at the January 2008 Commission meeting for notice and public hearing, and were adopted at the February 2008 Commission meeting.

FFY 2008 Program Cycle

The FFY 2008 grant amount is estimated at $12.1 million, which combined with project savings in the amount of $1 million from previous cycles, provides a total FFY 2008 Program funding capacity of $13.1 million. The exact level of federal funding capacity depends on the actual federal appropriation. For the FFY 2008 Program, Caltrans received applications from 107 eligible agencies for approximately 499 projects totaling $21.8 million.

In accordance with the Commission's adopted procedures, all applications were scored locally using the program procedures adopted by the Commission. The State Review Committee subsequently reviewed and, in some cases, modified the regional score for those projects, again, using the Commission's adopted procedures. Projects with a scoring difference between the regional and the State Review Committee scores were discussed with the regional transportation planning agency.

The FFY 2008 draft project list was presented for Commission consideration at the December 10-11, 2008 meeting. Commission staff and the State Review Committee conducted the required staff-level conference on December 16, 2008 to provide all stakeholders an opportunity to discuss the draft project list and to hear any appeals on technical issues that affected the scoring. A statewide-priority list was subsequently assembled and it will be used for the public hearing to be held during the Commission's January 2009 meeting. Following the hearing, the Commission is expected to adopt the Program project list for FFY 2008.

State Rail Program

State-supported intercity rail passenger service operates in three corridors:

- Capitol (Auburn-Sacramento-Oakland-San Jose)
- Pacific Surfliner (San Luis Obispo-Los Angeles-San Diego)
- San Joaquin (Bay Area/Sacramento-Fresno-Bakersfield, via bus to Los Angeles).

The Department of Transportation (Caltrans) plans and administers state funding for the Pacific Surfliner and San Joaquin services, while the Capitol Corridor Joint Powers Authority (CCJPA) plans and administers the Capitol Corridor. Caltrans is responsible for developing the annual state budget requests for all three services. The National Passenger Rail Corporation (Amtrak) operates the services under contract with Caltrans and the CCJPA. Under the Federal 1970 Rail Passenger Service Act (49 USC 24102), only Amtrak has statutory rights to access privately owned railroads at incremental cost for intercity passenger rail service.

The California High-Speed Rail Authority (Authority) directs the development and implementation of high-speed rail. The 1996 Act creating the Authority defined high-speed rail as "intercity passenger rail service that utilizes an alignment and technology that make it capable of sustained speeds of 200 miles per hour or greater." The Authority approved in late 2005 a program-level Environmental Impact Statement for a 700 mile system. In 2007 the Authority started the implementation phase. It issued contracts for engineering work and project specific Environmental Impact Reports/EISs for specific segments of the proposed route from San Diego to Los Angeles to Fresno to Sacramento. Due to the state's fiscal troubles over the last few years, the Legislature delayed voter consideration of the $9.95 billion bond measure that would provide the initial financing for the system. The Governor signed Assembly Bill (AB) 3034 that placed Proposition 1A on the November, 2008 ballot and replaced Proposition 1. Proposition 1A contained changes that provided more guidance and fiscal controls on the proposed high-speed rail project. The voters passed Proposition 1A by a simple majority.

Operating subsidies for the state-supported intercity rail services have been stable. For the last five years, the state has annually appropriated $73 million from the Public Transportation Account for intercity rail service. Amtrak continues to provide about $11 million annually from federal funds (which includes $10 million to operate the 30 percent of Pacific Surfliner service that is not State-supported). For fiscal year 2007-08, the Legislature increased the operating subsidy by almost seven million dollars to $79.7 million. For fiscal year 2008-09, the Legislature increased the operating subsidy to $86.3 million to accommodate increased labor costs resulting from new contracts replacing the expiring contracts and increased fuel costs. For the last few years, threatened federal cutbacks in support for Amtrak remained a concern to California primarily because of their implications for capital funding and for Amtrak's valuable operating rights. The concern faded completely this year when Congress passed and the President signed a reauthorization bill for Amtrak in mid-October 2008.

Intercity Rail Project Funding, Delivery, and Ridership

In fiscal year 2007-08, the California Transportation Commission (Commission) allocated $51.1 million for 19 intercity rail projects from the State Transportation Improvement Program (STIP). An example of the type of projects that received an allocation is the capitalized maintenance of all three corridors. Another example of other allocations included station improvements at Dixon, Elk Grove, Fullerton, and Sacramento.

Proposition 1B specifies that $400 million is available for an intercity rail program and that at least $150 million of the $400 million is for purchasing locomotives and rail cars. In December 2007, Caltrans presented to the Commission program guidelines that the Commission consented to use in identifying candidate projects. Caltrans returned in February 2008 with a list of projects totaling $400 million and the Commission consented to the list.

Part of the $400 million project list included $39 million for projects that Caltrans dropped from the early years of the STIP in order to free up programming and funding capacity for other transportation projects. These STIP rail projects included double tracking of the Santa Margarita bridge near Oceanside, crossovers on the San Joaquin Corridor near Merced and the Capitol Corridor near Martinez, and the Metrolink sealed corridor project. The remaining items on the list included locomotives and passenger vehicles, station track and mainline track work on the Pacific Surfliner, and a maintenance facility in Sacramento. In August, the Commission amended the adopted list, as requested by Caltrans, to show funding to the nearest thousand, incorporated the Merced Crossover project into the Kings Park Track and Signal Improvement project and reduced the funding for design of the Fresno Layover Facility to fully fund the Kings Park project. In 2008, the Commission allocated $96.3 million in Proposition 1B funds to Caltrans for intercity rail projects.

Intercity rail corridors in the state are some of the most heavily traveled intercity rail routes in the country. The Pacific Surfliner Corridor is the second most heavily traveled intercity rail corridor in the country, only surpassed by the Washington-Boston Metroliner Corridor. The Capitol Corridor and the San Joaquin Corridor rank number three and sixth respectively. These corridors have suffered from an under investment in infrastructure that now threatens their ability to meet the increased passenger demand generated by higher gasoline prices and a depressed economy during 2008. The lack of adequate infrastructure funding for these corridors will compromise their ability to contribute to the transportation sectors' efforts in achieving the goals and objectives set forth under AB 32 and Senate Bill (SB) 375.

Overall, the combined performance metrics of the Pacific Surfliner, Capitol and San Joaquin were positive this year. Ridership numbers broke all-time records. On-time performance, a measure of the train's reliability in maintaining its schedule, increased for the three intercity rail corridors. Revenues increased for the three corridors. Overall, the combined farebox ratio for the three corridors went up. (Farebox ratio represents the amount of revenues generated by passengers divided the operating cost.)

The Northeast Corridor is the most heavily traveled rail corridor in America. In California, the Pacific Surfliner, Capitol and San Joaquin intercity rail corridors have respectively the second, third and sixth-highest intercity ridership among passenger rail corridors in America. Intercity ridership rose dramatically between FY 2007-08 and FY 2008-09, due primarily to high gas prices. For all three corridors, the total ridership went up from 1.352 million in the first quarter of FY 07-08 to 1.568 million for the same quarter of FY 2008-09. This increase represented 216 thousand additional riders and a 15.9 percent increase in total ridership. In terms of individual corridors, the Pacific Surfliner increased from 766,714 riders to 830,441 riders, an 8.3 percent increase. The Capitol increased from 368,647 riders to 464,837 riders, a 26.1 percent increase). The San Joaquin increased from 217,396 riders to 272,661 riders, a 25.4 percent increase).

On-time performance also contributed to ridership increases on California's intercity rail corridors. Overall, the combined on-time performance (OTP) of the three corridors increased from 73.8 percent to 81.2 percent. For the Pacific Surfliner, the OTP increased from 69.5 percent in first quarter of FY 2007-08 to 72.7 percent in the first quarter of FY 2008-09. The Capitol's OTP increased from 80.0 percent to 90.2 percent. The San Joaquin's OTP increased from 67.7 percent to 77.2 percent. In comparison, the Amtrak national system's OTP is 71.2 percent or 10 percentage points less than the California's three combined intercity rail corridors. When compared against the Northeast Corridor's OTP of 81 percent, California's OTP of 81.2 percent is comparable.

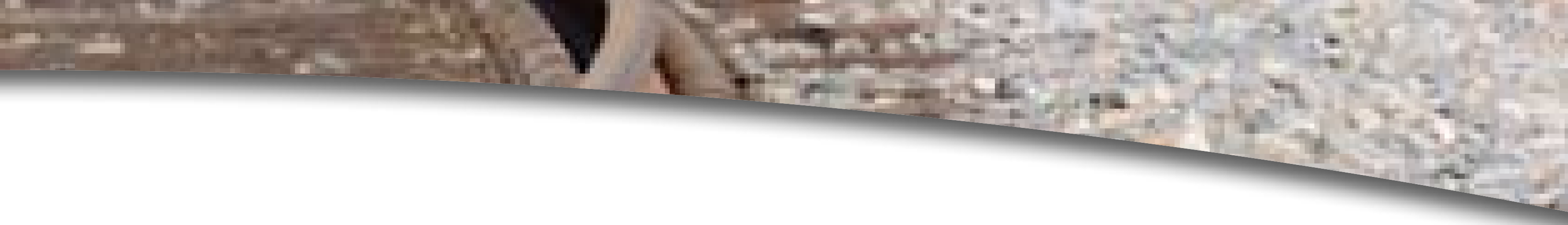
With the increase in ridership, revenues also went up this year. Revenues increased on the overall state system from $27.0 million in the first quarter of FY 2007-08 to $32.6 million in the first quarter of this fiscal year, a 21 percent increase. By corridor, the revenues on the Pacific Surfliner went from $15.1 million to $16.9 million, a 12.8 percent increase. On the Capitol, the revenues went from $5.1 million to $6.5 million, a 26.8 percent increase. On the San Joaquin, the revenues went from $6.8 million to $9.2 million, a 34.7 percent increase.

Overall the combined farebox ratio of the three corridors went up for the first quarter of FY 2007-08 from 57 percent in to 59.7 percent in FY 2008-09, despite higher fuel and labor costs. By corridor, the farebox ratio for the Pacific Surfliner went down from 74.9 percent in the first quarter of FY 2007-08 to 72.5 percent in FY 2008-09. (The drop off was due to increased fuel costs and labor costs.) The Capitol farebox ratio went up from 43.6 percent to 46.8 percent. The San Joaquin farebox ratio went up from 44.0 percent to 52.9 percent.

High-Speed Rail Bond Measure

Originally, SB 1856 (Chapter 697, Statutes of 2002) provided for a $9.95 billion bond measure for consideration at the November 2004 General Election. However, SB 1169 (Chapter 71, Statutes of 2004) delayed the submission of the measure from the November 2004 ballot to the November 2006 ballot. Then in 2006, AB 713 (Chapter 44, Statutes of 2006) extended the deadline from the November 2006 date to November 2008. The impetuses for the delays were due to the state budget deficits and the funding uncertainty that faced the remainder of the state transportation program.

In 2008, the Legislature introduced several bills relating to the high-speed rail bond measure. Some bills proposed to delay the bond measure another two years. Assemblymember Galgiani introduced AB 3034, proposing that



the bond measure, with modifications, be put before the voters at the November 2008 General Election. AB 3034 proposed to update the original bond proposal to reflect the Authority's certification of its programmatic and project level-specific EIRs, provided more fiscal controls and guidance on the Authority, and established an independent peer review group to review, analyze, and assess the accuracy and viability of the Authority's planning, engineering, and financing of the high-speed corridor. In August 2008 the Governor signed AB 3034 as an urgency bill that replaced Proposition 1 with Proposition 1A on the November 2008 ballot. Proposition 1A contained changes from AB 3034 that provided more guidance, fiscal controls and peer review of the proposed high-speed rail project.

Proposition 1A passed by a majority vote of 52.3 percent to 47.7 percent. The $9.95 billion in bonds issuances from the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century will be split as follows:

- The Authority will receive $9 billion. The Authority will use the $9 billion in conjunction with available federal and private funds to plan and construct a high-speed rail system.
- The Commission will develop guidelines and program the $950 million available for capital projects on other passenger rail lines to provide connectivity to the high-speed system and for capacity enhancements and safety improvements to those lines. Of the $950 million, $190 million goes to intercity rail projects. AB 3034 directs that at least $47.5 million go to each of the State's intercity rail corridors. (Caltrans has an opportunity to match the Proposition 1B funds with the federal funds resulting from H.R. 2095.) The Commission will program the remaining $760 million to commuter, urban and light rail projects, based upon a formula considering track miles, train miles and passenger trips among other factors.

AB 3034 also required the Authority to prepare a business plan. The Authority released the business plan on November 8. The business plan states that the project expects to:

- Have the Anaheim/Los Angeles-to-San Francisco backbone segment up and running by 2020.
- Cost for the Anaheim/Los Angeles-to-San Francisco segment is estimated between $32.8 billion and $33.6 billion to build. Funding for the Anaheim/Los Angeles-to-San Francisco segment will come from the $9 billion from Proposition 1A, $12 billion to $16 billion in federal funds, $6.5 billion to $7.5 billion in public-private partnership investments and $2 billion to $3 billion in local funds.
- Carry 55 million trips annually by 2030.
- Create $150.5 billion in benefits over 40 years.
- Have annual projected operating and maintenance costs between $1.2 billion and $1.3 billion.
- Have annual projected revenues between $2.4 billion and $2.6 billion, depending on fares.

The Authority approved in late 2005 a program-level Environmental Impact Statement for a 700 mile system.

- Result in a decline of 12 billion pounds of carbon dioxide emissions per year by 2030.

Amtrak Re-Authorization

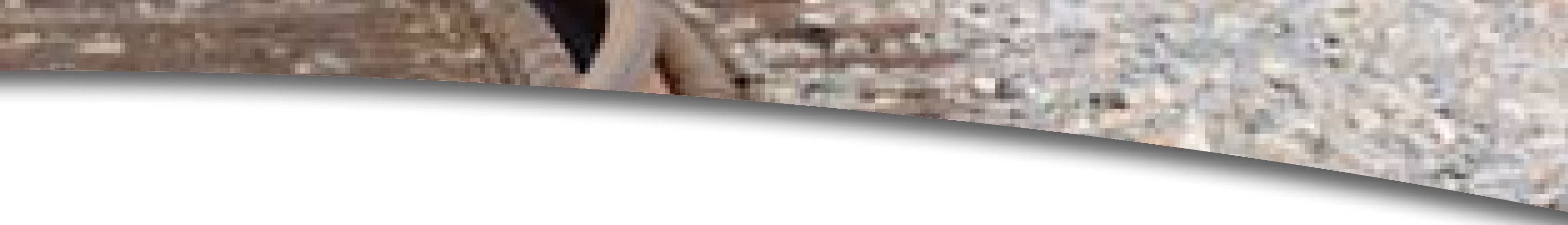
For a number of years, the Commission has voiced its concerns about the future of Amtrak due to the Bush Administration's continuing efforts, as well as some Congressional members' efforts, to reduce, eliminate or privatize the agency. California's primary interests were and continue to be:

- Preserving Amtrak's operating rights on private railroads or to have those rights assigned to the states.
- Achieving a reasonable share of any federal funding for rail capital improvements by recognizing the contribution of state matching funds.

This year Congress acted to pass H.R. 2095, the Rail Safety Improvement Act of 2008 and the Passenger Rail Investment and Improvement Act of 2008 (Amtrak Reauthorization). The September 12 accident, where a Metrolink commuter train collided head-on with a Union Pacific freight train in Chatsworth, helped tipped the debate. The accident would not have occurred if positive train control equipment was in place. Senator Feinstein introduced S. 3493 requiring positive train control equipment be installed nationwide on all commuter and freight rail lines by 2015. Later, Congress incorporated S. 3493 into H.R. 2095. On October 1st, the Senate passed H.R. 2095 by a 74-24 vote. President Bush signed the H.R. 2095 on October 16.

H.R. 2095:

- Reauthorizes Amtrak for five years from Federal Fiscal Year (FFY) 2009 through FFY 2013.
- Provides for a match of 80 percent federal funds to 20 percent local funds for the capital grant programs. Grants would be awarded on a competitive basis.
- Encourages private sector participation on intercity rail projects and high-speed rail projects.
- Requires all Class I railroads and intercity passenger and commuter railroads to implement a positive train control system by December 31, 2015. The legislation establishes a grant program for rail safety technology. The Secretary of Transportation is authorized to carry out a $250 million grant program with a $50 million appropriation for each fiscal year from 2009 through 2013.
- Provides $1.9 billion in capital investment grants for intercity rail projects between FFY 2009 and FFY 2013 to states with state rail plans.
- Provides $325 million in congestion grants for eligible capital projects that reduce congestion or facilitate ridership growth in intercity rail passenger transportation along heavily traveled rail corridors, improve on time performance and reliability of intercity rail passenger transportation.
- Provides $1.5 billion in high-speed rail grants. Projects must be in a state rail plan. Additional projects can be nominated from 11 designated high-speed rail corridors. In California, the California Corridor constitutes the designated high-speed rail corridor comprised of the Capitol, Pacific Surfliner, San Joaquin and the Coast routes. (High-speed rail is defined as intercity service that reaches speeds of at least 110 miles per hour.)



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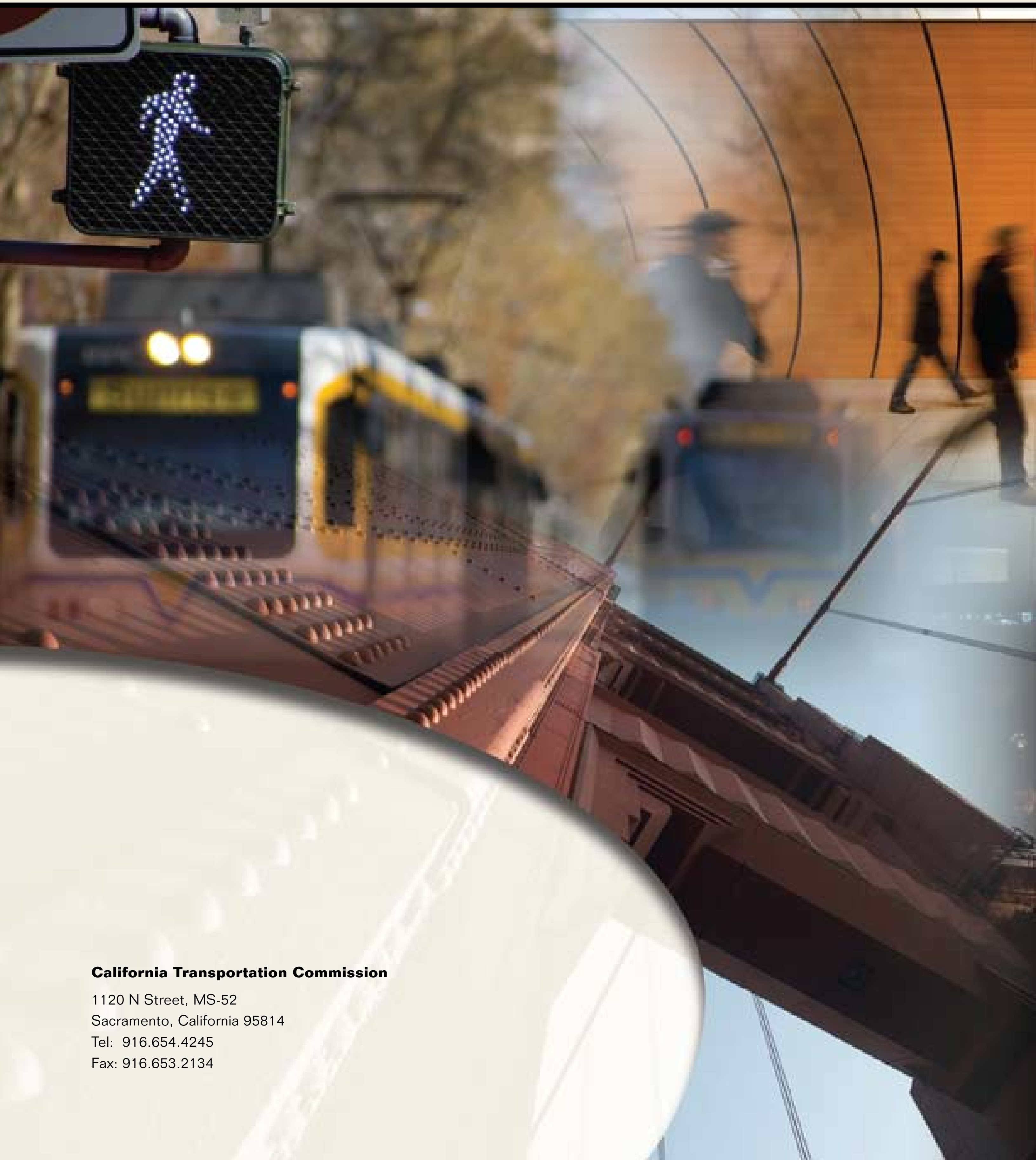

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