EVALUATION OF THE PROPOSED FY 1996–97 BUDGET FOR THE DEPARTMENT OF TRANSPORTATION

Adopted by the California Transportation Commission March 28, 1996

Pursuant to

Government Code, Section 14523

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CALIFORNIA TRANSPORTATION COMMISSION'S EVALUATION OF THE PROPOSED FY 1996-97 BUDGET FOR THE CALIFORNIA DEPARTMENT OF TRANSPORTATION

Statutory Requirement

Government Code Section 14523 reads:

> **The California Transportation Commission shall prepare an independent evaluation of the department's budget regarding the adequacy of funding levels and the relative needs of program categories as defined in Section 167 of the Streets and Highways Code and submit its recommendations to the Legislature not later than March 1 of each year. The report shall reflect the Commission's judgment regarding the overall funding levels for each program category and shall not duplicate the item by item analysis conducted by the Legislative Analyst.**
>
> **The evaluation and recommendations of the Commission shall include recommended adjustments of the motor vehicle fuel tax rates and commercial vehicle weight fees necessary to fund the state highway programs for the maintenance, reconstruction, and operational improvements of the existing state highway system.**

The following report is submitted pursuant to this requirement.

CALIFORNIA TRANSPORTATION COMMISSION'S EVALUATION OF THE PROPOSED FY 1996-97 BUDGET FOR THE CALIFORNIA DEPARTMENT OF TRANSPORTATION

SUMMARY OF RECOMMENDATIONS

Status of the State Transportation Improvement Program

Because of the March 26 vote on Proposition 192, the Commission, following consultation with the Administration and Legislative leadership, has delayed the 1996 STIP adoption one month to May 1. To balance the State Transportation Improvement Program (STIP) with available resources, the Commission proposes to delete a net of $575 million and to delay funding of the remaining $4.6 billion in projects by up to four years, with an average delay of about two years. New resources, freed up by the passage of Proposition 192, would be programmed through the next STIP programming cycle.

For the first time in five years, the Proposed Budget would not transfer or loan transportation revenues to use for non-transportation purposes. Since 1992-93, the Legislature has transferred or loaned $570 million from transportation to General Fund programs. Of that amount, only $36 million has been repaid.

- **The Commission has consistently opposed these transfers and urges that these transferred funds be repaid.**

Major Budget Issues

The Commission has identified three major issues to bring to the Legislature's attention concerning the 1996-97 Caltrans budget. Those issues concern:

- State toll bridge seismic retrofit funding.
- Intercity rail operations.
- Measures and standards for Caltrans delivery resources.

State Toll Bridge Seismic Retrofit Funding

The Proposed 1996-97 Budget includes expenditures of $156 million for toll bridge seismic retrofit work ($37 million in support and $119 million in capital outlay). Pending the outcome of the vote on Proposition 192, the Budget reflected these costs as coming solely from toll bridge revenues. Before the Budget was proposed, Caltrans had estimated a total cost of $650 million to complete the needed seismic retrofit work on seven of the nine State-owned toll bridges. The same amount, $650 million, was designated in Proposition 192 to fund toll bridge seismic retrofit work. In late January, however, Caltrans announced a revised estimate in the range of $2 billion to complete the toll bridge seismic retrofit work. With this new estimate, the funding of about $1.35 billion in toll

bridge seismic retrofit work remains the most immediate transportation issue needing resolution by the Legislature. Without Legislative guidance, for example, the Commission was unable to make any assumption in the 1996 STIP Fund Estimate regarding the funding of toll bridge seismic retrofit work.

At present, projects on most of the State's toll bridges are not eligible for Federal funding, because state law makes toll revenues from San Francisco Bay Area and San Diego-Coronado bridges available for other purposes, including transit and ferry subsidies. Without modifying either State or Federal law, or agreement by local agencies to forego using toll revenue for transit and ferry operations, Federal funds could not be used to retrofit bridges, except perhaps the Vincent Thomas Bridge in Los Angeles.

- **The Commission supports timely completion of the bridge seismic retrofitting and urges the Legislature and Administration to reach an early resolution of the long term issue of funding for the entire program. The year-by-year approach to negotiating the source of funding for toll bridge seismic retrofit work has cast a wide shadow of uncertainty over both the State Highway Account and toll bridge revenues.**

Intercity Rail Operations

The Proposed 1996-97 Budget would essentially maintain current intercity rail services at roughly current costs through the fiscal year. However, Amtrak recently announced a change in its method of charging states for their share in State-supported services, shifting more costs from Amtrak to the states. The proposed Budget does not reflect this increase.

California lacks a clear vision for its intercity rail service. Caltrans, the Commission, and the Legislature need to articulate a vision that can answer the following questions:

- What can and should be the function of a statewide rail program, both in terms of targeted market and intended benefit?
- Why should the State support it financially?
- What roles can and should the State, Amtrak, regional rail operators, local governments, and the private sector play in administering, operating, constructing, and financing it?

The long-term vision for intercity rail development is important to short-term decision-making. If the goal of the intercity rail program is simply to operate today's services for today's customers, then Amtrak's doubling and quadrupling of operating charges may very well mean that the services will soon no longer be worth State financial support. If, on the other hand, the State has other goals for statewide rail development, then continued investments on today's system, even the payment of higher operating charges in the near term, may be worthwhile. If the State envisions today's rail system as a stage in the development of a new and better system, then it is time to reconsider the roles and relationships of the State, Amtrak, regional rail operating agencies, local governments, and the private railroads in rail development and operations.

- **The Commission believes that for both the Legislature and the Administration to come to terms with the budgetary decisions of capital investment and operations, a clear, long term vision is a critical cornerstone.**

Measures and Standards for Caltrans Delivery Resources

The Proposed 1996-97 Budget includes major reductions in highway capital outlay support due to:

- anticipated reductions in workload, including seismic retrofit work;
- anticipated efficiencies in project development;
- a policy to transfer inspection responsibilities to construction contractors; and
- a policy to reduce reimbursed engineering work on locally funded projects.

The Caltrans budget must make assumptions about the relationship of delivery resources to program output, both for projects scheduled to go to construction during the budget year and for projects under development that will go to construction in the years beyond the budget year. Caltrans, however, has not as yet completed developing and applying measures and standards needed to evaluate workload requirements and to measure the effectiveness of proposed or implemented efficiencies. Caltrans also has not as yet completed its attempt to put in place satisfactory performance measures and the management information system needed to support them. These needs were identified over two years ago in the management audit of Caltrans prepared for the Legislature by SRI International (Evaluation of the Organizational Structure and Management Practices of the California Department of Transportation, February 1994).

Beyond these immediate issues of workload estimating and performance measurement lies the issue of long-term program size and the capital support resources needed to prepare a program of the desired size. While it is prudent to match capital support to the level of capital investment that the program can afford, as this budget does, the ability to contract out capital support work becomes essential so that program delivery resources can be readily and expeditiously expanded (or reduced) to meet an unexpected short-term change in upcoming program level and underlying capital support workload.

- **The Commission urges the implementation of changes recommended by SRI for improved management information systems necessary to provide adequate workload and performance measures.**

CALIFORNIA TRANSPORTATION COMMISSION

EVALUATION OF THE PROPOSED FY 1996-97 BUDGET FOR THE CALIFORNIA DEPARTMENT OF TRANSPORTATION

Introduction:

Any review and evaluation of the Proposed 1996-97 Budget for the Department of Transportation (Caltrans) must consider the overall status of funding for the State transportation program. The promise of California's Transportation Blueprint for the Twenty-First Century, enacted in 1989, has not been achieved. Its $18.5 billion ten-year investment plan has suffered a series of setbacks due collectively to the Loma Prieta and Northridge earthquakes, an economic recession, and a series of rejected bond measures.

- Funds originally intended for the STIP have been diverted to cover the $750 million Phase 1 and the $1 billion Phase 2 seismic retrofit programs developed respectively in the wake of the 1989 Loma Prieta and 1994 Northridge earthquakes.
- Proposition 1A, a measure placed on the June 1994 ballot to provide funding for the Phase 2 seismic retrofit work, was rejected by the voters.
- The second and third of the three $1 billion general obligation rail bond measures that were part of the 1989 Transportation Blueprint, Propositions 156 and 181, were defeated by the voters in 1992 and 1994.
- Revenues from Proposition 108, the first of these three rail bond measures, which was approved in 1990, were offset as successive budgets transferred other transportation resources to the General Fund to cover debt service costs. (This also occurred for Proposition 116, a $2 billion general obligation transit bond initiative, also approved in 1990.)
- The recessionary downturn in fuel tax and weight fee receipts brought State Highway Account revenues below forecast levels.
- At the Federal level, funds authorized by the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) were impounded by Congress in annual budget appropriations.

Still another major threat to the financial stability and levels of investment of the transportation program is the unresolved issue of funding seismic retrofit work on seven of the State's nine toll bridges. When the Proposed Budget was first released in January, there was hope that this issue might be resolved by the approval of Proposition 192, which is scheduled to finance $650 million in toll bridge seismic retrofit work and $1.35 billion in Phase 2 seismic retrofit work. Late in January, however, Caltrans announced an upward revision in its toll seismic retrofit estimate, from $650 million to about $2 billion. Thus, even with the approval of Proposition 192 on the March ballot, there remains an unfunded balance for toll bridge seismic retrofit of about $1.3 billion.

The enactment of the Transportation Blueprint in 1989 followed upon two decades of under-investment in California's transportation infrastructure. More drivers with more cars drove more miles each year, but paid considerably less in fuel tax user fees to do so. Between 1970 and 1990, the number of drivers in California increased by 72% to 20 million, the number of automobiles increased by 68% to nearly 17 million, and the number of vehicle miles traveled grew by 129% to 126 billion. By contrast, the State fuel taxes/user fee paid per 100 miles of travel dropped 62% from 97 cents to 37 cents in constant 1970 dollars. Congestion steadily worsened as spare highway capacities built during the 1950's and 1960's were consumed and exceeded in urban areas by an increasing population and dispersed commute patterns.

During the 1960's and early 1970's, the California transportation investment program was responsive to State priorities. Even with the Federal emphasis on completing the Interstate System, California invested enough of its own money to develop many non-Interstate projects with State funds only. However, starting in the mid-1970's and throughout the 1980's, this State-only program disappeared, as inflation and reduced fuel consumption eroded State revenue, leaving only enough State funds to pay for maintenance and operations and to match Federal funds.

The landmark 1989 Transportation Blueprint promised the return of a State-driven program, though its planned level of investment was modest by comparison with that of 20 years earlier. However, because of the prolonged recession, the imperative for seismic safety work, and the rejection of the bond measures, the level and direction of California's transportation investment program are again being dominated by Federal funding programs. State priorities are being preempted by Federal priorities as California's program is once again being limited, by and large, to matching whatever Federal funds are available. Moreover, the level of transportation investment through the STIP has dropped to only 70% of the level called for in the Transportation Blueprint.

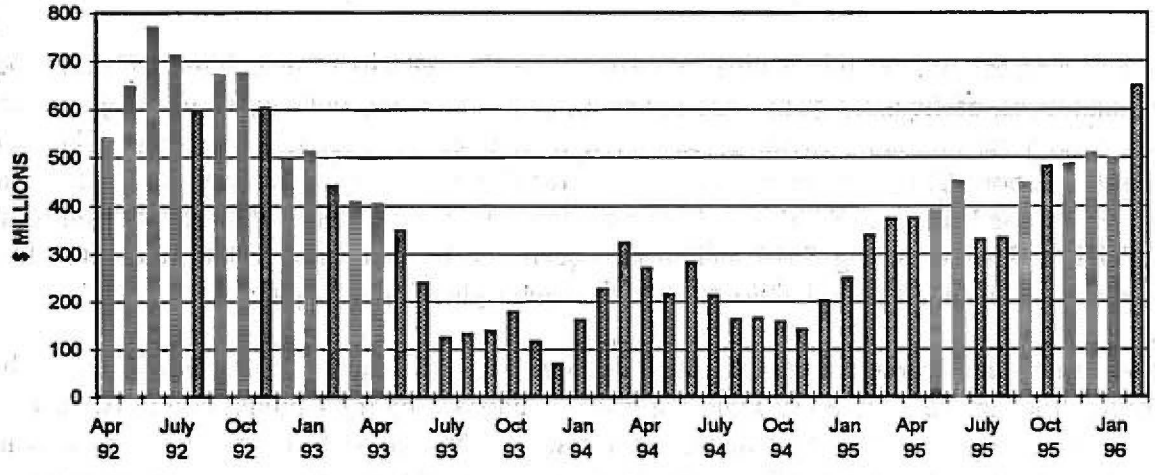
The 1992 STIP, which covered the seven fiscal years from 1992-93 through 1998-99, was the first casualty of the return to a Federally driven program. It was originally adopted in March 1992, when the outlook for State-funded projects was still reasonably bright. Since then, that seven-year program has faced reductions that are forcing the delay and stretching out of its program from seven to eleven years and more. The 1994 STIP added two years of additional funding (FY 2001-02 and FY 2002-03) without adding any projects. Interim allocation plans in 1995 and 1996 rationed available funds to some projects while delaying others. The 1996 STIP will again add two years of additional funding and will actually reduce the total dollar value of projects it contains from the $5.2 billion total remaining from the 1994 STIP to only $4.6 billion, with those remaining projects stretched out by as much as four years. In short, the STIP has returned to the pre-Blueprint practices of the 1970's and 1980's, with a downsized, Federally dominated investment strategy.

Even as the State experiences this period of over four years without adding new program capacity to the STIP, California continues to grow and face new economic development opportunities. Among the most challenging of these opportunities have been improving the

Alameda Corridor in Los Angeles County and responding to the North America Free Trade Agreement (NAFTA). The implementation of NAFTA, for example, is creating the need for improvements along the International Border to serve increased commercial traffic. The Commission has been able to respond to new challenges such of these only by trading out funds already programmed for other STIP projects.

In contrast to the serious funding shortfall necessary to accomplish the schedule and collection of projects remaining from the 1992 STIP, there is currently a large cash balance in the State Highway Account (SHA) which is expected to grow even larger during the next several months. The average daily cash balance in the SHA for February 1996 was $649 million. The Commission has long sought to manage the cash balance in the SHA at a level below $150 million, and preferably below $100 million. In recent years, the SHA average daily cash balance climbed to a high of $769 million in June 1992 as new revenues from Proposition 111 exceeded Caltrans' project delivery capabilities and the advance time needed to ready projects for construction. As project delivery accelerated, the SHA cash balance was brought down to the desired level of around $100 million to $150 million for most of the period between July 1993 and November 1994. Then the SHA cash balance steadily increased to the current balance of nearly $650 million. The growth in the cash balance is due primarily to lower than expected bids on contracts because of the lingering effects of the recession, new Federal rules on incremental project obligations that allow for faster Federal reimbursement, and slower than expected project delivery.

STATE HIGHWAY ACCOUNT AVERAGE DAILY CASH BALANCE



Summary of the Proposed Caltrans Budget

The FY 1996-97 Proposed Budget assumes that a reduced level of investment in transportation, dominated by Federal funding, will continue well into the next decade. The major elements of Proposed FY 1996-97 Budget are summarized in the following table:

	Funding $ Millions	Change From FY 95-96 $ Millions	Change From FY 95-96 Percent	Staff (PYs)	Change From FY 95-96 (PYs)	Change From FY 95-96 Percent
Aeronautics	**9.7**	**-0.9**	**-9.2%**	**33.3**	**-1.4**	**-4.2%**
State Operations	3.1	0.0	0.8%			
Local Assistance	6.6	-0.9	-13.8%			
Highway Transportation	**5,043.9**	**177.9**	**3.5%**	**15,341.5**	**-703.5**	**-4.6%**
Capital Outlay Support	660.1	-42.1	-6.4%			
Local Assistance Operations	16.7	-0.4	-2.6%			
Program Development	63.6	3.3	5.2%			
Legal	61.8	12.9	20.9%			
Operations	126.2	19.5	15.4%			
Maintenance	672.2	12.7	1.9%			
Local Assistance	746.0	8.5	1.1%			
Capital Outlay	2,697.4	163.6	6.1%			
[State Capital Outlay]	743.0	268.7	36.2%			
Mass Transportation	**266.9**	**24.8**	**9.3%**	**196.5**	**-84.1**	**-42.8%**
State Operations	71.7	-15.8	-22.0%			
Local Assistance	149.2	31.5	21.1%			
Capital Outlay	46.0	9.0	19.6%			
Transportation Planning	**39.9**	**1.7**	**4.2%**	**200.7**	**20.4**	**10.2%**
State Operations	18.9	1.7	8.9%			
Local Assistance	21.0	0.0	0.0%			
Administration	**114.9**	**-19.7**	**-17.2%**	**1,001.7**	**-204.1**	**-20.4%**
TOTAL	**5,475.3**	**183.8**	**3.4%**	**16,773.7**	**-972.7**	**-5.8%**

A key element driving this Budget appears to be the need to raise Highway Capital Outlay expenditures, particularly from State revenues, to meet current obligations for projects already under contract and still provide a reasonable level of funding for new projects. The Budget proposes about $740 million in State funding for Capital Outlay, of which about $230 million would be used for new STIP and Traffic Systems Management (TSM) construction work in 1996-97. The remaining $510 million is needed just to fund basic safety and rehabilitation work plus current STIP and TSM construction and right-of-way work.

The principal assumptions behind the Proposed Budget appear to be consistent with the assumptions in the 1996 STIP Fund Estimate, as adopted by the Commission in August 1995, with one exception. The Proposed Budget assumes that the State Highway Account will not be needed or used to fund toll bridge seismic retrofit work, whereas the Fund Estimate made no assumption at all regarding the source of revenue for toll bridge seismic retrofit work. The Budget reflects 1996-97 expenditures of $156 million for toll seismic work, including $37 million in support and $119 million in capital outlay. As released in January, it assumed that funding would come either from toll revenues or from Proposition 192 bond revenues. This would be a change from the budget actions taken in the last three years to provide partial funding of toll bridge seismic work from the State Highway Account.

For the first time in five years, the Proposed Budget would not transfer or loan transportation revenues to use for non-transportation purposes. Since 1992-93, the Legislature has transferred or loaned $570 million from transportation to General Fund programs. Of that amount, only $36 million has been repaid.

- **The Commission has consistently opposed these transfers and urges that these transferred funds be repaid.**

Status of the State Transportation Improvement Program

The Commission's 1996 STIP Fund Estimate forecasts that available STIP resources through the seven-year STIP period ending 2002-03 will fall about $575 million short of the amount needed to fund the projects being carried forward from the 1994 STIP. As a result, the Commission would delete a net of about $575 million in projects in the 1996 STIP. Because no new projects were added in the 1994 STIP, the projects to be deleted now fall within the first three or four years of the 1996 STIP period. This also means that it would take at least 12 years to fund all of the projects that were programmed in the seven years of the 1992 STIP.

The 1996 STIP Fund Estimate did not assume the availability of Proposition 192 bond revenues for the Phase 2 seismic retrofit program on State highways. It assumed that State Highway Account revenues would be needed and used to fund the Phase 1 and Phase 2 programs. However, the Fund Estimate did not make any assumption regarding the source of revenues to be used for the seismic retrofit of toll bridges.

In order to bring the STIP into balance with available resources, the Commission proposes to delete a net of $575 million and to delay funding of the remaining $4.6 billion in projects by up to four years, with an average delay of about two years. At the Commission's request, Caltrans and regional agencies have presented their reprogramming recommendations, including priorities for retaining and deleting current STIP projects. In some cases, new projects have been proposed in trade for project reductions or deletions. Because of the March 26 vote on Proposition 192, the Commission, following consultation with the Administration and Legislative leadership, has delayed the 1996 STIP adoption one month.

Meeting the Shortfall with Fuel Taxes or Weight Fees

Government Code Section 14523 requires that the Commission's evaluation of the Department's proposed budget include recommended adjustments of the motor vehicle fuel tax rates and commercial vehicle weight fees necessary to fund the state highway programs for the maintenance, reconstruction, and operational improvements of the existing state highway system.

Because the operation, maintenance and rehabilitation of the existing system, including seismic retrofit work, is given first priority for State Highway Account funding (Government Code Section 14529.6), current motor vehicle fuel tax rates and commercial vehicle weight fees are adequate to cover annual cash flow requirements for these programs. However, full funding of these programs from current State Highway Account revenues would produce significant funding shortfalls in other transportation capital outlay programs including all rail and highway elements of the STIP, the Transportation System Management Program, and the State-Local Transportation Partnership Program. With the approval of Proposition 192, $650 million will be provided for toll bridge seismic retrofit work and $1.35 billion for the State highway Phase 2 program. That frees up $1.35 billion in State Highway Account revenues, of which about $600 million could be made available for new STIP projects. The remaining $1.35 billion for bridge seismic retrofit work could be covered by a statewide fuel tax increase of 5 cents per gallon over two years. A one-cent increase in fuel taxes, or an increase of 20-25 percent in current commercial vehicle weight fees, generates approximately $150 million per year.

STIP AND SEISMIC RETROFIT PROGRAM FUNDING SHORTFALLS
(Billions)

Program	Capital Outlay & Support Costs	Prop 192 Funding	1996 STIP Fund Estimate	Surplus (Deficit)
Seismic Phase 2	$1.35	$1.35	$1.35	$0.00
Toll Bridge Seismic	$2.00	$0.65	$0.00	($1.35)
STIP	$0.75	$0.00	$0.00	$0.60
Total	**$4.10**	**$2.00**	**$1.35**	**($0.75)**

Major Budget Issues

The Commission has identified three major issues to bring to the Legislature's attention concerning the 1996-97 Caltrans budget. Those issues concern:

- State toll bridge seismic retrofit funding.
- Intercity rail operations.
- Measures and standards for Caltrans delivery resources.

State Toll Bridge Seismic Retrofit Funding

The Proposed 1996-97 Budget includes expenditures of $156 million for toll bridge seismic retrofit work ($37 million in support and $119 million in capital outlay). Pending the outcome of the vote on Proposition 192, the Budget reflected these costs as coming solely from toll bridge revenues. Before the Budget was proposed, Caltrans had estimated a total cost of $650

million to complete the needed seismic retrofit work on seven of the nine State-owned toll bridges. The same amount, $650 million, was designated in Proposition 192 to fund toll bridge seismic retrofit work, which would have obviated the need for another funding source.

In late January, however, Caltrans announced a revised estimate in the range of $2 billion to complete the toll bridge seismic retrofit work. With this new estimate, the funding of about $1.35 billion in toll bridge seismic retrofit work remains the major transportation issue needing resolution by the Legislature. It is important both for the budget year and for the longer term. Without Legislative guidance, for example, the Commission was not in a position to make any assumption in the 1996 STIP Fund Estimate regarding the funding of toll bridge seismic retrofit work.

The funding of this additional $1.35 billion in toll bridge seismic retrofit costs will likely require some combination of new revenues and the displacement of current funding that would otherwise have been available for other projects. Funding from the State Highway Account would reduce the amount available for the STIP, possibly in combination with other programs. Funding from current toll bridge revenues could reduce or delay funding for toll bridge improvement projects.

The Legislature has debated the source of funding for toll bridge seismic retrofit work over the last three budget cycles without resolving the long-term funding issue. In each of those three years, the Legislature has reached a one-year funding compromise, taking some funds from both the State Highway Account and the Toll Bridge Revenues Account. Though the approval of Proposition 192 will provide a susbstantial source of financing, a major long term funding issue remains.

The funding debate over the last three years has centered on issues of law, equity, and the availability of funds. On the one hand, it is argued that, under State law, bridge tolls historically have been used to construct, reconstruct, and rehabilitate the toll bridges. On the other hand, it is argued that State law makes seismic safety retrofit work the highest priority for the State Highway Account without making any distinction between toll and non-toll bridges. State Highway Account funds also have been used since 1988 to pay for maintenance costs on the toll bridges.

In terms of equity, some argue that it is not equitable to ask toll users (especially in the San Francisco Bay Area) to pay directly for seismic retrofit work when the seismic retrofittting of non-toll bridges throughout the State has been paid from the State Highway Account. On the other hand, it is argued that a large proportion of the State's needed seismic retrofit work is being done in the San Francisco Bay Area and that funding toll bridge seismic retrofit work from the State Highway Account would mean a substantial subsidy to the Bay Area from the rest of the State. On page 8 is a table showing estimated statewide seismic retrofit costs for both toll and non-toll bridges, comparing the distribution of those costs by county to the distribution of population and vehicle miles (VMT) traveled.

SEISMIC RETROFIT COST SUMMARY

County	Percent Population	Percent of VMT	Phases 1+2 Seismic ($1,000's)	Percent Phases 1+2 Seismic	Toll Seismic ($1,000's)	Total Seismic ($1,000's)	Percent Total Seismic
Alameda	4.30%	5.10%	336,346	18.50%	383,400	719,746	20.48%
Alpine	0.00%	0.03%	170	0.01%		170	0.00%
Amador	0.10%	0.17%	0	0.00%		0	0.00%
Butte	0.61%	0.40%	0	0.00%		0	0.00%
Calaveras	0.11%	0.17%	0	0.00%		0	0.00%
Colusa	0.05%	0.27%	215	0.01%		215	0.01%
Contra Costa	2.70%	2.47%	19,950	1.10%	185,200	205,150	5.84%
Del Norte	0.08%	0.11%	3,270	0.18%		3,270	0.09%
El Dorado	0.42%	0.54%	0	0.00%		0	0.00%
Fresno	2.24%	1.54%	3,564	0.20%		3,564	0.10%
Glenn	0.08%	0.22%	0	0.00%		0	0.00%
Humboldt	0.40%	0.48%	70,819	3.90%		70,819	2.01%
Imperial	0.37%	0.61%	3,890	0.21%		3,890	0.11%
Inyo	0.06%	0.27%	711	0.04%		711	0.02%
Kern	1.83%	2.53%	23,984	1.32%		23,984	0.68%
Kings	0.34%	0.35%	499	0.03%		499	0.01%
Lake	0.17%	0.20%	336	0.02%		336	0.01%
Lassen	0.09%	0.21%	162	0.01%		162	0.00%
Los Angeles	29.78%	24.35%	372,817	20.51%	35,000	407,817	11.60%
Madera	0.30%	0.52%	0	0.00%		0	0.00%
Marin	0.77%	1.00%	52,328	2.88%	124,550	176,878	5.03%
Mariposa	0.05%	0.08%	0	0.00%		0	0.00%
Mendocino	0.27%	0.43%	28,195	1.55%		28,195	0.80%
Merced	0.60%	0.95%	423	0.02%		423	0.01%
Modoc	0.03%	0.06%	162	0.01%		162	0.00%
Mono	0.03%	0.17%	0	0.00%		0	0.00%
Monterey	1.20%	1.24%	39,539	2.17%		39,539	1.12%
Napa	0.37%	0.37%	3,825	0.21%		3,825	0.11%
Nevada	0.26%	0.42%	2,333	0.13%		2,333	0.07%
Orange	8.10%	7.78%	34,496	1.90%		34,496	0.98%
Placer	0.58%	0.97%	54	0.00%		54	0.00%
Plumas	0.07%	0.12%	0	0.00%		0	0.00%
Riverside	3.93%	5.00%	24,531	1.35%		24,531	0.70%
Sacramento	3.50%	2.83%	22,112	1.22%		22,112	0.63%
San Benito	0.12%	0.19%	737	0.04%		737	0.02%
San Bernardino	4.77%	6.39%	59,912	3.30%		59,912	1.70%
San Diego	8.39%	8.45%	157,639	8.67%	133,600	291,239	8.29%
San Francisco	2.43%	1.02%	311,632	17.14%	728,400	1,040,032	29.59%
San Joaquin	1.62%	1.82%	5,606	0.31%		5,606	0.16%
San Luis Obispo	0.73%	1.06%	42,274	2.33%		42,274	1.20%
San Mateo	2.18%	2.97%	10,928	0.60%	45,900	56,828	1.62%
Santa Barbara	1.24%	1.39%	12,707	0.70%		12,707	0.36%
Santa Clara	5.03%	4.32%	45,307	2.49%		45,307	1.29%
Santa Cruz	0.77%	0.66%	5,081	0.28%		5,081	0.14%
Shasta	0.49%	0.76%	11,089	0.61%		11,089	0.32%
Sierra	0.01%	0.04%	0	0.00%		0	0.00%
Siskiyou	0.15%	0.42%	0	0.00%		0	0.00%
Solano	1.14%	1.72%	31,561	1.74%	60,650	92,211	2.62%
Sonoma	1.30%	1.21%	10,647	0.59%		10,647	0.30%
Stanislaus	1.25%	0.92%	1,202	0.07%		1,202	0.03%
Sutter	0.22%	0.24%	0	0.00%		0	0.00%
Tehama	0.17%	0.37%	2,381	0.13%		2,381	0.07%
Trinity	0.04%	0.08%	0	0.00%		0	0.00%
Tulare	1.05%	0.89%	0	0.00%		0	0.00%
Tuolumne	0.16%	0.20%	0	0.00%		0	0.00%
Ventura	2.25%	2.03%	21,908	1.20%		21,908	0.62%
Yolo	0.47%	0.73%	42,786	2.35%		42,786	1.22%
Yuba	0.20%	0.17%	0	0.00%		0	0.00%
Statewide Total	**100.00%**	**100.00%**	**1,818,125**	**100.00%**	**1,696,700**	**3,514,825**	**100.00%**
SF Bay Counties (Regional Measure 1)	**18.56%**	**18.58%**	**808,052**	**44.44%**	**1,528,100**	**2,336,152**	**66.47%**

As for fund availability, the bridge tolls in the San Francisco Bay Area were authorized and capped at their current levels by Regional Measure 1, which was placed on the ballot in seven Bay Area counties by legislation enacted in 1988. The approval of that measure by the voters in those seven counties also authorized the use of revenue bonding to construct several major improvements on Bay Area bridges. They included widening of the Benicia-Martinez Bridge (now completed), new bridge spans at the Benicia-Martinez and Carquinez Bridges, widening of the San Mateo-Hayward Bridge, and other work to rehabilitate structures and improve bridge approach roadways. With Legislative authority, additional toll revenues could be raised. On the other hand, local and regional authorities in the Bay Area argue that, without the approval of Regional Measure 1 by Bay Area voters, the current balances would not even be available for seismic retrofit. They argue that seismic retrofit work, if funded from bridge tolls, may displace the improvement projects promised to the voters when Regional Measure 1 was passed.

Another factor important to the debate is toll bridge seismic project eligibility for Federal funding. At present, projects on most of the State's toll bridges are not eligible for Federal funding. Thus, the funding of these projects from the State Highway Account would place a great demand on State cash and eventually could threaten the State's ability to match Federal funds for STIP projects. There is a provision in Federal law that permits the use of Federal funds for toll roads and bridges provided that the State agrees to certain conditions. One of those conditions is that any toll revenues not used to meet bridge operating and maintenance costs or debt service obligations must be dedicated to use only for purposes allowable with Federal highway funds. Current California law makes a portion of the State toll bridge revenues in the San Francisco Bay Area and at the San Diego-Coronado Bridge available for allocation by the Metropolitan Transportation Commission and by the San Diego Association of Governments for various other purposes, including the subsidy of transit and ferry operations. Without a modification of either State or Federal law, or the agreement by local agencies to forego the use of toll revenue for transit and ferry operations, it appears that Federal funds could not be used for toll bridges, except perhaps at the Vincent Thomas Bridge in Los Angeles.

- **The Commission supports the timely completion of the toll bridge seismic retrofit program and urges the Legislature and Administration to reach an early resolution of the long term issue of funding for the entire program. The year-by-year approach to negotiating the source of funding for toll bridge seismic retrofit work has cast a wide shadow of uncertainty over both the State Highway Account and toll bridge revenues.**

Intercity Rail Operations

The Proposed 1996-97 Budget would essentially maintain current intercity rail services at roughly current costs through the fiscal year. However, Amtrak recently announced a change in its method of charging California and other states for their share in State-supported services,

a change that will further shift costs from Amtrak to the states. As the narrative summary accompanying the Budget noted, the Budget does not include an augmentation to compensate for any new Amtrak costs which may require additional funds or a reallocation of existing funds.

At the same time, the intercity rail program faces other challenges.

- Amtrak is expected to continue shifting costs to the State, as Congress seeks to eliminate Federal operating support by 2001.
- Amtrak's original 25-year basic agreement with the American Association of Railroads, which set the terms for Amtrak's access to the lines of the private railroads, expires on April 1, 1996. That agreement included the process for determining the scope and cost of capital improvements on those lines over which Amtrak provides service. Amtrak is now negotiating new agreements or extensions of the existing agreement with individual railroads. These new agreements could well lead to further State costs to maintain or expand services.
- With the increases in Amtrak charges, existing services will not be able to meet the statutory 55% farebox ratio. The statute allows the Commission to grant waivers to the ratio for up to three years. The three-year waiver period for the Capitol Corridor will expire in December 1997. For the fourth San Joaquin train, it will expire in October 1998.
- Over the past two years, ridership levels have declined for the San Diegan, due in large part to competing rail services provided on the same tracks at lower fares by the regional rail operators. Ridership on the San Joaquin and Capitol Corridor trains has remained roughly level.

In responding to these challenges, perhaps the most basic issue is that the State lacks a clear vision for intercity rail in California. Caltrans, the Commission, and the Legislature need to articulate a vision that can answer the following questions:

- What can and should be the function of a statewide rail program, both in terms of targeted market and intended benefit?
- Why should the State support it financially?
- What roles can and should the State, Amtrak, regional rail operators, local governments, and the private sector play in administering, operating, constructing, and financing it?

There is a statute--currently suspended--that requires Caltrans to prepare a biennial 10-year passenger rail development plan for submission to the Legislature, the Governor, the Public Utilities Commission and the California Transportation Commission. The last Caltrans rail plan, the California Rail Passenger Program Report, 1993/94-2002/03, was issued in December 1993. While that report contains data and projections regarding current services, it does not provide a clear vision for the future. Furthermore, its projections do not take into account the more recent specter of the shift in Amtrak costs to the State.

By default, the State's vision seems centered on simply maintaining and making incremental improvements to the system that Amtrak inherited from private railroads in 1971. That system is the remnant of a more extensive system that was developed in the late 19th and early 20th centuries. The State's apparent goal has been to support the continued operation of this system as long as ridership meets at least minimal standards and as long as the State operating subsidies are not high. Consistent with this goal are the State's 55% farebox requirement, the annual budgeting of service operations from an unstable source, and the programming of capital improvements from temporary, inflexible, and unstable sources. The scope of the system is defined by and limited to the tracks on which Amtrak was granted rights when it was created. The operation and costs of the system are defined by Amtrak and the private railroads.

An alternative vision might see today's intercity rail system as a stage toward the development of a very different system, with new kinds of services. That vision, for example, might include long-distance high speed services on new alignments. These might take as a model the high speed services of Europe and Japan or the service now being developed in the Miami-Orlando-Tampa corridor by California-based Fluor Daniels Corporation and the State of Florida. The existing track system might be envisioned to serve either or both as an integrated feeder system to high speed rail or as a stage in high speed rail development.

As another example, an alternative vision might include highly developed commuter rail services in corridors that are now defined as part of the intercity rail system (e.g., in the Sacramento-Oakland-San Jose corridor and the San Diego-Los Angeles-Santa Barbara corridor, with branches and extensions, possibly even on alternate trackage). Here, the models might be the recently developed Metrolink and Coaster systems in Southern California, the Peninsula Commute service in the San Francisco Bay Area, and the commuter services in Chicago and the Northeast Corridor.

The long-term vision for intercity rail development is important to short-term decision-making. If the goal of the intercity rail program is simply to operate today's services for today's customers, then Amtrak's doubling and quadrupling of operating charges may very well mean that the services will soon be no longer worth State financial support. It may not be worth making future investments in capital improvements for services that may not provide benefits commensurate with their costs to the State and which could not be operated without State support. In that case, ridership levels and farebox ratios may provide a sound basis for system triage, determining which services to drop and where to focus efforts to retain services.

If, on the other hand, the State has other goals for statewide rail development, then continued investments on today's system, even the payment of higher operating charges in the near term, may be worthwhile. Amtrak's shifting of costs to the State, together with the direct acquisition of trackage rights by State and local agencies, may provide the opportunity and impetus for major changes in the way California's rail services are developed and operated. Already, for example, the Southern California Regional Rail Authority (Metrolink) has acquired the right-of-way used for Amtrak San Diegan services between Los Angeles and San

Diego. In Northern California, the State has reached agreement with the Southern Pacific Railroad regarding future rights to operate services in the Capitol Corridor. If the State envisions today's rail system as a stage in the development of a new and better system, then it is time to reconsider the roles and relationships of the State, Amtrak, regional rail operating agencies, local governments, and the private railroads in rail development and operations. If that vision is accepted, then perhaps today's farebox ratios are of little relevance in achieving long-term goals.

- **The Commission believes that for both the Legislature and the Administration to come to terms with the budgetary decisions of capital investment and operations, a clear, long term vision is a critical cornerstone.**

Measures and Standards for Caltrans Delivery Resources

The Proposed 1996-97 Budget includes major reductions in highway capital outlay support because of:

- anticipated reductions in workload, including seismic retrofit work;
- anticipated efficiencies in project development;
- a policy to transfer inspection responsibilities to construction contractors; and
- a policy to reduce reimbursed engineering work on locally funded projects.

The Caltrans budget must make assumptions about the relationship of delivery resources to program output, both for projects scheduled to go to construction during the budget year and for projects under development that will go to construction in the years beyond the budget year. Caltrans, however, lacks the measures and standards needed to evaluate workload requirements and to measure the effectiveness of proposed or implemented efficiencies. There is simply no good way of knowing whether the proposed budget or the seven-year fund estimate includes too much or too little in resources to deliver the capital outlay program.

More broadly, Caltrans still lacks satisfactory performance measures and the management information system needed to support them. These needs were identified two years ago in the management audit of Caltrans prepared for the Legislature by SRI International (Evaluation of the Organizational Structure and Management Practices of the California Department of Transportation, February 1994).

Beyond these immediate issues of workload estimating and performance measurement lies the issue of long-term program size and the capital support resources needed to prepare a program of the desired size. While it is prudent to match capital support to the level of capital investment that the program can afford, as this budget does, the ability to contract out capital support work becomes essential so that program delivery resources can be readily and expeditiously expanded (or reduced) to meet an unexpected short-term change in upcoming program level and underlying capital support workload.

The Commission fully supports the Caltrans efforts of the last two years to reengineer its business processes and to free up resources to be made available for the capital outlay program. The Commission, however, raises the following concerns:

- Caltrans needs an improved methodology for developing its workload projections and explaining the assumptions that underlie them. The Caltrans PYPSCAN model, which was once widely accepted as a reliable model for projecting project delivery workload, is outdated. With changes in the project mix, changes in the nature and organization of project development work, and changes in regulatory and other process requirements, Caltrans has departed further and further from this model in developing its workload projections.

- Caltrans needs to develop satisfactory measures of its efficiency and productivity. Among the findings of the SRI management audit of Caltrans, cited above, was that "no set of overall department measures exist that disaggregate into division, functional unit, project, and individual staff targets to use as the basis for regularly tracking achieved performance versus target and for annual performance reviews. Such measures are essential if Caltrans is to improve its efficiency and productivity." The report recommended that Caltrans develop such measures and obtain agreement on them from the policy entities that monitor Caltrans' performance. The report notes that "this concurrence is a key element of making the measurement system effective, as these measures need to become seriously established as the basis for assessing Caltrans' effectiveness. Without concurrence and support from policy-setting bodies, use of the measures will not be enforced, and they will fail to become the means for effecting change within the department."

- Caltrans needs to improve its management information system capabilities. The SRI audit report noted that its recommendation on measures of productivity would be enhanced by coupling it with recommended improvements in Caltrans' management information system to permit the timely collection, processing, and dissemination of the data needed to manage and measure performance.

The original SRI report was issued over two years ago and a recent review by SRI is being prepared.

- **The Commission urges the implementation of changes recommended by SRI for improved management information systems necessary to provide adequate workload and performance measures.**