2016

ANNUAL REPORT TO THE CALIFORNIA LEGISLATURE

Recommendations and Accomplishments

CALIFORNIA
TRANSPORTATION
COMMISSION

The California Transportation Commission is an independent state commission responsible for programming and allocating funds for the construction of highway, passenger rail, transit and active transportation improvements throughout California. The Commission also advises and assists the California State Transportation Agency Secretary and the Legislature in formulating and evaluating state policies and plans for California's transportation programs. The Commission is an active participant in the initiation and development of State and Federal legislation to secure financial stability for the State's transportation needs.

CHAIR AND VICE CHAIR LETTER

Members of the Legislature:

We are pleased to present the California Transportation Commission's (Commission) 2016 Annual Report to the Legislature. This report summarizes the Commission's accomplishments in the past year and offers specific recommendations for the Legislature to consider. These recommendations include highlighting the transportation funding shortfall, promoting efficiency and innovation, and most importantly, guaranteeing institutional accountability and transparency in the planning, funding, and delivery of California's transportation programs.

During fiscal year (FY) 2015-16, the Commission allocated $4.5 billion in state and federal transportation funding helping to generate more than 72,000 private and public sector jobs and contributing to a construction program in excess of $8.8 billion in state-administered construction contracts. In addition to adoption of the 2016 State Transportation Improvement Program (STIP) and 2016 State Highway Operation and Protection Program (SHOPP), the Commission adopted the 2015 Active Transportation Program (ATP) committing $359 million to 208 projects valued at approximately $500 million. However, for the past decade, the lack of sufficient funding available to address the state's transportation needs for a growing population and economy has been of great concern to the Commission. This concern escalated to reality when the Commission, faced with declining revenues, was forced to adopt a five-year STIP fund estimate that cut $754 million and delayed an additional $755 million in previously committed highway, rail, transit, bicycle, and pedestrian project spending – totaling a $1.5 billion shortfall. This was the largest reduction of financial support for California's transportation system since the current funding structure was adopted 20 years ago. This funding shortfall will have far reaching consequences in the form of lost opportunities to reduce congestion, improve air quality, achieve environmental goals, foster job growth, and support our economy.

As we look to 2017, the Commission is extremely concerned that as funding continues to decline, so will the vital job-creation, economic support, and environmental benefits that transportation investment provides. For example, California's annual freight shipments alone are valued at approximately $2.8 trillion dollars and the freight transportation system supports one-third of the State's economy and jobs. The costs associated with inadequate maintenance and expansion of our multimodal transportation system are staggering. It is estimated that California wastes approximately $54 billion each year due to gridlock traffic and poor infrastructure condition. Adequately funding our transportation system is essential to maintaining economic competitiveness and achieving climate goals through the sustainable movement of people and freight. As a step towards addressing the dire funding situation and in response to Senate Bill (SB) 1077, the Commission's Road Charge Technical Advisory Committee held public meetings throughout the state to study road charge alternatives to the gas tax, gather public feedback, and recommend the design of a road charge pilot program, which is currently underway. The Commission will continue this work and will ultimately make formal recommendations to the Legislature.

We recognize that achievement of California's goals for mobility, safety, environmental sustainability, public health, and economic vitality will not be achieved without innovation and reforms. With this recognition, innovative transportation technologies and programs within the public and private sector for delivering mobility more efficiently and effectively were showcased at each Commission meeting. The Commission continues to provide open and transparent public forums and reporting for stakeholders and funding partners to engage in the development of effective statewide transportation policies. In addition to

Commission meetings, the Commission held rural town hall meetings, statewide and regional workshops, and other platforms to consider and formulate policies and recommendations for improving mobility. Increasing transparency and accountability of transportation investments and the expenditure of public funds continues to be a key focus area of the Commission. To promote transparency and accountability during FY 2015-16, the Commission undertook the following activities: issued the report “Proposition 1B: Promises Made, Promises Kept” to communicate the successful delivery of Proposition 1B programs, required the California Department of Transportation (Caltrans) to transparently report on project delivery progress, and convened a workgroup of legislative, administrative, and regional staff that resulted in recommendations to improve Caltrans’ workforce forecasting processes.

While the Commission commends the Governor and the Legislature for their efforts in the special legislative session this year to address the transportation funding shortfall and secure necessary reforms, we were disappointed that an agreement was not reached. The discussions during this session served to further emphasize the need to institutionalize efficiency, innovation, accountability, and transparency in the funding and delivery of California’s transportation program. It is clear that a comprehensive set of funding and reform measures must be established to build public trust and deliver transportation projects vital to the safety, quality of life, environment, and economic prosperity of California.

Addressing the need to move people and freight, meet environmental and livability goals, and grow California’s economy in a sustainable manner through wise transportation planning and investments is of great importance. Therefore, we encourage the 2017-18 Legislative Session to devote effort and enact solutions for funding and innovation. The future of our economy, our environment, and our quality of life depends on it. For your consideration during the 2017-18 Legislative Session, the Commission’s Annual Report provides specific revenue and reform recommendations that, if enacted, would serve to comprehensively address California’s transportation needs. The Commission looks forward to continuing close communication with the Legislature and our partners to effectively address California’s transportation goals and objectives.

Sincerely,

ROBERT ALVARADO
Chair

FRAN INMAN
Vice Chair

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COMMISSION IN BRIEF

The California Transportation Commission (Commission) is responsible for programming and allocating transportation funds used in the construction of highway, intercity passenger rail, active transportation, aeronautics, and transit improvements throughout California. The Commission consists of eleven voting members and two non-voting ex-officio members. Of the eleven voting members, nine are appointed by the Governor, one is appointed by the Senate Rules Committee, and one is appointed by the Speaker of the Assembly. The two ex-officio members are appointed from the State Senate and Assembly, usually the respective chairs of the transportation policy committee in each house. The Commission holds public meetings throughout California, at which time it formally reviews, and approves or adopts state transportation policy.

The Commission is primarily responsible for accomplishing the following activities:

- Advise and assist the California State Transportation Agency Secretary and the Legislature in formulating and evaluating state policies and plans for state transportation programs.
- Adopt the biennial five-year Fund Estimate of state and federal funds expected to be available for the State Transportation Improvement Program (STIP) and State Highway Operation and Protection Program (SHOPP).

- Approve the California Department of Transportation (Caltrans)—prepared Transportation Asset Management Plan and adopt performance measures and targets to guide the selection of projects for the SHOPP.
- Adopt the biennial four-year SHOPP.
- Approve amendments to the SHOPP, STIP and other programs.
- Review and comment on the Ten-Year SHOPP Plan and the Five-Year Maintenance Plan.
- Adopt guidelines for the development of Commission-administered programs, the California Transportation Plan, and Regional Transportation Plans.
- Adopt the biennial five-year STIP.
- Adopt the Active Transportation Program (ATP).
- Allocate state funds for capital projects, consistent with the STIP, SHOPP, ATP, Traffic Congestion Relief Program, Proposition 116 (Clean Air and Transportation Improvement Act of 1990), Proposition 1A (Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century of 2008), Transit and Intercity Rail Capital Improvement Program, and Proposition 1B (Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006).
- Allocate state funds for capital grants from the Aeronautics Account and the Environmental Enhancement and Mitigation Program Fund.
- Approve project proposals for public-private partnership (P3) projects and high-occupancy toll lanes or other toll facilities.
- Approve right-of-way matters such as route adoptions, new public road connections, resolutions of necessity, relinquishments, Director's Deeds and airspace leases.

The Commission is supported by an Executive Director who oversees a staff of 19 and an annual budget of approximately $4 million. The Executive Director acts as a liaison between the Commission and the Legislature. The Executive Director also acts as a liaison with the Transportation Agency Secretary, the Caltrans Director, and regional transportation agency executive directors and their respective staff. The Executive Director also serves as a member of the Toll Bridge Program Oversight Committee and the California Transportation Financing Authority.

The Commission is required to adopt and submit an Annual Report to the Legislature by December 15th of each year. The report must include a summary of the Commission's prior-year decisions in allocating transportation capital outlay appropriations, and identify timely and relevant transportation issues facing the State of California. The Annual Report must also include an explanation and summary of major policies and decisions adopted by the Commission during the previously completed state fiscal year (FY) and federal fiscal year (FFY), with an explanation of any changes in policy associated with the performance of its duties and responsibilities over the past year. The Annual Report may also include a discussion of any anticipated and significant upcoming transportation challenges of concern to the public and the Legislature.

The Commission sincerely appreciates that the Legislature enacted many of the Commission's recommendations to improve the state's transportation system from the 2015 Annual Report. These legislative actions are further detailed in Section 4.1. This year's Annual Report also includes recommendations for the Legislature to consider pursuing over the next legislative session.

COMMISSION ISSUES AND RECOMMENDATIONS FOR 2017

Since its creation in 1978, the Commission has had the statutory role to advise and assist the Legislature and the Administration in formulating and evaluating state transportation policies and plans. To that end, the Commission submits an Annual Report, by December 15th of each year, to the Legislature discussing major transportation issues and making recommendations for the Legislature's consideration.

The major issue continuing to dominate transportation policy is obtaining adequate, reliable funding to keep up with the state's growing transportation needs. The future of California's economy and our quality of life depend on a transportation system that provides safe, reliable, and efficient travel for people and goods. Equally important, we need to adequately fund the transportation program to assist in achieving the state's climate change and other environmental goals. Over the past decade, the Commission has persistently urged the Administration and Legislature to address the need for reliable and sustainable funding to preserve and expand the state's transportation system. Proposals arose from both the Administration and the Legislature in the previous legislative session to address the transportation funding shortfall through a comprehensive framework of both revenue and reforms to address California's transportation needs. Unfortunately, the Legislature did not enact any of the proposals leaving the State in the difficult position of having to address growing demands with fewer resources. This growing crisis must be resolved.

Legislative Recommendations

In 2015, the Legislature passed and the Governor signed into law Senate Bill (SB) 64 (Liu, Chapter 711, Statutes of 2015), which requires the Commission to include in its Annual Report "specific, action-oriented, and pragmatic recommendations for legislation to improve the transportation system." To implement this new requirement, the Commission made a number of specific recommendations for statutory and administrative reforms in its 2015 Annual Report.

This year's recommendations build on the Commission's recommendations made to the Legislature in 2015. The Commission's recommendations are intended to assist the state in its pursuit of goals relating to transportation, including, but not limited to, those goals associated with reducing greenhouse gas emissions and addressing impacts on under-represented communities. Pursuant to SB 64, the Commission's recommendations are also informed by the 2040 California Transportation Plan prepared by Caltrans and adopted by the Administration.

The Legislative recommendations are divided into three categories: 1) Addressing the Transportation Funding Shortfall, 2) Promoting Efficiency through Innovation, and 3) Instituting Transparency and Accountability. To improve transportation in California, the Commission believes it is critical that the Legislature enact legislation to implement these recommendations. Following the Legislative recommendations are proposals that the Commission encourages the Administration to implement specific to Caltrans.

Addressing the Transportation Funding Shortfall

The Commission recommends that the Legislature enact transportation funding and reform legislation that provides a comprehensive solution to protect California's transportation infrastructure, economy, environment, and quality of life. As part of any comprehensive transportation funding legislation, the Commission's Consensus Principles for Transportation Funding, Reform and Solutions (Exhibit 1) should be considered.

In its 2015 Annual Report to the Legislature, the Commission made specific recommendations related to transportation funding based on the Commission's Consensus Principles for Transportation Funding, Reform, and Solutions. Although efforts to address the state's transportation funding shortfall fell short in the last session, the Commission continues to support and carry forward its prior funding recommendations.

Exhibit 1

The Commission adopted these Consensus Principles because it believes these principles are critical to achieving a reliable, balanced, accountable, and performance-driven transportation funding package. The Commission strongly advocates that any new funding sources for transportation be explicitly linked to reforms in the way transportation projects are delivered in California.

TRANSPORTATION REFORMS SHOULD:

Expedite Project Delivery

To safeguard taxpayer dollars and ensure timely delivery of transportation investments, transportation reform proposals should seek to modernize and accelerate procurement and project delivery processes. Innovative delivery and procurement methods such as Public-Private Partnerships, Construction Manager/General Contractor and Design-Build should be emphasized and deployed. Modernization and streamlining of permitting and environmental clearance requirements for transportation projects should be considered as part of a balanced reform package. Cost-effective innovation and new technology in building materials that extend the lifespan of roads, bridges, and other assets should be encouraged, tested, and approved expeditiously.

Ensure Transparency and Accountability

To build on the success of programs funded through Proposition 1B, the Legislature should consider the transparency, accountability, and reporting measures utilized in the delivery of bond projects as important components of a transportation reform package. The public should be satisfied that funds for mobility improvements actually improve mobility.

Protect Existing and Future Transportation Revenues

Constitutional provisions to protect both existing and future transportation revenues from being diverted to non-transportation uses and expedited repayment of existing transportation loans should be critical transportation reform considerations.

TRANSPORTATION FUNDING SOLUTIONS SHOULD BE:

Significant and Reliable

To make a meaningful impact, the Commission supports revenue enhancing options that are user-fee oriented and provide a significant level of investment which will demonstrate tangible benefits to taxpayers and drivers. Transportation funding solutions under consideration should seek to raise revenues sufficient to address critical needs, be reliable, and remain in place for at least 10 years or until an alternative method of funding is identified.

Consistent

To ensure greater certainty in planning and delivering infrastructure projects, consistent annual revenue projections are critical. Transportation funding solutions should contain provisions that reduce volatility and extreme fluctuations in funding levels.

Focus on Maintenance and Rehabilitation of the Existing System

To address critical and immediate infrastructure needs and to protect our existing transportation assets, funding proposals should focus on the maintenance and preservation of the existing system.

Support Trade Corridor and Goods Movement Investment

To ensure the economic well-being of California and in recognition that the major transportation and trade corridors in our state are of national importance, funding proposals should provide for investment in trade corridors that are essential for moving goods and services through California.

Dedicated and Protected

To protect taxpayer contributions, transportation funding proposals should ensure that funding is dedicated to transportation infrastructure. Proposals should include constitutional protections to prevent the use of newly generated transportation revenues for any other purpose than transportation infrastructure.

Accountable and Performance-Driven

To ensure efficient and effective use of new funding and to build taxpayer trust, robust and meaningful performance and accountability criteria should be incorporated as an integral part of any transportation funding package.

Equitable

To ensure equitable investment across the entire transportation system, transportation funding solutions should provide for equal distribution of revenues between local and state roadways.

1. Provide additional, reliable and sufficient transportation funding, and index all state fuel excise tax revenues to address inflation.

The Commission continues to urge the Legislature to approve a significant and reliable increase in transportation funding focused on preserving the existing system. As the Commission has warned for years, both the State Transportation Improvement Program (STIP) and the State Highway Operation and Protection Program (SHOPP) continue to suffer from inadequate transportation revenues. The only funding source for the STIP, the price-based excise tax, continues its dramatic decline in revenue. Beginning July 2015, the price-based excise tax was decreased from 18 cents per gallon to 12 cents per gallon. In 2016, it was further reduced to 9.8 cents per gallon, forcing the Commission to cut $754 million and delay another $755 million in highway, rail, transit, bicycle and pedestrian project spending over the next five years. The SHOPP's primary funding source, a portion of the base 18 cent fuel excise tax, has not been increased since 1994 and has lost more than half its value to inflation over the past two decades.

The local streets and road systems also face dramatic shortfalls in funding to meet maintenance needs. Based on Caltrans' 2015 Ten-Year SHOPP Plan and the 2016 Local Streets and Roads Needs Assessment, an annual increase of $5 to $6 billion for the STIP, SHOPP and local roadways is necessary to begin to reasonably address these unfunded needs.

As a general rule, the longer it takes to complete construction of a project, the higher the cost. Annual cost increases of 2 to 10 percent can be expected for typical capital projects delayed by inadequate funding for one or more years. Deferred maintenance costs are likely to increase even faster. In addition, studies show that well-maintained transportation infrastructure helps reduce greenhouse gas emissions. Approving additional funding and indexing all state fuel excise taxes to inflation would be significant steps toward addressing California's transportation program needs. Therefore, it is essential that the Legislature secure sufficient, dedicated transportation funding that can keep pace with inflationary cost increases to maintain and enhance the existing system.

2. Stabilize revenues from the price-based gasoline excise tax.

The Commission continues to recommend that the Legislature reset the price-based gasoline excise tax rate at 18 cents per gallon and require an annual Consumer Price Index (CPI) adjustment of the rate. As previously noted, this tax is the primary source of funding for the STIP and also provides revenue for local street and road repairs as well as the SHOPP. The money derived from the price-based excise tax is based on the cost of fuel, and the volatility in the price of gasoline results in significant swings in the annual amount of revenue from this source.

As noted earlier, the decrease of the price-based gasoline excise tax rate from 18 cents to 12 cents per gallon by the Board of Equalization in 2015 resulted in a 33 percent reduction in proceeds from this important funding source and a loss of more than $876 million for the year. Further reductions in the price-based gasoline excise tax rate to 9.8 cents per gallon resulted in a $1.5 billion funding shortfall in the 2016 STIP and forced the Commission to cut $754 million and delay another $755 million in funding for highway, rail, transit, bicycle and pedestrian projects over the next five years.

Since transportation projects typically are funded from multiple sources, the total statewide economic impact of the STIP funding cuts and delays likely will run into the billions. It is estimated that every $1 billion in highway and transit investment supports 13,000 jobs. Furthermore, because projects often take many years to develop and deliver, variability in transportation funding can significantly impact the cost and schedule of project construction. Given these adverse impacts, it is imperative that the Legislature resolve the volatility of this significant transportation funding source. Fixing the price-based excise tax rate and methodology will save the state money in the future and lead to better transportation outcomes today.

3. Restrict the expenditure of transportation revenues to transportation purposes only.

The Commission continues to recommend that the Legislature place a constitutional amendment before voters that dedicates all transportation revenues to transportation projects and programs, including related mitigations.

Diversion of transportation revenues undermines the public's confidence in the state's ability to spend tax dollars on what is promised. Californians pay the highest price for fuel in the country and expect that transportation revenues will be used for maintenance and operation of the state's transportation system. The public has voted three times since 2004 in support of protecting transportation revenues for transportation purposes. Despite these efforts, it seems that the state continues to find ways to divert transportation dollars, and opponents of new revenues use this reality as a reason to oppose new funding proposals.

Most tax revenues related to transportation are currently protected by the State Constitution. However, to ensure that transportation revenues are not diverted to non-transportation purposes, stricter constitutional protections are needed, including, but not limited to, dedicating all existing transportation funding to transportation programs, and returning revenues derived from the sale of properties purchased with transportation funds back to such funds in proportion to the contribution of the acquisition.

4. Create a funding stream dedicated to improving freight mobility.

The Commission continues to recommend that the Legislature dedicate reliable, sufficient and ongoing state funding to address California's growing freight mobility challenges, and administer this funding program through the Trade Corridors Improvement Fund (TCIF) program, or a similar program.

California's transportation system handles the highest value international commerce of any state in the nation and among the highest total freight volumes. The movement of goods from and through California is a critical component of the state's economy and must be prioritized in the state's transportation funding plan. Proposition 1B of 2006 provided one-time funding of $2 billion directed to freight mobility through the TCIF. The TCIF program provided significant air quality benefits to the state, with an emphasis on projects that increased mobility while reducing emissions. This successful program includes more than 90 projects and is leveraging more than $5.2 billion in additional funds.

The most recent federal transportation funding bill, the Fixing America's Surface Transportation Act (the FAST Act), signed into law in December 2015, established new programs to advance critical freight projects, including a formula grant program for freight projects in each state. Now that the Proposition 1B TCIF program is essentially complete, California lacks a significant state funding source dedicated to improving freight mobility. Because of the importance of freight to the state's economy, and for the various ancillary benefits that can be achieved from improved freight mobility including reduction of greenhouse gas emissions and other harmful pollutants, the state should create a dedicated funding stream to improve freight mobility. This funding stream should be administered through the successfully implemented TCIF program or a similar program.

Promoting Efficiency Through Innovation

The Commission strongly urges the Legislature to focus not only on addressing the state's transportation funding crisis, but also on improving the state's ability to deliver mobility more efficiently and effectively through innovation. Existing law limits the ability of the state and its regional partners to utilize innovative methods for project delivery, reducing the opportunity for efficient, effective transportation infrastructure development. In addition, the Commission believes that thoughtful consideration of various aspects of the environmental process could yield significant benefits for both the transportation infrastructure delivery process and the state's environment.

5. Provide Caltrans and the regions more flexibility when delivering projects.

The Commission recommends that the Legislature enact legislation and adopt budget policies that provide the state and regional transportation entities more flexibility when delivering projects and solving transportation problems.

First, the Commission recommends that the Legislature permanently authorize Caltrans and its partners to use alternative project delivery tools such as public-private partnership (P3), design-build (DB), and construction manager/general contractor (CM/GC) methods.

Second, to maximize flexibility and efficiency, the Legislature should expand Caltrans' ability to hire consultant teams as needed, including for any engineering, architectural, and other professional services utilized by Caltrans and its regional partners.

There is documented success in the use of the DB and CM/GC approaches by Caltrans which are further outlined in this Report. While there is much debate about the successful implementation of P3 projects in the state, the Commission recommends that the use of this project delivery tool be authorized with the provision that the Commission have an expanded role in the project evaluation of future P3s. Such role would include establishing a center of expertise in innovative project delivery including analysis of terms and conditions specific to each comprehensive lease development agreement.

As Caltrans and its regional partners consider the development of various types of transportation infrastructure, work is typically undertaken with the understanding that the traditional design-bid-build procurement method will be utilized to ultimately deliver the project. Because the Legislature has only authorized various other types of alternative delivery methods on a limited basis, few projects have been developed from the beginning with non-traditional delivery methods. Unfortunately, maximizing the benefits of alternative delivery methods is most commonly accomplished by utilization from inception and throughout the delivery process. If the Legislature authorized some or all of these alternative procurement methods without limitation, then both Caltrans and their partners could utilize the most beneficial delivery process from the inception of a project's development to completion.

Expanded authority to contract for project delivery work would allow Caltrans to adapt to changing funding levels, and potentially avoid future staffing challenges. Currently, Caltrans is authorized to utilize no more than 10 percent of its budget for architectural and engineering services. This practice results in Caltrans hiring additional state employees when increases in workload occur. Unfortunately, the state civil service process makes it difficult for Caltrans to similarly reduce state staff resources when workload decreases. Caltrans needs the flexibility to utilize contracted firms when workload increases for a limited time period.

Allowing for maximum flexibility in contracting for professional services and fostering innovation in project delivery will provide compounding benefits over time as the success of new processes build upon each other.

6. Account for the hidden costs to transportation resources of state environmental regulations.

The benefits and costs of regulatory and environmental protection measures should be evaluated when agencies and the Legislature deliberate the merits of approving mandates and regulations. Therefore, the Commission recommends that the Legislature direct an independent entity such as the Legislative Analyst's Office to recommend additional measures for use in identifying and evaluating the cost and benefit of future regulations on the state transportation program prior to regulatory adoption.

The National Environmental Policy Act (NEPA) of 1969 and the California Environmental Quality Act (CEQA) of 1970 serve to define how environmental studies, reviews, and decisions are to be carried out. With few exceptions, all infrastructure projects in California are subject to environmental review under CEQA and/or NEPA. Over time, in addition to CEQA and NEPA, laws have been passed and subsequent regulations enacted to protect important resources such as water, air quality, natural habitats, and historical sites, among others. Unfortunately, many of these environmental laws and regulations were enacted independent of each other and without consideration of either the implementation cost relative to the benefits anticipated or the cost impact for compliance by agencies in the transportation sector. Navigation of this regulatory environment with a multitude of overlapping federal, state, and local responsible agencies presents a daunting challenge both financially and administratively.

The process to comply with each applicable law contributes substantially to delay in project development during the environmental phase. When considering new regulations, environmental resource agencies can discount economic benefits compared to environmental ones, and may not consider the cost of regulations impacting state, local and private resources. Caltrans' inability to complete environmental studies in a timely manner jeopardizes the state's ability to put transportation funds to work expeditiously to reduce congestion, improve access, improve safety, and to ensure the efficient operation of the multimodal transportation system.

It is difficult to quantify the costs associated with today's transportation project environmental analysis, permitting, and impact mitigation processes. With time and resources dedicated for study, however, it would be possible to better understand the monetary and opportunity costs associated with environmental regulations and identify policy solutions to facilitate project delivery while still ensuring environmental protections.

7. Institute more certainty in the state's environmental permitting processes.

The Commission recommends that the Legislature create a task force comprised of state environmental permitting agencies and transportation entities to establish a process for early engagement of all parties in project development to reduce permit processing time, establish reasonable deadlines for permit approvals, and provide greater certainty of permit approval requirements. Environmental agencies should be required to determine project scope, impacts, and permit requirements upon review of final environmental documents. If satisfied with the project and related mitigation measures, this review should de facto constitute intent to approve a permit subsequently, without delay, unless the project is changed significantly during the design phase.

The current state environmental permitting processes for transportation projects leads to increased costs and less efficient project delivery. Obtaining all necessary environmental permits and approvals from responsible agencies is a critical milestone in the project development process. If permits are delayed – whether due to insufficient staffing levels, competing priorities, or other factors affecting the responsiveness of the permitting agency – a project will be delayed and costs increased.

Caltrans and other agencies often provide funding to support staff in resource agencies to facilitate timely review of project permitting and approval requirements. It continues to be a challenge, however, to achieve the early engagement of resource agency staff necessary to reduce uncertainty in project development, and to ensure resource agencies are adequately staffed. In addition, requirements of different permitting agencies can be in conflict, increasing uncertainty. Early engagement of permitting agencies, and a commitment to reasonable deadlines for permit approvals, would improve the predictability and management of the project development process, and in turn, reduce the cost of delivering critical infrastructure.

8. Reduce project delays due to environmental lawsuits.

The Commission recommends that the Legislature apply the provisions in SB 743 (Steinberg, Chapter 386, Statutes of 2013) which prohibit a court from staying or enjoining a project solely because of the project's potential contribution to the emissions of greenhouse gas to transportation projects that have been included in a Regional Transportation Plan (RTP) with a certified Environmental Impact Report (EIR) and a Sustainable Communities Strategy (SCS) accepted by the California Air Resources Board (ARB) as a part of the region's greenhouse gas emission reduction strategy.

SB 743 included this prohibition for one project – the Sacramento Kings Arena. The express intent of this prohibition was to keep opponents of the project from using the project's potential contribution to greenhouse gas emissions to delay the project and increase costs to a level that the developer would eventually choose to stop pursuing it.

This same tactic is often used to delay transportation projects, ultimately increasing the project cost and delaying the benefits sought by the public agency pursuing the project.

Projects in Metropolitan Planning Organization (MPO) RTPs with certified EIRs where the ARB has determined the SCS will result in a reduction of greenhouse gas emissions to achieve the ARB-established target within that region should be exempt from further CEQA challenge purely on the basis of a project's potential contribution of greenhouse gas emissions. To allow such a challenge undermines the work represented by the MPO and the ARB, and can lead to needless delay. This would not preclude CEQA lawsuits to be filed, for example, by neighbors and activists concerned with localized impacts (e.g., toxic air contaminants from construction and operation of new roadway/transit facilities, aesthetic/character of transportation projects, etc.) or even a project's potential greenhouse gas emissions contribution. This proposal would serve to eliminate the ability of a project opponent to use greenhouse gas emissions to unnecessarily delay a project through litigation when the analysis has been completed through the RTP process. A project sponsor could proceed with project development while awaiting a court's decision on the action(s), if any, necessary to mitigate potential emissions.

9. Authorize the Administration to implement a statewide advance mitigation program.

The Commission continues to recommend that the Legislature authorize the Administration to implement an "advance mitigation" environmental program, and then set aside up-front funding for the program. Environmental mitigation efforts to address transportation project impacts are often costly to develop and administer. In addition, mitigation measures employed on a project-by-project basis may ultimately fail to accomplish their intended environmental outcomes because of scope limitations.

Advance mitigation programs are agreements with resource agencies to consolidate mitigation projects for one or more transportation projects. The programs are distinguished by their land area and financial commitment. In California, advance mitigation efforts are typically funded by local developer fees, bonds, grants, and sales taxes. This practice can provide longer-term certainty regarding required mitigations and costs to project sponsors. Advance mitigation also has the benefit to combine habitat and species mitigation projects to allow for larger aggregations of higher quality habitat for endangered species, resulting in fewer "islands" of habitat preservation, and other benefits.

Current practice in California is to identify and apply environmental mitigation measures on a project-by-project basis. Caltrans activities can result in a broad range of impacts from small, temporary disturbances related to maintenance activities to large, multi-acre impacts associated with building bridges or highway alignments. Critics of this practice say development of multiple mitigation sites can be costly, time consuming, and result in fragmented and disparate habitats. To address these concerns, both state and regional entities have utilized advance mitigation to provide high quality replacement habitat, achieve economies of scale in its development, and shorten project delivery timelines.

An established advance mitigation program at Caltrans has the potential to make project delivery more efficient by streamlining the environmental process, resulting in cost and time savings. In cooperation with Caltrans, advance mitigation programs have been successful in Orange, Riverside, and San Diego Counties and applied through each respective county's sales tax programs. The extent to which an advance mitigation program is feasible depends on the approach and involvement of the various federal, state, and local resource agencies. These efforts have resulted in the protection of large swaths of land, sometimes up to 500 acres. An advance mitigation program has the potential to result in a "win-win" for project sponsors and the environment.

10. Extend statutory authority related to environmental review exemptions for specific repairs within existing public rights of way.

The Commission recommends that the Legislature extend the existing California Environmental Quality Act (CEQA) exemption to repair, maintenance, and minor alterations roadway projects located within existing rights-of-way.

Existing law grants to cities and counties with a population of less than 100,000 an exemption from the CEQA process for certain projects in existing rights-of-way until January 1, 2020. This exemption is consistent with other existing CEQA exemptions. For example, CEQA guidelines provide a categorical exemption for work on existing facilities where there is negligible expansion of an existing use, specifically including existing highways and streets, sidewalks, gutters, bicycle and pedestrian trails, and similar facilities. Additionally, emergency projects undertaken by a public agency to maintain, repair, or restore an existing highway that has been damaged as a result of fire, flood, storm, earthquake, land subsidence, gradual earth movement or landslide are exempt from CEQA if carried out within one year of the damage.

This existing authority has been in place since 2012, without controversy, and in fact was extended to 2020 by a bill that was unanimously passed by the Legislature and was signed by the Governor in 2015. Extending this minor exemption to the rest of the state has the potential to save money and time when delivering minor, critical repairs to the transportation system.

11. Improve delivery of critical active transportation projects through environmental streamlining measures.

The Commission recommends that the Legislature provide environmental streamlining measures for projects awarded funding through the Commission's Active Transportation Program (ATP). Many ATP projects are suffering needless delay because of cumbersome environmental requirements that generally offer no measurable environmental benefit to these small-scale important bike and pedestrian projects, resulting in higher costs and longer delivery times.

The ATP was established by the Legislature to achieve the following objectives: (a) Increase the proportion of trips accomplished by biking and walking; (b) Increase safety and mobility for non-motorized users; (c) Advance the active transportation efforts of regional agencies to achieve greenhouse gas reduction goals as established pursuant to SB 375 (Steinberg, Chapter 728, Statutes of 2008); (d) Enhance public health, including reduction of childhood obesity through the use of programs including, but not limited to, projects eligible for Safe Routes to School Program funding; (e) Ensure that disadvantaged communities fully share in the benefits of the program; and (f) Provide a broad spectrum of projects to benefit many types of active transportation users.

Since its inception, a number of ATP projects have requested time extensions for allocation of their funds. In fiscal year (FY) 2014-15, 41 ATP projects received allocation extensions for components totaling $27 million, and 92 projects received extensions totaling $171 million in FY 2015-16. Some of this delay was simply a matter of local agencies underestimating time needs to implement a new program. However, many of these extension requests were the consequences of longer-than-expected environmental review and design challenges.

The ATP program is delivering critical safety and public health benefits primarily in the state's disadvantaged communities. This proposal can help the state improve its ability to provide equitable benefits to residents of underrepresented areas, and ensure funding is effectively used for the greatest good. Therefore, the Legislature should consider streamlining the environmental process for these projects so the benefits can more quickly be realized and local agencies have less risk of losing the funding they clearly need.

12. Re-enact the limited waiver of sovereign immunity necessary for the NEPA Assignment.

The Commission recommends that the Legislature permanently re-enact the limited waiver of sovereign immunity necessary for the state to perform the federal government's responsibility to review and approve projects pursuant to NEPA, known as the NEPA Assignment.

Over the course of the last decade, the Legislature has enacted bills waiving the state's sovereign immunity related to the performance of the NEPA Assignment. The NEPA Assignment program is intended to streamline the federal environmental process by eliminating one layer of governmental review and thus expedite project delivery and reduce costs.

Unfortunately, the statute providing the limited waiver of sovereign immunity expires on January 1, 2017, meaning that the state can no longer participate in the Federal NEPA Assignment program. According to Caltrans, the potential impacts to the state of this lapse include but are not limited to:

- Significant time delays and increased costs for many projects when the benefits of the program cease and as the federal agencies realign workload and processes to absorb the responsibilities that they have not managed in ten years.
- Additional Caltrans staff time and the associated costs to revert state processes back to reflect pre-NEPA Assignment requirements and to revise interagency memorandums of understanding.
- Loss of national leadership related to the NEPA Assignment program as Caltrans currently provides guidance to states that have recently assumed or are thinking of assuming NEPA responsibilities.

Previous reviews outline the cost and time savings for the state due to California's participation in the NEPA Assignment program. Action by the Legislature is required to re-enact statute granting the authority to once again enable the state to participate in this federal program.

13. Expand Regional Commute Benefits Program Authority Statewide.

The Commission recommends that the Legislature expand statutory authority for regions statewide to adopt and implement a regional commuter benefits ordinance similar to the successful program in the Bay Area to increase ridesharing, reduce greenhouse gas emissions, and further statewide climate goals.

In 2012, SB 1339 (Yee, Chapter 871) was signed into law, authorizing the Bay Area Air Quality Management District (Air District) and the Metropolitan Transportation Commission (MTC) to adopt and implement a regional commuter benefits ordinance in the San

Francisco Bay Area on a pilot basis through December 31, 2016. The Bay Area Commuter Benefits Program (program) was adopted by the Air District and ratified by MTC in March 2014, and qualifying employers were required to offer commuter benefits by September 30, 2014.

The goal of the program is to promote the use of transit and other alternative commute modes in order to reduce single-occupant vehicle commute trips, traffic congestion, and emissions of greenhouse gases and other air pollutants from motor vehicles. The program seeks to achieve these objectives by expanding the number of employers who provide commuter benefits to their employees. The Air District and MTC have worked together, in consultation with the Bay Area business community, to implement the program and to help employers comply with its requirements.

The program applies to all employers (private sector, public sector, and non-profit) with 50 or more full-time employees within the jurisdiction of the Air District. Employers subject to the program are required to select one of the four commuter benefit options defined in SB 1339, such as allowing employees to exclude their transit or vanpool expenses from taxable income, up to the maximum amount allowed by federal law, or providing a subsidy to cover the employee's monthly transit or vanpool cost. In addition, the employers are required to notify employees of the commuter benefit option selected, and make the benefit available to all eligible employees. The program was designed to provide flexibility to employers and to minimize reporting requirements. The program simply requires employers to make one of the commuter benefits options described in SB 1339 available and to promote that benefit to their employees. It does not, however, establish any numerical performance targets for employers, nor does it require any employee to change his/her commute mode.

The Bay Area's program by many measures has been very successful. As of December 28, 2015, approximately 472,000 employees were eligible to receive new commuter benefits. Approximately 28 percent of the employees took advantage of the commuter benefits provided by their employer. Business groups across the region are supportive of this effort because of its many benefits for the employers as well as the employees.

The pilot program in the Bay Area has been so successful that in 2016 the Legislature deleted the sunset, allowing a permanent program in the region. Given its success, the Legislature should consider extending the authority for regions to implement similar programs statewide.

Instituting Accountability and Transparency

Recent legislative efforts have encouraged Caltrans to become more transparent with its programs. Increasingly, the Legislature is turning to the Commission to provide that oversight and transparency for Caltrans. These recommendations promote checks and balances to overcome concerns about Caltrans' ability to efficiently and effectively manage the state's transportation system.

14. The Commission should allocate Caltrans support costs.

The Commission recommends that the Legislature assign to the Commission the responsibility to allocate Caltrans' Capital Outlay Support (COS) work by project component and provide the Commission with the resources necessary to effectively review program and allocation requests. Given underlying inconsistencies between Caltrans' COS workload estimation process and the Legislature's budget process, a mechanism for holding Caltrans accountable for efficiently managing its COS workload is necessary.

The cost of developing transportation infrastructure is derived from two sources: 1) capital outlay, which generally consists of the materials and labor of a construction contract, and 2) capital outlay support, which refers to the staff support necessary to prepare a project for construction and then oversee the construction of that project. In California, much of the COS workload for transportation projects on the state highway system is completed by Caltrans. On average, approximately one-quarter of a project's cost is for COS.

Caltrans' annual COS budget is roughly $1.8 billion in funds that, if not spent on staff resources, could be used for other purposes such as maintenance or capacity improvements of the existing system. The Commission, the Legislature, the Transportation Agency, and Caltrans, all agree that improving efficiency in the COS program is an important and achievable goal. There is great debate over how efficient the program is currently operating because there is no reliable method for measuring its efficiency.

In its 2015 Annual Report to the Legislature, the Commission recommended that the Transportation Agency continue efforts to improve Caltrans' COS workload forecasting process by convening the appropriate agencies to determine a methodology acceptable to all parties. In response, the Transportation Agency Secretary requested that the Commission "lend its help and leadership in resolving this challenging issue due to the fact that the Commission has a well-earned reputation for independence and is often called upon to be a fair arbiter." As requested, the Commission convened a workgroup representing various administrative, legislative and regional entities to review current and projected COS staffing levels and the methodology used to arrive at those levels.

Through the efforts of the workgroup, the Commission has determined that the current method of forecasting COS workload makes it difficult for the Legislature to hold Caltrans accountable through the annual budget process. It is imperative that the Legislature implement an alternative way to increase transparency and accountability of the COS program and thus increase the Legislature's confidence in Caltrans budgeting and reporting. At the same time, the Legislature needs to consider strategies to incentivize accurate workload estimates and reduce Caltrans' tendency to overestimate needs.

In previous reports, both the State Auditor and the Legislative Analyst's Office have recommended that the Commission allocate COS work by project in order to increase accountability for the way Caltrans spends resources. Other California departments delivering large capital projects, as well as most other state departments of transportation, contract with private firms for both support and construction. This contracting relationship allows the departments to hold the contracting entities accountable and responsible for completing the work promised in the contract for the agreed-upon cost. Currently, Caltrans is both the contractor and contract administrator of COS work for transportation projects, resulting in a lack of checks and balances in the system. Assigning the Commission the responsibility to allocate COS work by project component and requiring Caltrans to request additional funds if costs escalate, would help institute the checks and balances necessary to increase the Legislature's confidence in Caltrans' performance.

This proposal can only be successful, however, if it is accompanied by the necessary resources for the Commission to effectively review Caltrans' estimates for reasonableness prior to programming and allocation. Programming and allocating Caltrans support costs without the appropriate level of Commission staff could lead to worse outcomes than currently exist, as Caltrans project managers could be further incentivized to overestimate needs to avoid requesting additional resources from the Commission in the case of poor estimates and/or unforeseen circumstances. While Caltrans is responsible for developing and presenting accurate project budgets, if Commission staff is actively assessing the reasonableness of Caltrans project estimates from the beginning, accountability for project estimating accuracy should increase.

15. Include Caltrans' maintenance workload in the Asset Management Plan.

The Commission recommends that the Legislature clarify in statute that the Asset Management Plan must integrate both the Caltrans maintenance and SHOPP workload. It is unclear how Caltrans coordinates its budget for regular maintenance and the SHOPP because Caltrans does not integrate its 5-Year Maintenance Plan with the 10-Year SHOPP Plan into one overall plan.

The 5-year Maintenance Plan addresses maintenance needs for pavement, bridges, and drainage with the goals of extending the service life of infrastructure and reducing future SHOPP costs. The plan informs the development of approximately $400 million of maintenance contracts annually, executed with no Commission oversight.

To increase transparency and the effectiveness of transportation asset management, the Commission expects Caltrans to voluntarily integrate the 5-Year Maintenance Plan with the 10-Year SHOPP Plan into one comprehensive Asset Management Plan. Both the

5-Year Maintenance and 10-Year SHOPP Plans are prepared by Caltrans on the same timeline pursuant to Streets and Highways Code Section 164.6. Integrating these plans enhances both accountability and transparency as well as supports comprehensive and effective development and delivery of near-, mid-, and long-term maintenance and capital improvements.

Administrative Recommendations

1. Require Caltrans to estimate the cost of new environmental and other related regulations.

Caltrans should be required to estimate and communicate the cost of new regulatory proposals and the impact such proposals will have in the delivery of California's transportation program. These estimates would help ensure that fiscal impacts are considered prior to legislative or regulatory enactment.

Over time, the Legislature and resource agencies have increased the number of environmental policies and regulations with which Caltrans must comply. These increased requirements, while providing important environmental protections, have increased the costs of delivering mobility to California.

It is often very complicated and challenging for Caltrans to estimate the potential fiscal impact of any particular or group of regulations. For example, it can be difficult for Caltrans to estimate mitigation fees or penalties, increased cost for staff to understand and administer a new regulation or requirement, and/or the cost of delay in constructing projects. It is important, however, that Caltrans informs the entities pursuing future environmental regulations or policies of the growing financial constraints for compliance created on the state's limited transportation resources.

2. Clarify recommendations in the California Transportation Plan.

The recommendations set forth in the California Transportation Plan (CTP) 2040 should be clarified to identify the agency or agencies responsible for implementation of each recommendation along with the priority, estimated cost and timeframe for implementation.

The statutorily-required CTP 2040 was finalized by the Transportation Agency and Caltrans in June 2016. The CTP 2040 includes 69 recommendations covering a wide range of topics. According to the CTP 2040, "The recommendations provide a framework and guiding principles for transportation decision makers at all levels of government and

the private sector.” Overall, these recommendations are high level and general in nature.

Stakeholders would benefit from clarification of the CTP 2040 recommendations to ensure that there is a common understanding of how these recommendations are to be implemented. To promote action-oriented and pragmatic recommendations in the next iteration of the CTP, the Commission will provide guidance to Caltrans to ensure that future CTP recommendations are focused and identify priorities, responsible implementing agencies, estimated costs and timeframes.

3. Support the Transportation Agency’s efforts to improve oversight of Caltrans’ activities by strengthening the organizational independence and role of its internal audits and investigations function.

As in the prior year, the Commission continues to support the Transportation Agency’s efforts to strengthen the organizational independence and role of its internal audits and investigations function.

Caltrans’ Internal Audits and Investigations Director (Audit Director) reports to the Caltrans Director and Chief Deputy Director as well as an Audit Committee of Caltrans employees.

To improve oversight of Caltrans’ activities, the Commission continues to recommend that the Transportation Agency consider the following measures:

- Gubernatorial appointment of the Audit Director.
- Requirement that the Audit Director report to an Audit Committee of members external to Caltrans.
- Expansion of Caltrans’ internal audits and investigations role in implementation of performance-based management throughout Caltrans.
- A statutory description of the functions and duties of Caltrans’ internal audits and investigations.

4. **Require Caltrans to review the hours of HOV lane operations in Southern California as a part of its statutorily-required report to the Legislature on the degradation status of the HOV lanes on the state highway system.**

A high-occupancy vehicle (HOV) lane, also known as a carpool lane, aims to promote and encourage ridesharing, thereby alleviating traffic congestion and improving air quality. Depending on the particular HOV lane, a vehicle must have a minimum of either two or three occupants to access the lane. Existing state law exempts certain clean, alternative-fuel vehicles from HOV lane occupancy requirements, so that a vehicle with just one occupant may use an HOV lane if it displays a Clean Air Vehicle sticker.

As part of the 2016-17 State Budget, the Legislature approved the Governor's trailer bill language that removed the limitation on number of vehicles available for the green vehicle sticker program to allow eligible vehicles to receive decals until January 1, 2019, when the program expires. In addition, the trailer bill requires Caltrans to report on the degradation status of the HOV lanes on the state highway system by December 1, 2017.

HOV lanes in Southern California are restricted to use by eligible vehicles 24 hours a day, in contrast to the limited hours of restriction applied in Northern California. Changes in operations, if recommended by Caltrans, could allow utilization of the HOV lanes by non-eligible vehicles in Southern California during off-peak periods. When reporting to the Legislature on the degradation of HOV lanes in the state, Caltrans should report on the hours of operation utilized for Southern California HOV lanes and provide assurance that all lanes are effectively operated.

5. **Implement the Governor's proposal for Caltrans to generate $100 million in efficiencies and provide annual reports to the Commission and the Legislature on the savings generated.**

The Governor's transportation funding proposal incorporated in his proposed FY 2016-17 budget included $1 billion in savings over ten years through efficiencies in the way Caltrans does its work. Caltrans' annual operations budget is roughly $4.1 billion, including maintenance and operations of the State Highway System, design and construction engineering, support of the department, and reimbursed work for others. Over the last 10 years, Caltrans has reduced staffing by nearly 15 percent, and Caltrans continues to identify improvements in how it operates in order to become more efficient. These efficiency savings can be reinvested in maintaining the state highway system.

Caltrans should continue implementing improvements in the way it does business, and to reinvest savings into the state system. The Administration proposed $100 million per year, and Caltrans should set that as its minimum expectation. In addition, it should report annually to the Commission and the Legislature on the amount of savings generated and the methodology used to determine such savings.

6. Require Caltrans to establish a centralized innovative project delivery team comprised of technical, legal, and financial expertise to oversee all alternative procurement methods such as public-private partnership, design-build, and construction manager/general contractor.

Innovative project delivery methods include public-private partnership, design-build, and construction manager/general contractor. Caltrans projects, irrespective of the delivery method implemented, are managed at the district level and each district is responsible for its own “way” of managing or administering the projects in their respective regions.

The procurement and administration of innovative projects are quite different and more complicated than traditional projects. Caltrans should establish a centralized innovative project delivery team comprised of technical, legal, and financial experts to identify appropriate projects and ensure that projects are procured and managed consistently throughout the state. This effort provides increased assurance that projects selected are delivered employing the most appropriate delivery method and managed consistently using established best management practices. This centralized team would also serve to provide programmatic oversight and increased accountability of projects when innovative project delivery tools are utilized.

YEAR IN REVIEW: FY 2015 – 16

Transportation funding, transparency, and accountability were major areas of focus for the Commission in FY 2015-16. Of significance during the fiscal year, in response to a $1.5 billion transportation funding shortfall, the Commission was forced to cut and delay highway, rail, transit, bicycle, and pedestrian project spending, with far-reaching consequences for California's economy, mobility, environment and quality of life. The Commission commends the Governor and the Legislature for their efforts in the special legislative session to address the transportation funding shortfall and secure necessary reforms. The discussions during this session served to further emphasize the need to institutionalize efficiency, innovation, accountability, and transparency in the funding and delivery of California's transportation programs.

Recent legislative efforts have encouraged Caltrans to become more transparent with its programs and the Legislature has turned to the Commission to provide oversight and promote increased transparency of Caltrans. As a result, throughout the year, the Commission focused on enhancing Caltrans' transparency and accountability in delivering the State Highway Operation and Protection Program (SHOPP) and developing a comprehensive Transportation Asset Management Plan pursuant to SB 486 (DeSaulnier, Chapter 917, Statutes of 2014). The Commission continues to undertake efforts to promote checks and balances as well as efficiencies in Caltrans' management of the state's transportation system.

State Transportation Improvement Program

The Commission adopted the 2016 State Transportation Improvement Program (STIP) for fiscal years 2016-17 through 2020-21 on May 18, 2016. Based on an amended estimate of funding available, the Commission adopted the 2016 STIP that deleted $754 million and delayed another $755 million in previously committed highway, rail, transit, bicycle and pedestrian project funding. These cuts were due in large part to the actual and projected steady loss of gas tax revenue. This revenue shortfall resulted in the largest funding reduction since the current state transportation funding structure was adopted 20 years ago. The total adopted program of approximately $1.5 billion includes $1.18 billion in highway and road projects, $280 million in rail and transit projects, and $26 million in bicycle and pedestrian projects. During FY 2015-16, allocations for STIP projects totaled $358 million, with $354.8 million allocated for construction to 106 projects and $3.2 million allocated for preconstruction to 23 projects.

Asset Management and the State Highway Operation and Protection Program

Passage of SB 486 (DeSaulnier, Chapter 917, Statutes of 2014) increased Commission duties and responsibilities for the SHOPP and, to increase transparency and accountability, fundamentally changed the four-year SHOPP Program development approach. As a result, detailed budget and milestone dates are now provided for each of the 872 projects included in the SHOPP Program, with performance measures tied to each project. The 2016 SHOPP, a portfolio of projects valued at an estimated $10 billion, was adopted by the Commission at the March 2016 meeting.

Under Commission oversight, forward progress continues on Caltrans' development of a Transportation Asset Management Plan. As prescribed by SB 486, a Caltrans – prepared asset management plan is required to be fully implemented by July 2020 for the State Highway System. During October 2015, in an effort to develop an asset management plan in compliance with statutory responsibilities, the Commission approved the use of interim performance measures pending finalization of the federal target-setting process. The Commission fully expects to adopt final performance measures and targets in 2016 for use in the oversight and evaluation of the next ten-year SHOPP plan and to inform future project programming decisions.

During FY 2015-16, allocations for SHOPP projects totaled $2.12 billion, with $1.99 billion allocated to 429 projects, $51.9 million allocated for right of way acquisitions, and $84.8 million allocated for Caltrans' sub-allocation to minor projects.

Active Transportation Program

In December 2015 and January 2016, the Commission adopted the 2015 Active Transportation Program (ATP). The 2015 ATP provided funding for projects in fiscal years 2016-17 through 2018-19.

The 2015 ATP was well received among active transportation stakeholders, and 617 applications requesting over $1 billion in ATP funds were evaluated. The 2015 ATP includes 87 projects totaling $179.9 million programmed in the statewide component, 27 projects totaling $35.5 million programmed in the small urban and rural component, and 93 projects totaling $143.4 million programmed in the Metropolitan Planning Organization component. Of the 207 total projects programmed, 179 projects provide benefits to disadvantaged communities and 97 are identified as Safe Routes to Schools projects. Implementation of the ATP during FY 2015-16 was a major accomplishment as the ATP continues to be a high-profile program.

Following final adoption of the 2015 ATP, the Commission began the pre-project solicitation process for the third cycle of the ATP – the 2017 program. To develop the 2017 ATP Guidelines, Commission staff engaged a diverse workgroup of stakeholders, including representatives of government agencies, active transportation organizations and others with expertise in pedestrian and bicycle issues and Safe Routes to Schools programs.

Road Charge Technical Advisory Committee

The Road Charge Technical Advisory Committee (Committee) was convened by the Commission in January 2015 pursuant to SB 1077 (DeSaulnier, Chapter 835, Statutes of 2014) and serves as an independent body to study road charge alternatives to the gas tax, gather public comment, and make recommendations to the Transportation Agency regarding the design of a road charge pilot program. In FY 2015-16, the Committee held nine public meetings at locations throughout the state to discuss various policy and technical issues related to the design and implementation of a road charge pilot program.

On December 11, 2015, the Committee adopted its Road Charge Pilot Design Recommendations. In summary, the Committee recommended that during the pilot: (1) specific privacy and data security protections be provided; (2) drivers be offered a choice of account managers and mileage recording methods; (3) out-of-state vehicles be included and payment be simulated for driving on California roads; (4) an open system design be tested; (5) interoperability of California's system be tested with that of other states; (5) individuals, households, businesses, and at least one government agency be included; (6) a cross-section of at least 5,000 vehicles reflective of the fleet currently using California's road network be included; and (7) methods to exempt miles driven on private roads or out-of-state be tested. In addition, the Committee recommended that the pilot be evaluated according to 50 criteria that span the following categories: revenue; cost of administration and collection; operations; user experience; privacy; data security; equity; and communications.

Collaboration and Outreach

Over the past year, the Commission continued collaboration and outreach with the Legislature by participating in briefings and hearings with Senate and Assembly Transportation Committee members and legislative staff to discuss transportation funding and reform issues. Throughout the year, the Commission also sought input from state, regional and local agencies, the business community, environmental interest groups, other transportation stakeholders, and the public. The Commission participated in Town Hall meetings in Chico and Bakersfield to better understand the key transportation issues in these rural areas of California. The Commission also collaborated with the Washington Transportation Commission and the Oregon Transportation Commission in a Tri-State Commission meeting to discuss important multi-state transportation topics including Road Usage Charging, Advancements in Vehicle Technology and Alternative Fuels, Interstate Trade and Freight Investment, and Preparing Pacific Coast Transportation Infrastructure for Seismic Activity.

To gain a better understanding of technological innovations with the potential for positive impacts on transportation in the future, the Commission instituted a standing agenda item at its meetings for presentations on "innovations in transportation." As a result of the positive feedback received, the Commission will continue to include cutting-edge transportation technology topics at future meetings. The Commission also undertook a comprehensive website update to ensure online resources are fully accessible and user-friendly for the public. In addition, a social media strategy was developed and deployed to regularly "tweet" Commission information and other transportation news of public interest. The Commission remains committed to serving as an open and transparent forum through which stakeholders can engage in the development of statewide transportation policy.

Transportation Planning

During FY 2015-16, the Commission was engaged in a number of statewide transportation planning efforts including review and input on the California Transportation Plan 2040, the Sustainable Freight Action Plan, the National Multimodal Freight Network, and the California Aviation System Plan. Additionally, the Commission began an intensive stakeholder-driven process to update statewide guidelines for Regional Transportation Plans and to develop guidelines for the next California Transportation Plan. The Commission also continued to address new statutory responsibilities related to statewide planning and programming as outlined in SB 486 (DeSaulnier, Chapter 917, Statutes of 2014) and SB 64 (Liu, Chapter 711, Statutes of 2015).

Freight

Recognizing the important role of California's freight industry, the Commission actively participated in broad freight policy issues and discussions over the past year. Commission representatives participated in California Freight Advisory Committee meetings and efforts to inform the development of the California Sustainable Freight Action Plan specified in the Governor's Executive Order B-23-15. In addition, the Commission was supportive of federal transportation reauthorization legislation known as the FAST Act, which identified a dedicated funding source for freight improvements.

Proposition 1B

On August 27, 2015, the Commission approved, and on September 4, 2015, released a report entitled "Promises Made, Promises Kept" which highlighted the management and outcomes of the Proposition 1B program. Proposition 1B was overwhelmingly passed by the voters of California in November 2006 and authorized the state to issue $19.925 billion in general obligation bonds for projects to relieve congestion, facilitate freight movement, improve air quality, and increase the safety of the state's transportation system.

The Commission report provided an overview of the projects delivered through the programs administered by the Commission and highlighted the efficient management and effective partnerships built between regional transportation planning agencies, Caltrans, and the Commission to leverage additional dollars and deliver even more projects than originally promised. The Commission believes that the successful management of

Proposition 1B funds provides a strong track record of past success that demonstrates a clear path forward for future investment.

At the beginning of FY 2015-16, the Commission had allocated $11.4 billion of the $12.025 billion Proposition 1B funds under its purview and that funding was further leveraged to generate nearly $25 billion of additional capital investment and create more than 650,000 jobs statewide. During FY 2015-16, the Proposition 1B program realized $52.8 million in project savings and the Commission redirected the savings to new projects that met program criteria.

Toll Facilities

In May of 2016, the Commission approved its first toll facility application under the new authority granted by Assembly Bill (AB) 194 (Frazier, Chapter 687, Statutes of 2015). AB 194 authorizes regional transportation agencies or Caltrans to apply to the Commission to develop and operate high-occupancy toll lanes or other toll facilities. The Orange County Transportation Authority requested the Commission's approval to develop and operate a high-occupancy toll facility on Interstate 405 between State Route 73 and Interstate 605 in Orange County. The proposed project capital cost expense estimate is $1.9 billion, with funding from local sales tax revenues, state and federal funding, and the proceeds of toll revenue bonds. The Commission approved the proposal after finding that the proposed project will improve the corridor's performance by increasing passenger throughput and reducing delays, and that the project met the eligibility criteria required by AB 194.

Capital Outlay Support Workload Forecasting Review

At the request of the Transportation Agency Secretary, the Commission convened a workgroup of staff from various entities in 2016 to review Caltrans' current and projected capital outlay support (COS) staffing levels and the methodology used to arrive at those levels. Through this workgroup, Commission staff determined that, while Caltrans manages its workload across budget years through each phase of the project development process, the workload forecast submitted to the Legislature to inform the budget process is based on a projection taken at a point in time. This approach does not take into consideration the dynamic nature of project delivery and workload and thus is not useful for the purposes of actual workload-to-forecast comparisons. Therefore, the current method of forecasting COS workload makes it difficult for the Legislature to hold Caltrans accountable by budget year.

Based on the discussions of the COS workgroup, the Commission recommends that the Legislature assign to the Commission the responsibility to allocate COS resources to Caltrans by project component. The Commission believes that allocating Caltrans' COS budget by project component would provide the Legislature more confidence in Caltrans' annual budget request, because the basis of such allocation is by project component or "phase" and subject to review and approval by the Commission.

While the Commission is confident that this recommended approach will improve Caltrans' accountability and transparency and provide more confidence in Caltrans' ability to manage, this is not the end of this effort. The Commission continues to partner with Caltrans in developing methods for making the COS program more efficient and effective. The Commission plans to convene this workgroup to explore ways to further improve this process and provide updates as this effort develops.

4. COMMISSION ACCOMPLISHMENTS, FY 2015 – 16

The Commission has had a challenging and productive year since our last Annual Report. The sections below highlight both the Commission's accomplishments and those of our partners with respect to the Commission's statutory responsibilities.

4.1 IMPLEMENTING LEGISLATIVE RECOMMENDATIONS

The Commission's 2015 Annual Report to the Legislature included a number of specific, action-oriented recommendations for legislation. In response, Legislators introduced 15 bills implementing the Commission's recommendations. While many of these bills fell victim to the legislative process, five of the bills made it to the Governor's desk. The Commission wishes to acknowledge the hard work of all the authors that worked to implement Commission recommendations and intends to build on the successes of 2016 to improve transportation in California.

Below is a list of the bills and their authors that were successfully signed into law:

AB 2126 (Mullin) State CM/GC Authority – Authorizes Caltrans to use the Construction Manager/General Contractor (CM/GC) method on twice as many projects as is currently authorized, from six to twelve.

AB 2289 (Frazier) Putting the "O" in SHOPP – Clarifies existing law to permit Caltrans to use State Highway Operation and Protection Program (SHOPP) funds for operational improvements on the state highway system.

AB 2374 (Chiu) Regional CM/GC Authority – Expands regional transportation agencies' existing off-system CM/GC project delivery authority to ramps that are not on the state highway system. In addition, removes the requirement that the project be developed in accordance with an expenditure plan approved by voters.

AB 2620 (Dababneh) Proposition 116 Sunset – Requires the Commission to reallocate Proposition 116 funds to other passenger rail projects if the funds are not expended or encumbered by July 1, 2020.

The following bills were introduced to implement the Commission's recommendations, but did not become law:

AB 1569 (Steinorth) CEQA Exemptions – Exempted from CEQA a project, or the issuance of a permit for a project, in the existing right of way that meets certain requirements.

AB 1780 (Medina) Cap and Trade for Freight – Provided for a continuous appropriation of 25 percent of the annual proceeds of the Greenhouse Gas Reduction Fund to the Commission for a new program called the Sustainable Trade Corridors Program, similar to the Trade Corridor Improvement Fund (TCIF) program.

AB 1833 (Linder) Advance Mitigation – Created the Advance Mitigation Program to implement environmental mitigation measures in advance of future transportation projects.

AB 1987 (Rodriguez) Tribal Contracting – Authorized Caltrans to enter into contracts with the tribal government of a federally-recognized Indian tribe in order to carry out its duties.

AB 2034 (Salas) NEPA Delegation – Deleted the sunset date of existing law assigning to the state legal responsibility for the National Environmental Policy Act (NEPA) environmental review process.

AB 2170 (Frazier) FAST Act Freight Funding – Required revenues apportioned by formula to the state from the National Highway Freight Program established by the federal FAST Act to be deposited into the TCIF.

AB 2452 (Quirk) Improving CEQA – Prohibited a court from staying or enjoining transportation projects based solely on greenhouse gas emissions as long as the project is included in an approved Sustainable Communities Strategy that has been through a programmatic environmental review.

AB 2742 (Nazarian) P3 Authority – Extended Caltrans' and regional transportation agencies' authority to enter into public/private partnership (P3) agreements from the existing deadline of January 1, 2017, to 2030.

SB 901 (Bates) Advance Mitigation – Created the Advance Mitigation Program to implement environmental mitigation measures in advance of future transportation projects.

SB 902 (Cannella) NEPA Delegation – Deleted the sunset date of existing law assigning to the state legal responsibility for the NEPA environmental review process.

SB 903 (Nguyen) Transportation Loan Repayment – Required the General Fund to repay all outstanding transportation-related loans by June 30, 2016.

4.2 COLLABORATION AND OUTREACH

Over the past year, the Commission participated in a number of legislative briefings and hearings with Senate and Assembly transportation committee members and legislative staff. Through briefings and hearings, the Commission provided a forum to discuss transportation funding and reform issues, including the road charge pilot program; the successful management and administration of the Proposition 1B bond program; legislative proposals; and other transportation policy recommendations.

In addition to reaching out to the Legislature, the Commission undertook an extensive effort to seek input from regional and local agencies, the business community, environmental interest groups, other transportation stakeholders and the public. The Commission also participated in Town Hall meetings held in Chico and Bakersfield to better understand the key transportation issues in these rural areas of California.

During 2016, the Commission continued its collaboration with the states of Washington and Oregon by helping to organize and participating in a Tri-State Commission meeting with the Washington Transportation Commission and the Oregon Transportation Commission. The meeting featured discussion of a number of cutting-edge and important multi-state transportation topics including: road usage charging, advancements in vehicle technology and alternative fuels, interstate trade and freight investment, and preparing pacific coast transportation infrastructure for seismic activity.

In preparation for the 2017 Active Transportation Program (ATP) Cycle 3 call for projects, in January, February and March of 2016, the Commission conducted six stakeholder workshops to solicit input on the program guidelines, the application questions, and the application scoring rubrics. Workshop attendees could attend in person or through teleconference. All workshops were very well attended with in-person participation averaging around 50 attendees and as many as 150 teleconference participants. The dominant issue at the workshops was how to best ensure that disadvantaged communities can benefit from ATP funds. The workshop held in Fresno on February 12, 2016 was particularly noteworthy as many Spanish-speaking community members attended to describe the importance of active transportation to their communities.

The Commission also conducted outreach during 2016 through the Road Charge Technical Advisory Committee. This Committee was convened by the Commission pursuant to SB 1077 (DeSaulnier, Chapter 835, Statutes of 2014) and serves as an independent body to study technical aspects of road charging alternatives and gather public input on issues and concerns. In FY 2015-16 the Committee held nine public meetings at locations throughout the state to discuss various policy and technical issues related to the design and implementation of a road charge pilot program. The Committee utilized a work group, representing over 22 stakeholder groups, to provide unique perspectives and feedback on the Committee's recommendations; developed and launched a dedicated California Road Charge website to provide public information and receive public comments; convened focus groups in five different California locations to gain better insight into public knowledge and opinion regarding a potential road charge; conducted a statewide public telephone survey to assess initial public attitudes about road charging as a method of funding transportation; and participated in numerous stakeholder conferences and workshops.

Additionally, as part of its statutory charge to develop and maintain statewide transportation planning guidance, the Commission initiated an effort to update the 2010 RTP Guidelines and to develop guidelines for the California Transportation Plan. This effort included workgroup meetings held around the state and involved hundreds of stakeholders representing federal, state, regional, and local governments as well as private industry and advocacy organizations.

To gain a better understanding of technological innovations that will potentially impact transportation in the future, the Commission instituted a standing agenda item for "innovations in transportation" to be heard at every commission meeting. Presentations were made on the following topics: technology to allow freight trucks to "platoon", or travel very close behind one another over long distances to save fuel and reduce greenhouse gas emissions; a rideshare application for commuters to match rides between home and worksites; connected and autonomous vehicle technologies as well as wireless charging for electric vehicles; and “smart city” technology.

On September 4, 2015, the Commission released a report “Promises Made, Promises Kept” which highlighted the management and outcomes of the Proposition 1B program. Proposition 1B was overwhelmingly passed by the voters of California in November 2006 and authorized the state to issue $19.925 billion in general obligation bonds for projects to relieve congestion, facilitate freight movement, improve air quality, and increase the safety of the state’s transportation system. The report provided an overview of the projects delivered through the programs administered by the Commission and highlighted the efficient management and effective partnerships built between regional transportation planning agencies, Caltrans, and the Commission to leverage additional dollars and deliver even more projects than originally promised. The Commission believes that the successful management of Proposition 1B funds provides a strong track record of past success that demonstrates a clear path forward for future investment.

The Commission also undertook a comprehensive website update to ensure online resources are fully accessible and user-friendly for the public. In addition, a social media strategy was developed and deployed to regularly “tweet” Commission information as well as transportation news that may be of interest to the public.

The Commission remains committed to serving as an open and transparent forum through which stakeholders can engage in the development of statewide transportation policy.

4.3 TRANSPORTATION PLANNING

During FY 2015-16 the Commission was engaged in a number of statewide transportation planning efforts including review and input on the California Transportation Plan 2040, the Sustainable Freight Action Plan, the National Multimodal Freight Network, and the California Aviation System Plan. Additionally, the Commission began an intensive stakeholder-driven process to update statewide guidelines for Regional Transportation Plans and to develop guidelines for the next California Transportation Plan. The Commission also continued to address new statutory responsibilities related to statewide planning and programming as outlined in SB 486 (DeSaulnier, Chapter 917, Statutes of 2014) and SB 64 (Liu, Chapter 711, Statutes of 2015).

SB 486 added several new responsibilities for the Commission. In the area of statewide transportation planning, the bill authorized the Commission to prescribe study areas for analysis and evaluation by Caltrans and to establish guidelines for updates to the California Transportation Plan. The bill also requires Caltrans to submit an Interregional Transportation Strategic Plan (ITSP) directed at achieving a high-functioning and balanced transportation system to the Commission for approval. Additionally, the bill revised the procedures for the development of the Interregional Transportation Improvement Program (ITIP) by requiring Caltrans to submit the draft ITIP to the Commission by October 15th of each odd-numbered year and requiring the projects included in the Draft ITIP to be consistent with the approved ITSP. The bill also requires the Commission to hold public hearings by November of each odd-numbered year regarding the draft ITIP, and requires Caltrans to consider the input received at public hearings and submit a final ITIP to the Commission for approval no later than December 15th of each odd-numbered year.

In the area of statewide transportation asset management, SB 486 requires Caltrans, in consultation with the Commission, to prepare a robust asset management plan to guide selection of projects for the SHOPP, subject to approval by the Commission. The bill also requires Caltrans to specify a capital and support budget and projected component delivery dates for each project in the SHOPP. Additionally, the bill authorizes the Commission to decline adoption of the SHOPP if it determines that the program is not sufficiently consistent with the asset management plan. SB 486 also requires Caltrans to report quarterly to the Commission on the approved capital and support budgets compared to expenditures at contract construction acceptance for each major SHOPP project completed in the last quarter. This bill also requires Caltrans, in consultation with the Commission, to develop a plain-language performance report to increase transparency and accountability of the SHOPP. For more detailed information regarding asset management planning and performance measurement for the SHOPP please refer to Section 4.6.

California Transportation Plan 2040

Pursuant to Federal regulations (23 CFR 450.214) and State statute (Government Code Section 14000.6 and 65071, et al), Caltrans is required to prepare a statewide long-range transportation plan – the California Transportation Plan (CTP). The CTP serves as the transportation policy plan designed to meet California's mobility needs and reduce greenhouse gas emissions over the next 20 years. The plan is required to envision a fully integrated, multi-modal, and sustainable transportation system that supports economic vitality, protects environmental resources, and promotes the health and well-being for all Californians. The CTP is expected to provide a common policy framework that will guide Caltrans modal plans and programs as well as inform transportation investments and decisions by all levels of government, the private sector, and key transportation stakeholders.

The CTP 2040, finalized and adopted by the Administration in June 2016, serves as the current statewide transportation plan. The Commission provided comments on the initial draft plan in June 2015 and on the final draft plan in March 2016. Commission comments encouraged Caltrans to ensure clarity of plan recommendations; acknowledge and balance statewide environmental goals with other objectives including mobility, connectivity and economic development; clearly explain the unconstrained nature of the CTP and discuss how the statewide plan interacts with Caltrans modal plans and Regional Transportation Plans; refine recommendations based on economic modeling tools and data available, and ensure that strategies are incorporated to support robust economic growth through 2040 and beyond.

California Transportation Plan Guidelines

SB 486 (DeSaulnier, Chapter 917, Statutes of 2014) authorized and encouraged the Commission, in cooperation with Caltrans, to prepare guidelines for the development of the CTP. The Commission, in collaboration with Caltrans, established a format, strategy, and timeline for the development of CTP Guidelines to clearly outline the federal and State requirements for the plan and to inform preparation of the next CTP which is due by December 2020. The CTP Guidelines were developed concurrently with the update of the Regional Transportation Plan Guidelines, through a transparent public process with input and in direct consultation with staff from Caltrans, the ARB, and other State and Federal agencies as well as a broad coalition of stakeholders including regional and local governments, the private sector and business community, and social equity and environmental advocates.

The primary purpose of the CTP Guidelines is to provide high-level direction to Caltrans on the development of the next CTP. The CTP Guidelines were developed to identify the federal and state requirements necessary for the preparation of a statewide long-range transportation plan, including Governor's Executive Orders and State policies impacting transportation.

The CTP Guidelines development schedule included stakeholder engagement from July 2016 through October 2016 for adoption in early 2017.

Regional Transportation Plan Guidelines

Regional Transportation Plans (RTPs) identify a 20-year vision for transportation priorities and investments. Federal and state requirements for the development of RTPs have been in law since the 1970's, with additional requirements added over the years.

California Government Code Section 14522 authorizes the Commission to adopt guidelines for the development of RTPs. The RTP Guidelines were first adopted by the Commission in 1978. Since then, the guidelines have been updated as needed. The RTP Guidelines were last updated by the Commission in 2010 to reflect changes necessary arising from the passage of SB 375 (Steinberg, Chapter 728, Statutes of 2008).

Over the past year, the Commission began the process of updating the RTP Guidelines through a stakeholder-driven and transparent public process. Hundreds of stakeholders representing federal, state, regional, local agencies, and tribal organizations, as well as private sector representatives and advocacy organizations were engaged to provide perspectives and develop guidance. Interagency and workgroup meetings throughout California were held to facilitate broad stakeholder input. A wide-range of issues were discussed through the workgroup process including, but not limited to, a comprehensive update of the regional travel demand modeling chapter to reflect current state of practice; development of guidance regarding new federal metropolitan planning requirements arising from the FAST Act including new performance measures and performance-based planning; and pursuant to AB 441, (Monning, Chapter 365, Statutes of 2012) new resources and state of practice information for the consideration of health and health equity in the RTP process.

California Aviation System Plan

Both federal regulation (Federal Aviation Administration Advisory Circular 150/5070-7) and state statute (California Public Utilities Code Section 21701) require the development of a statewide aviation system plan. The California Aviation System Plan (CASP) is prepared by Caltrans and is statutorily required to be updated every five years. The CASP identifies the system of airports that meets statewide air transportation needs. It also serves as the guiding document identifying the current system of public-use airports along with the activity levels at those airports, future aviation trends and estimated future demands.

Caltrans is revising the entire format of the CASP to align with the California Transportation Plan. The Commission supports this effort and is working with Caltrans to facilitate timely completion.

4.4 FREIGHT ISSUES

California's freight industry has a significant impact to California's economy. According to the December 2014 California Freight Mobility Plan prepared by Caltrans, our State handles the highest value international commerce of any State in the nation and has one of the highest total freight volumes. According to the Bureau of Transportation Statistics, California's annual freight shipments are valued at more than $1.5 trillion dollars and the freight industry employs approximately 650,000 people.

The Commission actively took part in several key areas relating to freight over the past year, which included:

California Sustainable Freight Action Plan

Executive Order B-23-15 directed the Transportation Agency, the California Environmental Protection Agency, and the Natural Resources Agency to lead other relevant State departments including the ARB, Caltrans, California Energy Commission, and the Governor's Office of Business and Economic Development to develop an integrated Sustainable Freight Action Plan (Action Plan) by July 2016 that establishes clear targets to improve freight efficiency, transition to zero-emission technologies, and increase competitiveness of California's freight system.

The four underlying State agencies responsible for the development of the Action Plan formed the Freight Efficiency Strategies Development Group made up of freight experts from academia, industry and government. The main purpose of this group was to prepare a series of six white papers to identify promising strategies for increasing the efficiency of the freight system. Commission representatives participated in the preparation of a white paper that addressed freight funding. The State agencies informed the group that the white paper was considered in developing the Action Plan.

A draft Action Plan was released for public comment in May 2016. The Commission formally submitted a comment letter to the draft Action Plan recommending that the plan should:

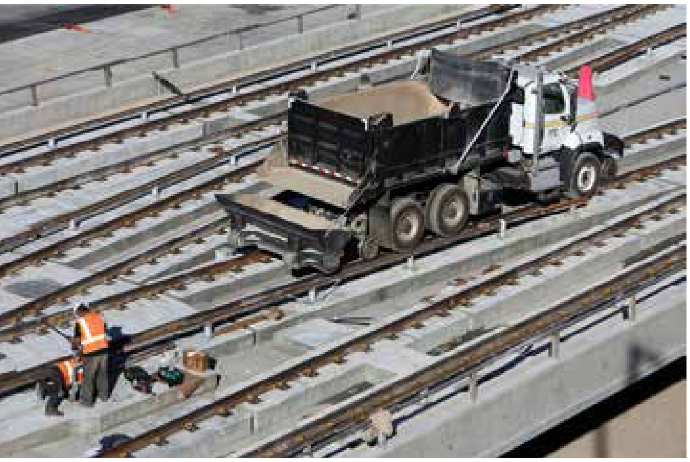
- Clarify the policy intent;
- Ensure thorough involvement of the freight industry during statewide plan development;
- Clarify the freight efficiency target to resolve ambiguity in calculating the reduction of greenhouse gas emissions;
- Establish a measurable target for increasing the competitiveness of California's freight transport system;
- Develop and incorporate an economic analysis of the actions and recommendations;
- Define "Sustainable Congestion Reduction;"
- Articulate that future state funding for freight projects should balance the need to address environmental, efficiency, and competitiveness goals;
- Identify and include measures to eliminate CEQA impediments to freight sector competitiveness and investigate possible streamlining of the extensive state permitting process necessary for freight projects during the environmental clearance phase;
- Provide a comprehensive listing of criteria for potential projects that address economic and competitiveness issues;
- Ensure consideration of existing state and regional freight plans; and
- Include details on economic viability and possible funding sources for the three pilot projects identified in the draft Action Plan; including acknowledgment that other possible pilot projects might be preferable upon further investigation allowing for a future pipeline of sustainable projects.

The final Action Plan was released on June 29, 2016. According to the finalized Action Plan, it is intended to integrate investments, policies, and programs across several State agencies to help realize a single State government vision for California's freight transportation system. The Action Plan provides high-level recommendations and a broad vision and direction for the Governor to consider and State agencies to use when developing specific investments, policies, and programs related to the freight transportation system. The Commission will continue to monitor implementation of the Action Plan.

Support for Additional Dedicated State and Federal Funds for Freight

The Commission continued to actively support additional federal and state funding for California's transportation freight infrastructure. Over the past year, the federal government provided positive news regarding dedicated funding for freight infrastructure improvements. On December 4, 2015, the President signed into law the FAST Act. The FAST Act authorized $305 billion over federal fiscal years 2016 through 2020 for highway and motor vehicle safety, public transportation, motor carrier safety, hazardous materials safety, rail, research, technology and statistics programs. California is expected to receive $580 million in dedicated freight formula funds over the next five years. The Commission is responsible for the allocation of those funds.

The passage of Proposition 1B in 2006 provided $20 billion in additional funding for California's transportation infrastructure, of which $3.1 billion was dedicated to the improvement of the state's freight network including $2 billion administered by the Commission specifically dedicated for the TCIF. The TCIF program funds have been allocated, and currently California has no other program in place to continue state funding dedicated to freight improvement projects. During the last legislative session, the Commission supported proposals for dedicated freight funding; however, a viable solution to address the transportation funding shortfall was not reached.



California Freight Advisory Committee

The California Freight Advisory Committee (CFAC), composed of 62-member organizations that represent a wide array of freight industry, government, and community interests, serves as the primary statewide advisory group for California's state freight planning. Commission representatives serve on the CFAC and attended meetings over the past year. These meetings primarily centered on the Action Plan and issues related to freight infrastructure funding.

National Multimodal Freight Network

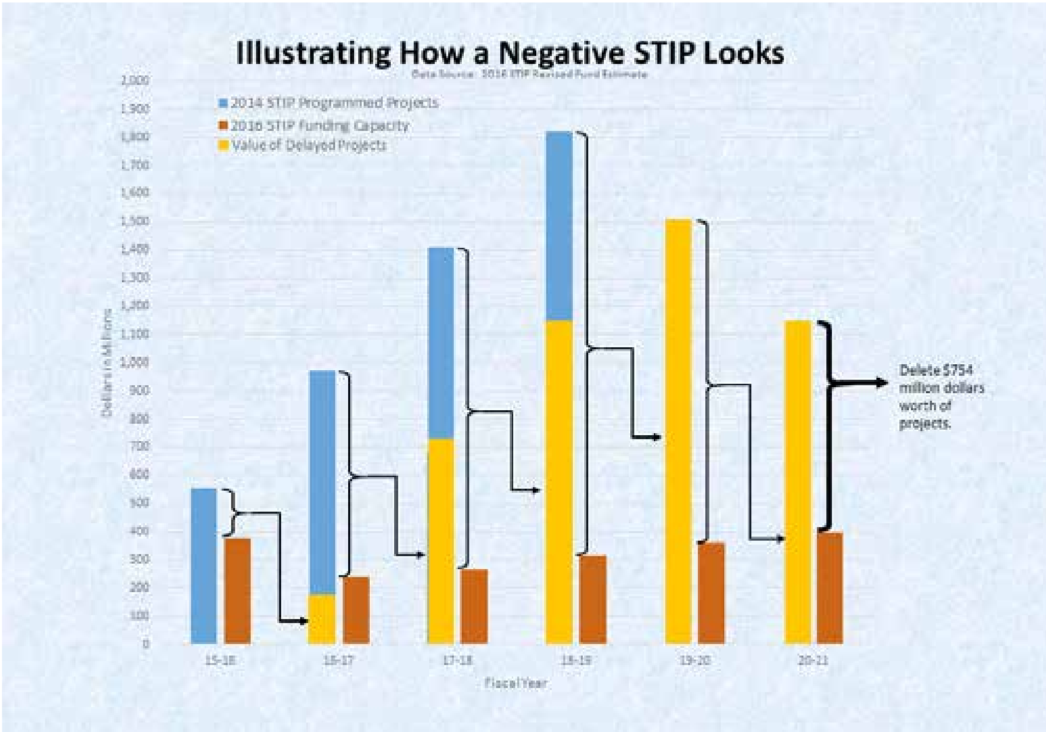
In 2015, the FAST Act required the U.S. Department of Transportation (USDOT) to establish a National Multimodal Freight Network (NMFN) to assist states in directing resources to improve freight movement; inform freight transportation planning; assist in prioritization of federal investment and support federal investments to achieve national freight policy goals. Last June, the USDOT issued an interim NMFN and requested comments. The Commission, in consultation with Caltrans and other stakeholders, submitted a comment letter supporting a NMFN; requesting flexibility for states in designating freight facilities and corridors; recommending that seasonal agricultural truck traffic be accounted for in the NMFN; and requesting the NMFN of international gateway states such as California be acknowledged as a priority.


4.5 STATE TRANSPORTATION IMPROVEMENT PROGRAM

The State Transportation Improvement Program (STIP) is the biennial five-year plan adopted by the Commission for future allocations of certain 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 2016 STIP was adopted May 18, 2016.

STIP funding comes primarily from price-based excise tax revenues. After paying for the weight fee backfill to the SHOPP (over $1 billion annually), the STIP receives 44% of the remaining price-based excise tax revenue (State Highway Account and Federal Surface Transportation Program funds traded for state funds). To a limited degree, Public Transportation Account funds are also directed to the STIP.

The price-based excise tax has been declining for the last three years. Therefore, revenues to fund the STIP have declined. This decline resulted in no new capacity for the 2016 STIP and a $1.5 billion shortfall in the existing 2014 STIP programming that serves as the base for the 2016 STIP (first three years of the five-year STIP period). As a result of this shortfall, project funding totaling $754 million had to be deleted from the STIP, and project funding totaling $755 million had to be delayed to the last two fiscal years in the 2016 STIP period, 2019-20 and 2020-21.



The STIP allocation capacity for FY 2015-16 was $449 million. The Commission allocated $358 million for STIP projects (including projects with allocation extensions expiring in FY 2015-16). In addition, the Commission allocated $93 million for Caltrans administered STIP right-of way activities, for a total of $451 million.

It is estimated that the STIP allocation capacity for FY 2016-17 of $236 million will be sufficient for all FY 2016-17 programmed projects and projects that were delayed to FY 2016-17.

2016 STIP Fund Estimate

The 2016 STIP Fund Estimate methodology and assumptions were approved by the Commission on May 28, 2015. The initial 2016 STIP Fund Estimate, covering the five-year period of FY 2016-17 through FY 2020-21 was adopted at the Commission's August 27, 2015 meeting. This estimate indicated new capacity for the 2016 STIP of only $46 million in the last year of the five-year STIP period – a zero STIP. The primary assumption resulting in the zero STIP was that the price-based excise tax (only 12 cents in FY 2015-16) would recover to only 14 cents by FY 2016-17 and rise each year to reach 18 cents in FY 2019-20 and FY 2020-21 (as opposed to the 2014 STIP assumption of approximately 20 cents each year through the STIP period).

Subsequent to adoption of the Fund Estimate, Caltrans reported that the price of gasoline was not increasing as expected and that the price-based excise tax would likely decrease in FY 2016-17 from the 12 cents in FY 2015-16. Based on this information, at the Commission's request, Caltrans prepared an amended 2016 STIP Fund Estimate reflecting new assumptions of future price-based excise tax levels. This amended Fund Estimate estimated a price-based excise tax of 10 cents in FY 2016-17 (actual of 9.8 cents), increasing 2 cents per year to 18 cents in FY 2020-21. The amended 2016 STIP Fund Estimate, adopted by the Commission on January 21, 2016, indicated that rather than essentially zero new capacity for the 2016 STIP, the capacity was a negative $754 million (existing programmed funds needed to be deleted). In addition, $755 million of existing programming had to be delayed to the last two years of the STIP period, FY 2019-20 and FY 2020-21. As a result, regional agencies and Caltrans submitted revised Regional Transportation Improvement Programs (RTIP) and the Interregional Transportation Improvement Program (ITIP) to the Commission by February 29, 2016.

The following table reflects an estimated STIP capacity of $1.953 billion over the six-year period including FY 2015-16. For context, the 2014 STIP was adopted based on an estimated STIP capacity of $4.194 billion.

SUMMARY OF 2016 STIP Fund Estimate - STIP CAPACITY BY FISCAL YEAR (dollars in millions)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Transit (PTA)	$50	$40	$40	$40	$40	$40	$250
Roads (SHA, Federal)	$328	$200	$225	$275	$320	$355	$1,703
Total	$378	$240	$265	$315	$360	$395	$1,953

2016 STIP Guidelines

The 2016 STIP guidelines development process began shortly after the 2014 STIP was adopted. Several public workshops were held to obtain stakeholder input on the guidelines, primarily to Section 19 – Criteria for Measuring Performance and Cost Effectiveness. The 2016 STIP guidelines continue to emphasize coordination and consistency with adopted RTPs, the Interregional Transportation Strategic Plan (ITSP), and investment strategies and decisions consistent with state and federal laws, and includes criteria to evaluate and communicate the regional and statewide benefits of projects programmed in the adopted STIP. The 2016 STIP guidelines were adopted by the Commission on August 27, 2015. Several updates to the guidelines were made based on changes to existing law. The most notable updates are as follows:

- Projects programmed in FY 2015-16, including projects from prior years with extensions after March 2016, were allowed to be reprogrammed to a later fiscal year. This change was specific to the 2016 STIP only and was allowed due to the shortfall of allocation capacity in FY 2015-16.
- Section 19 was revised to update the criteria for measuring performance and cost effectiveness.

- Regional Transportation Improvement Programs (RTIPs) and the Interregional Transportation Improvement Program (ITIP) would be evaluated based on performance evaluation at the regional level and how the RTIP furthers the goal of the region's RTP and, if applicable, its Sustainable Communities Strategies, and for Caltrans, how the ITIP furthers the goals of the ITSP.
- The cost-effectiveness of the RTIPs or the ITIP would be evaluated at the regional or statewide level. Project scope including changes to the built environment were required to be included in the programming documents, and project specific evaluations were required if a project was proposed for right-of-way and/or construction funding and the proposed funding totaled $15 million or greater, or when the total cost of the project was equal to or greater than $50 million.
- The requirement for a regional level performance evaluation was updated to include the ability for regions outside an MPO, or a small MPO, to use alternative performance monitoring indicators identified in the Rural Counties Task Force's Rural and Small Urban Transportation Study.
- Governor's Executive Order B-30-15 (climate change) was included to be considered by Caltrans and Regional Transportation Planning Agencies when submitting a project level benefit evaluation.

2015 Interregional Transportation Strategic Plan and 2015 Interregional Transportation Improvement Program

SB 486 (DeSaulnier, Chapter 917, Statutes of 2014) added Government Code Section 14524.4 which requires Caltrans to submit to the Commission for approval by June 30, 2015, an Interregional Transportation Strategic Plan (ITSP). The ITSP must be directed at achieving a high functioning and balanced transportation system, and be action oriented and pragmatic, considering both the short-term and long-term future, and presenting clear, concise policy guidance to Caltrans for managing the state's transportation system. The ITSP must inform proposed programming in the Interregional Transportation Improvement Program (ITIP), which is an element of the STIP.

Caltrans transmitted the 2015 ITSP to the Commission on June 30, 2015, for approval at the Commission's August 27, 2015 meeting. Based on stakeholder input received in August 2015, the Commission deferred approval to October to ensure that stakeholders were provided sufficient time to review the final proposed plan. Caltrans subsequently revised the ITSP based on comments received and the Commission adopted the final 2015 ITSP on October 21, 2015.

SB 486 also revised the procedures for the development of the Interregional Transportation Improvement Program (ITIP) by requiring Caltrans to submit the draft ITIP to the Commission by October 15th of each odd-numbered year and requiring the projects included in the draft ITIP to be consistent with the approved ITSP. The bill also requires the

Commission to hold public hearings by November of each odd-numbered year regarding the draft ITIP, and requires Caltrans to consider the input received at public hearings and submit a final ITIP to the Commission no later than December 15th of each odd-numbered year. Pursuant to SB 486, the Commission held a northern public hearing in Sacramento on October 28, 2015 and a southern public hearing on November 4, 2015 in Los Angeles to gather feedback on the draft ITIP. Caltrans submitted the final 2015 ITIP proposal to the Commission on December 15, 2015 for inclusion in the 2016 STIP.

2016 STIP

The 2016 STIP was adopted on May 18, 2016, with additional technical changes approved by the Commission on June 29, 2016. A total of $1.5 billion in project programming was deleted ($754 million) or delayed ($755 million) to the last two years of the STIP period. Although new projects were proposed, no new projects were recommended for funding. The Commission determined that adding new projects at a time when existing project funding was deleted could not be justified. Assuming sufficient capacity at the time of programming the 2018 STIP, the Commission intends to place a priority on the 2016 STIP proposed but not programmed cost increases and deleted projects that remain regional priorities. In addition, to the extent capacity allows, new projects proposed but not recommended for programming in the 2016 STIP may be prioritized by the Commission in the 2018 STIP. Commission staff intends to propose language regarding these priorities in the 2018 STIP guidelines.

2016 Report on County and Interregional Share Balances

Section 188.11 of the Streets and Highways Code requires the Commission to maintain a record of County and Interregional Share STIP balances, and to make the balances through the end of each fiscal year available for review no later than August 15 of each year.

On August 15, 2016 the Commission released its Nineteenth Annual Report of STIP Balances, County and Interregional Shares. The report included the 2016 STIP adopted on May 18, 2016, including allocations and other actions approved through June 2016. The balances in the report are based on the capacity identified through FY 2020-21 in the Amended 2016 STIP Fund Estimate, adopted on January 21, 2016.

The 2016 STIP Balances, County and Interregional Shares Report can be found at http://www.catc.ca.gov/programs/stip.htm.

4.6 ASSET MANAGEMENT PLAN & STATE HIGHWAY OPERATION AND PROTECTION PROGRAM

Passage of Senate Bill 486 (DeSaulnier, Chapter 917, Statutes of 2014) added a new requirement for the Commission to approve a Caltrans prepared asset management plan and also increased Commission duties and responsibilities for the SHOPP. The Commission is now required to adopt and manage the SHOPP in a manner similar to the STIP, Proposition 1B and other programs under its purview. Meeting these new requirements required a fundamental change in the development approach of the four-year SHOPP program (2016 SHOPP). This programming document now contains detailed budget and milestone dates for each of the 872 projects. In addition, and in anticipation of the drive towards a robust asset management plan, performance measures and targets are required to be adopted by the Commission and achievement of the performance measures is required to be reported for each SHOPP project. For example, as of the end of each year, a reporting of the lane miles of pavement, number of bridges rehabilitated, or culverts repaired will be provided by Caltrans.

Pursuant to Government Code Section 14526.5(c), a draft of the 2016 SHOPP was circulated to regional transportation planning agencies for review and comment prior to adoption. Written comments were received from 13 organizations. These comments were addressed and included in the programming document. The 2016 SHOPP, a four-year portfolio of projects valued at an estimated $10 billion, was adopted by the Commission at the March 2016 meeting.

Under Commission oversight, Caltrans continued to make progress on the development of a “robust” transportation asset management plan. As prescribed by SB 486, an asset management plan is required to be fully implemented by July 2020 for the State Highway System. The Commission has specific authority to approve performance measures and targets for the asset management plan and SHOPP. Concurrent with state requirements, the previous federal transportation act, Moving Ahead for Progress in the 21st Century Act (“MAP-21” – the federal transportation authorization signed into law on July 6, 2012), also requires states to develop a risk-based asset management plan for the National Highway System to improve or preserve the condition of the assets and the performance of the system.

Unfortunately, the federal rule-making process for establishing performance measures for pavement and bridges, which constitute nearly half of the SHOPP, has taken longer than anticipated. In October 2015, in order to continue the development effort on the asset management plan, the Commission approved the use of interim performance measures until such time as the federal process is complete. The Commission expects to utilize final performance targets in its oversight and evaluation of the 2017 Ten-Year SHOPP plan that is to be submitted by Caltrans in January 2017.

During FY 2015-16, Commission allocations for SHOPP projects totaled $2.12 billion, with $1.99 billion allocated to 429 projects, $51.9 million allocated in a lump sum for right of way acquisition, and $84.8 million allocated in a lump sum for sub-allocation by Caltrans for minor projects.


4.7 ACTIVE TRANSPORTATION PROGRAM

The Active Transportation Program (ATP) is a competitively awarded statewide grant program created to encourage increased use of active modes of transportation, such as biking and walking. The ATP is essential to achieving California's sustainability goals and Caltrans' strategic goals of tripling bicycle trips and doubling walking trips by 2020.

The program receives approximately $123 million in state and federal funds annually and is divided into the following components: 1) statewide (50%); 2) small urban and rural (10%); and 3) Metropolitan Planning Organization (MPO) (40%). The Commission's role in the ATP includes adoption of guidelines and policies, including project scoring criteria; adoption of fund estimates; oversight of grant application evaluations; approval of eligible projects for program adoption; establishment and maintenance of project contingency lists for small urban and rural components; allocation of funds to projects; and evaluation and annual reporting of the overall program to the Legislature.

The Active Transportation Program includes the following goals:

- Increase the proportion of biking and walking trips,
- Increase safety for non-motorized users,
- Increase mobility for non-motorized users,
- Advance the efforts of regional agencies to achieve greenhouse gas reduction goals,

- Enhance public health, including the reduction of childhood obesity through the use of programs eligible for Safe Routes to Schools Program funding,
- Ensure that disadvantaged communities fully share in program benefits (at least 25% of program), and
- Provide a broad spectrum of projects to benefit many types of active transportation users.

The implementation of the ATP during FY 2015-16 was a major accomplishment as the ATP continues to be a high-profile program. Following final adoption of the 2015 ATP, the Commission began the pre-project solicitation process for the next cycle of the ATP – the 2017 program. Commission staff engaged a diverse stakeholder workgroup, including representatives of government agencies, active transportation organizations and others with expertise in pedestrian and bicycle issues, including Safe Routes to Schools programs, in the development of the 2017 ATP guidelines. For the 2017 guidelines, the Commission focused on revising the disadvantaged community scoring criteria to target projects that provide a direct and assured benefit to disadvantaged communities and projects that will benefit the most severely disadvantaged areas of the state. The Commission also coordinated with Caltrans on instituting an electronic project application submittal.

Along with initiating the 2017 ATP during FY 2015-16, the Commission concentrated on overall program improvement. The Commission worked closely with Caltrans to form the ATP Technical Advisory Committee (Committee). The ATP Committee membership is composed of active transportation infrastructure owners, operators, and maintainers, stakeholders with specialized active transportation expertise, and active transportation non-infrastructure implementers. The overall mission of the Committee is to maximize the program's effectiveness in meeting its goal of increasing the use of active transportation. Specific issues that the Committee worked on included defining ineligible project costs, the scope of the Active Transportation Resource Center, and the application evaluation process. The Commission also closely collaborated with regional agencies to improve ATP delivery and project scope consistency.

The second cycle of the program (2015 ATP) was well received among active transportation stakeholders, and a total of 617 applications requesting over $1 billion in ATP funds were evaluated. The adopted 2015 ATP included 87 projects totaling $179.9 million in the statewide component, 27 projects totaling $35.5 million in the small urban and rural component, and 93 projects totaling $143.4 million in the metropolitan planning organization (MPO) component. Of these, 179 projects will benefit disadvantaged communities and 97 were identified as safe-routes-to-school projects. In FY 2015-16, 148 ATP projects were allocated a total of $99.78 million of funds. Thirty-six of these allocations were for project phases programmed in FY 2016-17.

During FY 2015-16, the Commission held four workshops to consider revisions to the ATP guidelines. The revised guidelines were adopted in March 2016, along with a Fund Estimate for the 2017 ATP cycle (FY 2019-20 through FY 2020-21). A call for projects occurred immediately after guidelines adoption, with an application deadline of June 15, 2016. The Commission received 456 applications for the 2017 program cycle. A total amount of $976.76 million in ATP funding was requested for 456 projects with a total value of $1.48 billion. The full program must be adopted by the Commission no later than April 2017.

Active Transportation Program through Fiscal Year 2015-16

	Cycle 1	Cycle 2	Cycle 3
Number of Applications Submitted	771	617	456
Total ATP Funds Requested	$1,018,235 ,000	$1,060,308,000	$976,768,000
Number of Projects Programmed	265	208	
Total Funds Programmed	$367,890,000	$359,043,000	
Funds Allocated (non-advancements)	$180,289,629	$292,000	$0
Allocation Advancements in FY 15/16	$0	$9,083,000	$0
Number of Time Extensions	53	0	0
Total $ Amount of Time Extensions	$27,222,000	$0	$0
Lapses $	$14,247,000	$0	$0

4.8 CAPITAL OUTLAY SUPPORT WORKLOAD FORECASTING

During FY 2015-16, the Commission engaged in an effort to help Caltrans develop alternatives to its existing capital outlay support (COS) workload forecasting process.

As background, concerns about Caltrans' budgeting process began several years ago, and as part of its FY 2013-14 budget, the Legislature adopted supplemental report language directing the Legislative Analyst's Office (LAO) and the Department of Finance (DOF) to work with Caltrans to review its COS program. In response, representatives from the LAO, DOF, and Caltrans met on a regular basis to discuss the COS program during the summer and fall of 2013. Although the review group reached general consensus on initial steps to improve efficiency and accountability, the group was unable to reach consensus on solutions to address many of the issues identified in the review. In the spring of 2014, the Administration made recommendations to address the concerns raised by the Legislature and the LAO published a report with alternative recommendations. Since that time, much debate has remained in the Legislature over how to determine the appropriate COS program staffing level.

The Commission believes that neither the Legislature, the Administration, nor the public is well-served by the ongoing dispute over the appropriate level of Caltrans' COS staffing. In its 2015 Annual Report to the Legislature, the Commission recommended that the

Transportation Agency continue efforts to develop a workload forecasting process for Caltrans' COS program by convening the appropriate agencies to determine a methodology acceptable to all parties.

On January 22, 2016, the Transportation Agency Secretary requested that the Commission "lend its help and leadership in resolving this challenging issue due to the fact that the Commission has a well-earned reputation for independence and is often called upon to be a fair arbiter." The Secretary further requested that the Commission form a workgroup with experts from the Commission, Caltrans, DOF, LAO, the Legislature, and the Transportation Agency to review current and projected COS staffing levels at Caltrans and the methodology used to arrive at those levels. In response to the Secretary's request, Commission staff convened a group of experts from various entities to review Caltrans' annual COS workload forecasting methodology.

This workgroup met several times over 2016 to discuss the problem and develop potential solutions. The workgroup agreed that its primary objective would be to consider potential ways to improve the existing budget process and develop alternative processes to increase transparency and accountability and thus increase the Legislature's confidence in Caltrans budgeting and reporting.

Generally, much of the workgroup's discussion centered on the underlying problem that, when comparing the prior year's proposed workload by phase or project to the actual workload accomplished by Caltrans staff, it appears that Caltrans is not doing what it committed to in the workload estimate. The sheer number of variables involved in each individual project prohibits the ability to determine at the end of the year whether the assumptions used to develop the budget estimate were accurate. In its presentation, Caltrans demonstrated that it accurately estimates its needs within a 40 percent range only 38 percent of the time. This demonstrates that the current method of justifying staffing levels does not work for managing Caltrans' resources. Without the ability to compare the resources and workload promised with the resources utilized and workload accomplished, the Legislature cannot use the current methodology to hold Caltrans accountable for the development of accurate budget workload estimates.

From the efforts of the workgroup, the Commission has determined that one alternative to increasing transparency and accountability for Caltrans' COS budget is to assign the responsibility of allocating COS funds by project component to the Commission, with the appropriate level of Commission staff to effectively review Caltrans' estimates for reasonableness prior to programming and allocation. The Commission includes a full discussion of this proposal in the Legislative Recommendations Section earlier in this Annual Report.

4.9 ROAD CHARGE TECHNICAL ADVISORY COMMITTEE

The California Road Charge Technical Advisory Committee was established in 2014 by SB 1077 (DeSaulnier, Chapter 835, Statutes of 2014). SB 1077 created the California Road Charge Pilot Program and tasked the Chair of the Commission, in consultation with the Transportation Agency, to convene a fifteen-member Technical Advisory Committee (Committee) to study road charge alternatives to the gas tax, gather public comment, and make recommendations to the Transportation Agency regarding the design of a road charge pilot program. The Committee may also make recommendations on the criteria to be used to evaluate the pilot program. The Committee membership includes representatives from the telecommunications industry; highway user groups; data security and privacy industries; privacy rights advocacy organizations; the social equity community; regional transportation agencies; national research and policymaking bodies (including members of the Legislature); and other relevant stakeholders.

The Transportation Agency is statutorily charged with implementing a pilot program by January 1, 2017, and reporting its findings on the pilot program to the Committee, the Commission, and the appropriate policy and fiscal committees of the Legislature by June 30, 2018. However, as a part of the FY 2015-16 budget, the Governor and Legislature approved an acceleration of the program. The implementation of the pilot program began on July 1, 2016, and the Transportation Agency intends to issue its report in July 2017.

The Transportation Agency's report is required to address cost, privacy, jurisdictional issues, feasibility, complexity, acceptance, use of revenues, security, compliance, data collection technology, potential for additional driver services, and implementation issues. By law, the Commission must include its recommendations regarding the pilot program in its December 2018 Annual Report to the Legislature. However, in line with Agency's expedited timeline, the Commission intends to accelerate its legislative recommendations.

After meeting monthly in 2015 at locations throughout California to gather public input and develop design recommendations, the Committee adopted its Road Charge Pilot Design Recommendations on December 11, 2015. In summary, the Committee recommended (1) specific privacy and data security protections be provided; (2) drivers be offered a choice of account managers and mileage recording methods; (3) out of state vehicles be included and payment be simulated for driving on California roads; (4) an open system design be tested; (5) interoperability of California's system be tested with that of other states; (6) individuals, households, businesses, and at least one government agency be included; (7) a cross-section of at least 5,000 vehicles reflective of the fleet currently using California's road network be included; and (8) methods to exempt miles driven on private roads or out of state be tested. In addition, the Committee recommended that the pilot be evaluated according to 50 criteria that span the following categories: revenue; cost of administration and collection; operations; user experience; privacy; data security; equity; and communications.

Consistent with the Committee's recommendations, as of August 5, 2016, Caltrans recruited 5,022 participating vehicles for the pilot program. Efforts were made to enroll volunteers reflective of the socio-economic and demographic diversity of California. The table on the next page shows the number of vehicles enrolled in the pilot program as of August 5, 2016 (the top number) as compared with the Committee's target (the bottom number) for several categories.

Road Charge Pilot Program Participant Matrix (as of August 5, 2016)

		North	Central	South	Trucks
Commercial Vehicles (Businesses)		128 100	50 50	65 175	55 50
Private Vehicles (Individuals & Households)					Other
Urban & Suburban	Below Median	367 475	106 175	336 1050	161 125
	Above Median	1243 475	243 175	1182 1050	
Rural & Agricultural	Below Median	52 200	40 200	15 150	
	Above Median	168 200	162 200	26 150	

During the enrollment process, participants selected a mileage reporting technology, an account manager, and entered basic information about their vehicle (Vehicle Identification Number, license plate number, and current odometer reading).

The Committee continues to meet quarterly to monitor the pilot program and to discuss policy issues related to road charging.

4.10 HIGHWAY SAFETY, TRAFFIC REDUCTION, AIR QUALITY, AND PORT SECURITY BOND ACT OF 2006 (PROPOSITION 1B)

Proposition 1B, approved by voters in November 2006, authorized the issuance of $19.925 billion in state general obligation bonds for specific transportation programs intended to relieve congestion, facilitate goods movement, improve air quality, and enhance the safety of the state's transportation system. These transportation programs include the Corridor Mobility Improvement Account; State Route 99 Corridor Account; Trade Corridors Improvement Fund; State-Local Partnership Program; Local Bridge Seismic Retrofit Account; Highway-Railroad Crossing Safety Account; Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA); Traffic Light Synchronization Program; and augmentations to the existing STIP and the SHOPP (collectively Proposition 1B Programs). Consistent with the requirements of Proposition 1B, with the exception of PTMISEA, the Commission programs and allocates bond funds in each of the above-mentioned programs.

As of June 2016, the Commission allocated $11.6 billion of the $12.025 billion in Proposition 1B funds programmed under its purview. The economic downturn that began in 2008 resulted in lower construction bids, significantly benefiting the Proposition 1B program. Caltrans received an average 5.2 bids per advertised contract, slightly lower than the prior fiscal year. The average low bid was 8% below the Engineer's estimate for FY 2015-16 versus 7.8% below the Engineer's estimate for FY 2014-15. Through FY 2015-16, the Commission reinvested approximately $2.05 billion in resulting bid savings to enable the delivery of additional transportation improvements throughout the state.

On August 27, 2015, the Commission approved, and on September 4, 2016, released a report entitled "Promises Made, Promises Kept" which highlighted the management and outcomes of the Proposition 1B program. The report provided an overview of the projects delivered through the programs administered by the Commission and highlighted the efficient management and effective partnerships built between regional transportation planning agencies, Caltrans, and the Commission to leverage additional dollars and deliver even more projects than originally promised. The Commission believes that the successful management of Proposition 1B funds provides a strong track record of past success that demonstrates a clear path forward for future investment.

With almost all Proposition 1B funds allocated and most of the allocated bond projects under construction, the Commission continues to monitor the progress of the projects through the close-out phase of the program. As projects are completed, the Commission is working with Caltrans and project sponsors to determine the degree to which benefits identified at the time of programming have been achieved. Although, for many of the projects, the benefits will not be immediately identifiable, the Commission will continue to monitor and require that project sponsors report the benefits achieved over time. In addition, the Commission continues to consult with Caltrans, ensuring that Caltrans' annual audit plan encompasses audits of completed bond funded projects. Status reports for Proposition 1B programs and projects can be found at http://www.bondaccountability.dot.ca.gov/bondacc/.

Corridor Mobility Improvement Account

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 local access routes to the state highway system, that relieve congestion by expanding capacity, enhancing operations, or otherwise improving travel times within high-congestion travel corridors.

When the CMIA program was adopted in February 2007, the Commission programmed 54 projects for $4.5 billion, leveraging another $4.6 billion in federal, state and local funds. The Commission and its partners were successful in allocating the CMIA program funds within the statutory deadline of December 31, 2012. Capitalizing on cost savings realized at construction contract award, the Commission grew the CMIA program from 54 corridor projects valued at $9.1 billion to 90 projects valued at $12.3 billion. Due to complexity, timing and construction phasing, some corridor projects were constructed in stages, resulting in 129 individual construction contracts.

Consistent with the Proposition 1B savings policy approved in January 2014, the Commission in June 2015 transferred approximately $72 million in CMIA project close-out and administrative savings to replace an equal amount of STIP funds on six projects that were eligible to receive CMIA program funds. The State Highway Account capacity gained was then transferred to fund additional SHOPP projects. No CMIA savings accrued and no transfers were made in FY 2015-16. As CMIA projects are completed and final close-out reports are received, Caltrans will continue to apply CMIA fund savings to eligible STIP projects and transfer the STIP savings to increase SHOPP State Highway Account Capacity.

As of June 30, 2016, 95 construction contracts were completed and 64 of these submitted Final Delivery Reports to the Commission. The status of individual projects in the CMIA program is reported to the Commission on a quarterly basis.

State Route 99 Corridor Account

Proposition 1B authorized $1 billion in general obligation bond proceeds to be deposited in the State Route (SR) 99 Account. Funds in the SR 99 Account may be used for safety, operational enhancements, rehabilitation, or capacity improvements to improve the SR 99 corridor, traversing approximately 400 miles of the state's central valley. There are 23 corridor projects in the program (some corridor projects were constructed in stages, resulting in 27 construction contracts). These projects are valued at more than $1.3 billion accounting for the addition of other funds.

A programmatic review of the funded projects within the San Joaquin Valley portion of the corridor was completed in FY 2015-16. The review analyzed all projects costs and expenditures for the projects. The analysis found that the majority of the projects continue to realize construction capital savings and instances of increases were generally due to unanticipated costs associated with right of way, addressing potential claims and increased oversight. As a result of the review, adjustments to 12 projects were completed in June 2016 and an additional $11 million in savings was identified.

As of June 30, 2016, the uncommitted balance for the program was $24 million and the Commission allocated $967 million in SR 99 account funds. Of the 27 construction contracts, 17 projects have completed construction and 10 of these submitted Final Delivery Reports to the Commission.

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 to 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 diesel particulate and other pollutant emissions.

Recognizing the critical freight needs in California, the Commission proposed a strategy to increase TCIF funding by moving $500 million from the State Highway Account (via the SHOPP Program) to fund State-level priorities that are critical to goods movement. This strategy was subsequently codified in AB 268 (Committee on Budget, Chapter 756, Statutes of 2008).

There are currently 93 projects in the TCIF program which, with matching funds totaling $5.2 million, are valued at over $7 billion. Of the 93 projects, 39 projects are complete and 16 of these submitted a Final Delivery Report, 52 projects are under construction and 2 projects remain unallocated.

During FY 2015-16, one project programmed with $12.6 million in TCIF was deleted due to the project being delayed indefinitely, and seven projects programmed at $66.8 million were added to the TCIF program. The Commission allocated $54.9 million to nine projects and disencumbered another $41.8 million from projects delivered with savings. The disencumbered funds reverted back to the TCIF program. As of June 30, 2016, the program had an uncommitted balance of $30.4 million from savings and the Commission allocated $2.4 billion ($1.91 billion in TCIF Bonds and $0.490 billion in TCIF SHOPP funds).

Traffic Light Synchronization Program

Proposition 1B authorized $250 million for the Traffic Light Synchronization Program (TLSP). The TLSP is subject to the provisions of the Government Code and is a program for traffic light synchronization or other technology-based improvements to safely operate and effectively manage capacity of local streets and roads.

Government Code Section 8879.64(b), added by SB 88 (Chapter 181, Statutes of 2007), 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. SB 88 also designated the Commission as the administrative agency responsible for adopting guidelines and programming funds for the TLSP program.

On May 28, 2008, the Commission programmed 22 traffic light synchronization projects totaling $147 million for the City of Los Angeles and $96.8 million for 59 traffic light synchronization projects for agencies other than the City of Los Angeles.

As of June 2016, the Commission allocated $237 million in bond funds to TLSP projects. Of the 81 projects included in the TLSP Program, 74 projects are complete and 51 of these submitted a Final Delivery Report, five are under construction and two remain unallocated.

Highway-Railroad Crossing Safety Account

Proposition 1B authorized $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 programmed and allocated by the Commission.

The HRCSA program is subject to the provisions of the Government Code and includes two parts as follows:

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

The HRCSA program concluded its fourth two-year cycle in June 2016. A total of $2.7 million in program savings was available for programming in the 2016 HRCSA Program (fifth cycle). Applications were due on July 1, 2016. On September 16, 2016, Commission staff released its recommendations and the 2016 HRCSA Program was adopted by the Commission at its October 2016 meeting.

There are currently 37 projects programmed in the HRCSA Program valued at $1.1 billion. Of the 37 projects included in the program, 15 are under construction and 22 have completed construction and submitted Final Delivery Reports to the Commission.

During FY 2015-16 the Commission allocated $18.3 million in HRCSA funds to projects that were ready to commence construction. As of June 30, 2016, the Commission allocated $242 million to projects included in the HRCSA Program.

Public Transportation Modernization, Improvement, and Service Enhancement Account

Proposition 1B authorized $4 billion for the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). Funds in the account are available, upon appropriation by the Legislature, to Caltrans intercity rail projects; commuter or urban rail operators; bus operators; waterborne transit operators; and other transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus and rapid transit improvements, and rolling stock procurement, rehabilitation, and/or replacement.

Of the $4 billion authorized for the PTMISEA, $3.6 billion is available for allocation by the State Controller in accordance with the following Public Utilities Code (PUC) distributions:

- 50 percent allocated by formula to local transit operators as specified in PUC Section 99314
- 50 percent allocated by formula to regional entities as specified in PUC Section 99313

The remaining $400 million is available for programming and allocation by the Commission to Caltrans for intercity rail capital improvements.

AB 268 (Chapter 756, Statutes of 2008) requires Caltrans to report to the Commission annually on the administration and status of the PTMISEA program. As of June 30, 2016, there are 17 programmed projects valued at $392 million. Of the 17 projects included in the program, the Commission allocated $338.4 million to 15 projects, of which 8 projects have been completed. During FY 2015-16 the Commission approved two PTMISEA allocations for $31.4 million.

Local Bridge Seismic Retrofit Account

Proposition 1B authorized $125 million for the Local Bridge Seismic Retrofit Account (LBSRA). The LBSRA funds are available to the Commission, upon appropriation by the Legislature, to provide the 11.5% required match for Federal Highway Bridge Program funds available to the state for seismic retrofit work on local bridges, ramps and overpasses, as identified by Caltrans.

In April 2007, Caltrans identified 479 remaining local bridges as needing seismic retrofit under the Local Bridge Seismic Retrofit Program funded with Federal Highway Bridge funds. The list is updated as projects progress through the delivery process. The current number of eligible bridges in the program totals 378 as of June 2016.

The Commission allocates LBSRA funds to Caltrans for sub-allocation to local agencies. During FY 2015-16, the Commission allocated $10.2 million, and Caltrans sub-allocated $8.1 million in LBSRA funds to Local Agencies for seven eligible projects. As of June 2016, the Commission allocated $67.7 million in LBSRA funds to Caltrans, with $46.4 million of these funds sub-allocated by Caltrans to Local Agencies. Of the 378 eligible projects, 293 have been completed and 62 have submitted a Final Delivery Report.

Progress of LBSRA projects is tracked by Caltrans on the FFY basis since 88.5% of funds used to retrofit local bridges are Federal Highway Bridge Program funds. Commission allocated funds not sub-allocated by Caltrans by the end of the FFY revert back to the LBSRA.

State-Local Partnership Program Account

Proposition 1B authorized $1 billion to be deposited in the State-Local Partnership Program (SLPP) Account to be available, upon appropriation by the Legislature, for allocation by the Commission over a five-year period to eligible transportation projects nominated by an applicant transportation agency.

Through the end of the five-year SLPP period that ended June 30, 2013, the Commission allocated $981 million of SLPP funds to 279 projects, with $19 million set aside for administration. The Commission's role is now directed to project delivery and accountability. No further allocations can be made from the SLPP Account.

As of June 30, 2016, 210 projects have completed construction and 170 of these submitted Final Delivery Reports.

State Transportation Improvement Program Augmentation

Proposition 1B authorized $2 billion in bond proceeds to augment the STIP. Through this augmentation, the Commission convened a special STIP development cycle for the 2006 STIP in advance of the development of the 2008 STIP. The Commission's primary intent for augmenting the 2006 STIP was to advance the programming of funds for STIP projects so that projects were delivered prior to the adoption of the 2008 STIP, freeing up capacity to program additional projects. Thus, the Commission was able to provide an early opportunity for the regions to program new STIP projects with the added capacity created by the bond funds. Projects are tracked as part of the normal STIP process. The Commission allocated approximately $1.96 billion to 87 STIP projects as part of the 2006 STIP Augmentation.

State Highway Operation and Protection Program

Proposition 1B set aside $500 million to augment the SHOPP. Projects funded with SHOPP funds serve to rehabilitate and improve the operation of state highways and local roads. Projects are tracked as part of the normal SHOPP process. As of June 30, 2016, the Commission allocated $401 million to 34 SHOPP projects. The balance of the available funds, which includes savings from the original 34 SHOPP projects, is included in the programming of two projects in the Commission-adopted 2016 SHOPP.

4.11 IMPLEMENTATION OF THE SAFE, RELIABLE HIGH-SPEED PASSENGER TRAIN BOND ACT OF THE 21ST CENTURY (PROPOSITION 1A)

In November 2008, the voters passed The Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Proposition 1A), a rail bond amounting to $9.95 billion. Proposition 1A set aside $9 billion to initiate construction of a high-speed train system under administration by the California High-Speed Rail Authority (HSRA). The Commission is responsible for programming and allocating the remaining $950 million to eligible recipients for capital improvements to intercity and commuter rail lines and urban rail systems. Eligible recipients can use the funding for capital improvements that:

- Provide or improve connectivity to the high-speed train system and its facilities;
- Are part of the construction of the high-speed train system;
- Provide capacity enhancements and safety improvements; and/or
- Provide for the rehabilitation or modernization of, or safety improvements to, tracks utilized for passenger rail service, signals, structures, facilities, and rolling stock.

Under Proposition 1A, the Commission was responsible for developing guidelines in consultation with the HSRA to implement the program. In 2009, the Commission deemed it prudent to delay developing the guidelines and adopting a program of projects until the American Recovery and Reinvestment Act grant process was complete and the projects receiving federal grants were known. In addition to consulting with the HSRA, the Commission sought input from the eligible commuter and urban rail agencies and Caltrans.

The Commission developed guidelines for programming requests by eligible commuter and urban operators and Caltrans. The Commission included in the guidelines its expectations for eligible projects, program amendments and allocation requests. State administrative costs were limited to two percent by the Commission. The Commission deducted the two percent from the $950 million, prior to establishing the amounts available for programming.

The Commission adopted its Proposition 1A High-Speed Passenger Train Bond guidelines at its February 2010 meeting. On May 19, 2010, the Commission adopted a three-year program (FY 2010-11 through FY 2012-13), totaling approximately $500 million, based on priorities identified by eligible agencies.

In April 2012, the HSRA released its Revised Business Plan that incorporated a blended approach to high-speed rail. The Commission, in consultation with the Administration and the HSRA, requested that local agencies and Caltrans re-apply for Proposition 1A funds for projects consistent with the Revised Business Plan. The revised program of projects totaling $931 million was presented to the HSRA for their review and input, and then was subsequently adopted by the Commission at its June 2012 meeting.

Total allocations for Proposition 1A projects through June 2016 amounted to $819.998 million, with $14.347 million allocated in FY 2015-16 ($15.499 million allocation less $1.152 million de-allocation due to project completion with cost savings).

4.12 STATE-SUPPORTED INTERCITY PASSENGER RAIL SERVICE

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

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

Caltrans is responsible for developing annual state budget requests for all three services.

In September 2012, two pieces of legislation were signed by the Governor addressing Intercity Rail Agreements, SB 1225 (Padilla, Chapter 802, Statutes of 2012) and AB 1779 (Galgiani, Chapter 801, Statutes of 2012). The legislation enables the transfer of administrative, marketing, and operation responsibility of the LOSSAN Agency Corridor and the San Joaquin Corridor intercity passenger rail service from Caltrans to two specific joint powers authorities (JPA). The composition of each joint power's authority is set forth in legislation. The National Passenger Rail Corporation (Amtrak) currently operates the services under contract with each of the newly formed JPAs for its respective corridor.

On July 1, 2015, Caltrans transferred the administration, marketing, and operation duties for intercity passenger rail service to the LOSSAN Rail Corridor Agency for the Pacific Surfliner Route and to the San Joaquin Joint Powers Authority for the San Joaquin Corridor.

The Transportation Agency remains responsible for the overall planning, coordination, and budgeting of the intercity passenger rail service, and the state continues funding service operations, administration and marketing. Additionally, Caltrans remains responsible for coordination and integration between the three state-supported intercity passenger rail services.

Annual operating subsidies for the intercity rail services have gradually increased. At the time of the 2014 Fund Estimate, total annual subsidies were expected to be $104.7 million by FY 2018-19. However, the 2016 Fund Estimate shows that these subsidies are expected to total approximately $123 million in FY 2016-17 and increase by about $4 million per year – up to approximately $138.57 million in FY 2020-21.

Intercity rail corridors in the state are some of the most heavily traveled intercity rail routes in the country. The Pacific Surfliner Route is the second most heavily traveled intercity rail corridor in the country, surpassed only by the Washington-Boston Northeast Corridor. The Capitol Corridor and the San Joaquin Routes rank the third and fifth most heavily traveled corridors in the nation, respectively. Three of the five state-supported corridors had ridership that topped one million or more in FFY 2015. The 2.8 million riders on the Pacific Surfliner service was nearly 82% more than the ridership on the second ranked service, the Empire Service (New York-Albany-Niagara Falls-Toronto) with nearly 1.6 million riders. The Capitol Corridor service had nearly 1.5 million riders, and the San Joaquin service had nearly 1.2 million riders. Additionally, three of the top ten busiest Amtrak stations are in California (Los Angeles, Sacramento, and San Diego).

Similar to other transportation modes, the intercity capital rail program has suffered from unreliable infrastructure funding that now threatens its ability to meet increased passenger demands. While intercity rail operation funding and costs can be considered relatively stable, the same cannot be said for infrastructure funding. The uncertainty of reliable funding makes it difficult for Caltrans and JPAs to develop long-range service plans that are dependent upon new equipment and capital projects.

Overall, intercity ridership increased 2.5 percent (about 137,274 riders) in FY 2015-16 over ridership in FY 2014-15. Revenues in the overall state system increased from $146.35 million to $148.37 million in the same time period, an increase of 1.4 percent, while expenditures decreased 3.2%. The on-time performance, a measure of the train's reliability in maintaining its schedule, increased from 83.8 percent in FY 2014-15 to 86.2 percent in FY 2015-16.

In FY 2015-16, intercity rail projects received STIP allocations totaling $1 million for capitalized maintenance on the Capitol Corridor.

4.13 TRANSIT AND INTERCITY RAIL CAPITAL PROGRAM

The Transit and Intercity Rail Capital Program (TIRCP) provides grants from the proceeds of the State's cap and trade auctions. The program funds capital improvements and operational investments to modernize California's transit systems and intercity, commuter and urban rail systems for purposes of reducing emissions of greenhouse gases from vehicle miles traveled. The TIRCP was created by Senate Bill 862 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2014).

On June 30, 2015, the Transportation Agency announced the first program awards of $224 million in 2015 TIRCP funds. The 2015 program grants were presented to the Commission at its August 27, 2015 meeting. Fourteen grants were awarded to projects leveraging an additional $494 million to reduce an estimated 860,000 metric tons of greenhouse gas emissions. The initial 2015 program of projects is shown below:

Applicant	Project	TIRCP Funds ($ thousands)	Total Cost ($ thousands)
Antelope Valley Transit Authority	Regional Transit Interconnectivity & Environmental Sustainability Project	$24,403	$39,294
Capitol Corridor Joint Powers Authority	Travel Time Reduction Project	$4,620	$5,421
Los Angeles MTA	Willowbrook/Rosa Parks Station & Blue Line Light Rail Operational Improvements Project	$38,494	$146,660
LOSSAN Rail Corridor Agency	Pacific Surfliner Transit Transfer Program	$1,675	$1,875
Monterey-Salinas Transit	Monterey Bay Operations & Maintenance Facility / Salinas Transit Service Project	$10,000	$20,260
Orange County Transportation Authority	Bravo! Route 560 Rapid Buses	$2,320	$2,900
Sacramento Regional Transit	Sacramento Regional Transit's Refurbishment of 7 Light Rail Vehicles Project	$6,427	$8,034
San Diego Association of Governments	South Bay Bus Rapid Transit Project	$4,000	$112,000
San Diego MTS	San Diego Metropolitan Transit System Trolley Capacity Improvements Project	$31,936	$43,136
San Francisco MTA (MUNI)	Expanding the SFMTA Light Rail Vehicle Fleet Project	$41,181	$203,651
San Joaquin Regional Rail Commission	Altamont Corridor Express Wayside Power	$200	$200
San Joaquin RTD	MLK Corridor and Crosstown Miner Corridor Project	$6,841	$19,119
SCRRA (Metrolink)	Purchase of 9 Fuel-Efficient Tier IV Locomotives Project	$41,181	$58,050
Sonoma-Marin Area Rail Transit District	SMART Rail Car Capacity Project	$11,000	$57,400
Total	$224,278	$718,000	

The Transportation Agency is responsible for selecting projects for funding and the Commission is responsible for the allocation of TIRCP funds. The Commission allocated $193.055 million during FY 2015-16. The remaining unallocated amount, $31.223 million in construction funding for the San Diego Metropolitan Transit System Trolley Capacity Improvements Project, is scheduled for allocation in FY 2016-17.

4.14 LOCAL ASSISTANCE

The Commission is responsible for the allocation of state and Federal transportation funds to local agencies. The two largest federally funded transportation programs designated by formula to local agencies are the Regional Surface Transportation Program and the Congestion Mitigation and Air Quality Program.

RSTP and CMAQ Programs

The Regional Surface Transportation Program (RSTP) was established by California State Statute utilizing Federal Surface Transportation Program Funds identified in Section 133 of Title 23 of the United States Code. In accordance with Federal and state law, approximately 76% of the state's RSTP funds must be obligated to projects that are located within the 24 urbanized areas of California with populations greater than 200,000. The apportionment and distribution for the obligation is calculated based on the relative population of each area to the total. The RSTP provides flexible funding for projects to preserve and improve the conditions and performance on any public road. These roads are collectively referred to as federal-aid highways. RSTP funds may be used for federal-aid highway, bridge, tunnel, public road, pedestrian, bicycle, and transit capital improvement projects. The most recent federal transportation legislation, the Fixing America's Surface Transportation Act (FAST Act), gradually increases the percentage sub-allocated by population from 50 percent in FFY 2015-16 to 55 percent in FFY 2020-21. The FAST Act also increased flexibility and the potential use of federal funds for local roads and rural minor collectors by expanding the types of projects eligible for federal funding.

The Congestion Mitigation and Air Quality (CMAQ) Program funds transportation projects or programs that contribute to attainment or maintenance of the National Ambient Air Quality Standards (NAAQS) for ozone and carbon monoxide. The CMAQ program provides a flexible funding source for transportation projects and programs that help meet the requirements of the Federal Clean Air Act. Federal law also allows CMAQ funding to be expended to address particulate matter in nonattainment and maintenance areas. All projects and programs eligible for CMAQ funds must come from a conforming transportation plan and Transportation Improvement Program (TIP), and be consistent with conformity provisions contained in Section 176(C) of the Federal Clean Air Act and the Transportation Conformity Rule. Funding is available for areas that do not meet the National Ambient Air Quality Standards (nonattainment areas), as well as former non-attainment areas that are now in compliance (maintenance areas). Funds may be used for transportation projects likely to contribute to the attainment or maintenance of a national ambient air quality standard that have a high level of effectiveness in reducing air pollution. Eligible activities include transit improvements, travel demand management strategies, traffic flow improvements, and fleet conversions to cleaner fuels.

Since RSTP and CMAQ funds are designated for distribution based on statutorily mandated funding formulas, the Commission annually allocates funds in excess of $1.5 billion through a lump sum to Caltrans for sub-allocation to local agencies. Funds allocated by the Commission to Caltrans for local assistance purposes are used primarily for local capital projects off the state highway system, mass transit capital improvements, and bridge improvements. Caltrans is responsible for ensuring that project applications are processed and that programs are consistent with federal and state social, economic, and environmental goals. Caltrans also monitors the obligation of federal 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 an apportionment reaching its three year limit for expenditure of funds. A local agency 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. The Commission considers a project delivered once funds are obligated.

Caltrans reported that RSTP funds totaling $202.3 million were sub-allocated to Local Agencies, funding 150 projects during FY 2015-16. Caltrans also reported that CMAQ funds totaling $117.5 million were allocated to Local Agencies during FY 2015-16. Since most federal funds tend to be obligated near the end of the FFY, which is September 30th, there is often a significant variance between the funds “used” during the State’s FY and the total Federal allocation for the FFY. This difference is apparent in the table below.

RSTP and CMAQ – AB 1012

AB 1012 (Torlakson, Chapter 783, Statutes of 1999) was enacted with a goal of improving the delivery of transportation projects. The AB 1012 “use-it-or-lose-it” provision states that regional agency RSTP and CMAQ funds not obligated within the first three years of federal eligibility are subject to reprogramming by the Commission in the fourth year. During FY 2015-16, Caltrans reported that all agencies met the deadline to obligate their FY 2012-13 funds.

Regional agencies have dedicated considerable effort toward improving the delivery of RSTP and CMAQ projects. The FY 2015-16 RSTP and CMAQ appropriations are in their first year of availability and will continue for the next two years. Caltrans released its AB 1012 "use-it-or-lose-it" notices for the FFY 2013-14 apportionments in November 2015. As of June 30, 2016, the AB 1012 balance report reported approximately $4.1 million of CMAQ funds and $26.3 million in RSTP funds that may be subject to reprogramming. As of the end of the FFY (September 30, 2016), local partners delivered enough federal projects to obligate 100% of the available obligation authority for the 17th consecutive year. The following table also shows how the Commission's FY 2015-16 Local Assistance allocations (including RSTP and CMAQ allocations totaling $1.1 billion) were used by regional agencies in the first year of availability (as of June 30, 2016) and provides a comparison with the usage of prior first year availability:

LOCAL ASSISTANCE ALLOCATIONS, FIRST YEAR OF AVAILABILITY (dollars in thousands)

	Fiscal Year 2013-14		Fiscal Year 2014-15		Fiscal Year 2015-16	
Category	Allocation	Use	Allocation	Use	Allocation	Use
RSTP	$556,717	$179,144	$559,108	$149,124	$549,815	$202,280
RSTP Match & Exchange	$57,849	$56,532	$57,849	$56,485	$57,849	$56,690
CMAQ	$467,328	$121,715	$473,108	$62,271	$459,508	$117,450
FTA Transfers	$0	$175,398	$0	$181,998	$0	$225,859
Subtotal, RSTP/CMAQ	$1,081,894	$357,391	$1,090,065	$267,880	$1,067,172	$602,279
Bridge Inspection & Match	$735	$0	$735	$211	$735	126
Bridge Rehabilitation & Replacement	$229,922	$183,164	$244,081	$180,912	$228,343	$227,268
RR Grade Crossing Systemic Safety Analysis Report Program	$0	$0	$0	$0	$10,000	$0
Maintenance	$2,000	$0	$2,000	$0	$3,765	$0
Grade Separations	$15,000	$0	$15,000	$2,959	$15,000	$14,959
Hazard Elimination/Safety	$74,000	$50,742	$73,999	$39,869	$61,997	$66,615
Freeway Service Patrol	$25,479	$17,276	$25,479	$16,216	$25,479	$25,439
High Priority Projects	$252,832	$213,097	$226,999	$69,038	$257,876	$53,521
Miscellaneous	$3,250	$1,778	$3,250	$1,537	$3,250	$286
Total	$1,685,112	$823,448	$1,681,608	$578,622	$1,673,617	$990,411

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

4.15 TRAFFIC CONGESTION RELIEF PROGRAM

The Traffic Congestion Relief Act of 2000 (AB 2928, Chapter 91, Statutes of 2000 and SB 1662, Chapter 656, Statutes of 2000) created the Traffic Congestion Relief Program (TCRP) and the Traffic Congestion Relief Fund (TCRF), committing $4.909 billion to 141 specific projects. The $4.909 billion for the TCRP was initially expected to come from:

- $1.595 billion in FY 2000-01 from a one-time General Fund transfer to the TCRF. The new funding included $1.5 billion in FY 2000-01 budget surplus funds and $95 million from the sales tax on gasoline and diesel fuel; and
- $3.314 billion from the sales tax on gasoline and diesel fuel transferred from the Transportation Investment Fund (TIF) to the TCRF over five years, beginning in FY 2001-02 ($678 million per year for the first four years, and the remaining balance of $602 million in the fifth year).

Faced with a growing General Fund budget deficit shortly after the TCRP was established, sales tax revenues on gasoline and diesel fuels were redirected to help address those deficits. Beginning in FY 2001-02, the following actions were taken reducing the amounts available for the TCRP:

- The Transportation Financing Plan, AB 438 (Chapter 113, Statutes of 2001) authorized a series of loans to the General Fund including a $482 million loan from the TCRF. This loan is now slated to be repaid with tribal gaming revenues.

- AB 438 also postponed scheduled TIF transfers to the TCRF by two years, shifting the revenues from the original FYs 2001-02 through 2005-06, to FYs 2003-04 through 2007-08.
- Proposition 42 (Traffic Congestion Improvement Act of 2002) suspended the transfers of sales taxes on gasoline and diesel fuel from the TIF to the TCRF, with partial suspension in FY 2003-04 ($389 million) and full suspension in FY 2004-05 ($678 million). Only transfers to reimburse prior TCRP allocations were made from the TIF. As a result, transfers totaling $1.1 billion from the TIF to the TCRF were suspended and loaned to the General Fund.
- Proposition 1A (Transportation Funding Protection Act of 2006) required the suspended transfers from the TIF to the TCRF to be repaid no later than June 30, 2016. All loans have been repaid as of September 2015.

As of June 2016, the TCRF is due approximately $482 million in Tribal Gaming loan repayments per AB 438, which are scheduled to begin in FY 2016-17. AB 133 (Chapter 10 and 11, Statutes of 2015) signed by the Governor in March 2016, authorized a $148 million partial repayment from the General Fund. The remaining $334 million owed to the TCRF has no specified repayment schedule.

A TCRP Allocation Plan was adopted by the Commission in September 2008, establishing allocation recommendations for future FYs (beyond FY 2008-09). This allocation plan was developed at the direction of the Commission by working with Caltrans and the regions. The TCRP Allocation Plan consists of two tiers. Tier 1 includes projects with higher priority for funding limited to the annual Proposition 1A loan repayments -- the only reliable funds available for future TCRP allocations. Tier 2 includes all other projects for allocation on a first-come, first-served basis depending on the availability of Tribal Gaming revenues.

In June 2016, the Commission adopted additional guidance utilizing the existing TCRP Allocation Plan to direct the use of the $148 million. Given the limited amount of approved funding, the policy directed the $148 million to only be used for existing programmed projects in Tier 2 to ensure the recommendations in the Allocation Plan are continuing to be met.

The Commission has approved $4.57 billion in applications through June 30, 2016, including full or partial applications for each of the 141 designated projects. Application approval, equivalent to project programming, defines the scope, cost, and schedule of a project or project phase, and generally includes expenditures projected for future years. The Commission allocated a total of $38.986 million for TCRP projects in FY 2015-16. As of June 30, 2016, approximately $4.38 billion was allocated to TCRP projects, of which about $4.114 billion was expended for ongoing TCRP projects.

As in prior years, the Commission continues to recommend that, due to the continuing instability of funding the TCRP and the unlikely improvement in the foreseeable future for funding to become available, this program should either be fully funded in the immediate future or repealed without delay.

4.16 SEISMIC SAFETY RETROFIT PROGRAM

California has more than 12,000 bridges on its state highway system and an additional 11,500 bridges on its local streets and roads network. Following the 1989 Loma Prieta earthquake, emergency legislation AB 36X (Sher, Chapter 17X, Statutes of 1989) and SB 38X (Kopp, Chapter 18X, Statutes of 1989) established the Seismic Safety Retrofit Program (SSRP). The SSRP consists of two components, a state highway system component where Caltrans is the seismic retrofit project delivery agent, and a local streets and roads component where local agencies or state agencies other than Caltrans serve as the seismic retrofit project delivery agent.

State Highway System Component

The state highway system component is subdivided into three seismic retrofit subprograms that in total amount to $12.1 billion. These subprograms are as follows:

Seismic Retrofit Program, Phase 1 – $1.1 billion

The Phase 1 Program, initiated after the 1989 Loma Prieta earthquake, successfully seismically retrofitted 1,039 vulnerable bridges at a cost of $1.1 billion.

Seismic Retrofit Program, Phase 2 – $1.89 billion

The Phase 2 Program, initiated after the 1994 Northridge earthquake, focused on 1,151 bridges identified as needing seismic retrofit. A total of $1.35 billion was dedicated for the Phase 2 bridges from the Seismic Retrofit Bond Act of 1996 (Proposition 192). An additional $485.5 million in SHOPP funds was made available to certain Phase 2 bridges where bridge replacement as opposed to bridge retrofit was the preferred retrofit strategy.

As of June 30, 2016, 1,150 of the bridges are seismically retrofitted. The last bridge, the Schuyler Heim Bridge in Los Angeles, remains under construction. The retrofit strategy is complete replacement by a new bridge. One-half of the new Schuyler Heim Bridge has been completed, and traffic was switched on June 5, 2015 from the old bridge to the newly constructed section, thus achieving seismic safety for the traveling public. When the old bridge is dismantled, the second half of the new bridge will be built in the footprint of the old bridge. In response to contractor submitted claims related to differing site conditions and utility conflicts, at the March 16, 2016 Commission meeting, Caltrans presented a supplemental funds allocation request of $58.5 million based on an updated Risk Management and Exposure Report. The Commission approved the allocation request, thus bringing the total allocated to the Phase 2 bridges through June 30, 2016 to $1.89 billion. The Schuyler Heim Bridge construction completion date is now forecast for June 2019.

Toll Bridge Seismic Retrofit Program - $9.1 billion

The Toll Bridge Seismic Retrofit Program (TBSRP) was initiated after the 1989 Loma Prieta earthquake to address seven toll bridges. Two additional bridges, the Antioch and Dumbarton, were added to the TBSRP by AB 1175 (Torlakson, Chapter 515, Statutes of 2009) bringing the total number of bridges in the program to nine. With the opening of the new east span of the San Francisco-Oakland Bay Bridge (SFOBB) on September 2, 2013, all nine bridges in the toll bridge seismic retrofit program are now retrofitted and open to traffic.

The failure of high-strength rods on the new self-anchored suspension (SAS) span of the SFOBB continues to be an issue. The high-strength rods at the base of Tower T-1 were improperly grouted and are susceptible to water intrusion. Based on extensive investigations of the tower rods by an independent bolt review team, peer review panel seismic experts, and Federal Highway Administration (FHWA) steel fastener/marine foundation experts, the Toll Bridge Program

Oversight Committee (TBPOC) on May 12, 2016, authorized the re-grouting of the tower anchor rods. The TBPOC further approved a cathodic potential study to guide future decisions on providing additional cathodic protection to the bridge foundation. While the SAS is complete, removal of the old bridge and certain elements of the new bridge are still being addressed.

Caltrans is proceeding on a number of contracts to remove the old east span of the SFOBB. In November 2015, Caltrans successfully removed the old Pier E-3 footing by implosion with minimal environmental impact. The implosion process has the least amount of impact on the environment and is less costly than the standard mechanical method that was originally scoped. Caltrans is now in the process of seeking environmental approvals for removal of the remaining marine foundation piers by the implosion process. Removal of the old superstructure is on-going; four of the five 504’ trusses have been lowered onto barges and removed. Once the fifth 504’ truss is removed, the contractor will start the removal of the 288’ trusses.

Local Streets and Roads Component

Subsequent to the 1989 Loma Prieta earthquake, 1,242 publicly-owned bridges on the local streets and roads network were identified as needing seismic evaluation. With the passage of Proposition 1B (Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006), a $125 million Local Bridge Seismic Retrofit Account (LBSRA) was established. Funds from the LBSRA provide the 11.5 percent local match for the Federal Highway Bridge Program funds used to retrofit the local bridges. Details on the remaining local streets and roads seismic program bridges are addressed in the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) chapter of this Annual Report under the Local Bridge Seismic Retrofit Account section.


4.17 INNOVATIVE PROJECT DELIVERY AND FINANCING

TOLL FACILITIES

AB 1467 (Núñez, Chapter 32, Statutes of 2006) authorized regional transportation agencies, in cooperation with Caltrans, to apply to the Commission to develop and operate High Occupancy Toll (HOT) lanes, until January 1, 2012. Under AB 1467, the Commission found three HOT lanes projects to be eligible:

- The Riverside County Interstate 15 Express Lanes Project, submitted by the Riverside County Transportation Commission (RCTC);
- The Los Angeles Region ExpressLanes Project, submitted by the Los Angeles County Metropolitan Transportation Authority (LA Metro); and
- The Metropolitan Transportation Commission (MTC) Regional Express Lane Network.

Following the successful implementation of the AB 1467 authority, the Legislature passed and the Governor signed into law AB 194 (Frazier, Chapter 687, Statutes of 2015), delegating to the Commission the legislative responsibility to approve the tolling of an unlimited number of transportation facilities in California. Specifically, AB 194 authorizes regional transportation agencies, in cooperation with Caltrans, or Caltrans to apply to the Commission to develop and operate high-occupancy toll lanes or other toll facilities, including the administration and operation of a value pricing program and exclusive or preferential lane facilities for public transit or freight.

With this new authority, the Legislature has created the opportunity for regional transportation agencies and the state to consider in their long-term plans alternative means to finance critical transportation infrastructure improvements, including the addition of toll lanes, without having to consider the potential political challenge of securing the necessary statutory authority to toll new facilities. This significant policy shift should have profound impacts on the regions and the state as they struggle to find the necessary revenues to address their transportation challenges.

In 2016, under the newly developed AB 194 guidelines, the Commission received one application for the development and operation of a toll facility from the Orange County Transportation Authority (OCTA). The OCTA application, received in April, requested the Commission's approval to develop and operate a high-occupancy toll facility on Interstate (I) 405 between State Route 73 and I-605 in Orange County. According to OCTA's application, the proposed project will improve the corridor's performance by increasing passenger throughput and reducing delays. In addition, the proposed project capital cost estimate is $1.9 billion, and will be funded with local sales tax M2 funding, state and federal funding, and the proceeds of non-recourse toll revenue-backed obligations using a direct Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and/or toll revenue bonds. Finding that it met the eligibility criteria required by AB 194, and, after considering testimony at a public hearing held near the proposed facility, the Commission approved the application at its May 2016 meeting.

PUBLIC-PRIVATE PARTNERSHIP

Section 143 of the Streets and Highways Code, as amended by SB 4X2 (Cogdill, Chapter 2, Statutes of 2009), authorizes Caltrans and regional transportation agencies to enter into an unlimited number of comprehensive development lease agreements with public or private entities to develop transportation projects, commonly known as public-private partnership projects. This authority is set to sunset on January 1, 2017.

State law predominantly relies on a design-bid-build (DBB) project delivery method to design and build infrastructure projects. Often referred to as a "traditional" delivery method, the majority of Caltrans' projects are delivered using DBB, where the public sector retains the majority of the risk for design, permitting, and right of way. Project delivery methods that transfer certain responsibilities for project delivery from the public sector to the private sector include design-build (DB), construction manager/general contractor (CM/GC), and

Public-Private Partnership (P3). Existing law permits Caltrans to use these innovative project delivery methods on a limited basis to deliver construction projects.

SB 4 contemplates a variety of different delivery mechanisms for P3 projects. A few of those include:

- Predevelopment Agreements (PDA) leading to other implementing agreements
- Design-Build-Finance (DBF) Agreement
- Design-Build-Maintain (DBM) Agreement
- Design-Build-Finance-Operate (DBFO) Agreement
- Design-Build-Operate-Maintain (DBOM) Agreement
- Design-Build-Finance-Operate-Maintain (DBFOM) Agreement

While the existing P3 legislation authorizes, and implementations of P3s across the country utilize these various P3 types, the type of P3 often discussed and most recently used in California is a developer-led (Developer) consortium using a DBFOM P3 model. Under a DBFOM model, a special purpose vehicle enters into a contract separately with the lead designer, contractor, and operations and maintenance provider for the design, construction, finance, operation, and maintenance of an infrastructure facility. The public entity has privity of contract only with the Developer.

The P3 project delivery method can allow the state to transfer to the private sector a significant amount of project risks typically borne by the public sector. Once the risk is assigned to the Developer, any cost overruns or delays associated with such risk are borne by the Developer. The allocation of risk requires a determination of the appropriate risk to transfer to the entity best able to manage such risk. In some cases, a risk (for example permitting), may be too difficult to manage by either the public or private sector and may be appropriately shared. While analysis of the risk profile of a P3 will differ project to project, the table below illustrates how common risk allocation for P3 projects, DB, and traditional DBBs are assessed.

Table 1. Common Risk Allocation Under Traditional and P3 Procurement

Risk	Design-Bid-Build (DBB)	Design-Build (DB)	Public-Private Partnership (DBFOM)
Change in Scope	Public	Public	Public
NEPA Approvals	Public	Public	Public
Permits	Public	Shared	Private
Right of Way	Public	Public	Shared
Utilities	Public	Shared	Shared
Design	Public	Private	Private
Ground Conditions	Public	Public	Private
Hazmat	Public	Public	Shared
Construction	Private	Private	Private
QA / QC	Public	Shared	Private
Security	Public	Public	Shared
Final Acceptance	Public	Private	Private
O&M	Public	Public	Private
Financing	Public	Public	Private
Force Majeure	Public	Shared	Shared

Source: Virginia DOT's PPTA Risk Analysis Guidance, September 2011

P3 projects allow public agencies access to private equity capital to finance large capital infrastructure projects. Project financing is a specific type of financing used in P3s and allows a future revenue stream, generated by users of a project in the form of toll revenue or availability payments committed by a public agency, as the primary means for the repayment of the upfront financing secured by the Developer. It should be noted that toll revenue risk can be wholly borne by the Developer or shared with the public sector. While earlier concession agreements were executed for 99 year lease terms, more recent terms for P3 projects range from 25 years to 50 years.

Pursuant to Section 143, the Commission is tasked with the approval role for P3 projects proposed by Caltrans or a regional transportation planning agency for transportation infrastructure projects. Upon receipt of a proposal(s) the Commission shall select and approve the project(s) before Caltrans or a regional transportation planning agency can begin a public procurement process leading to a final comprehensive lease development agreement.

Since the Commission's adoption of its Public Private Partnership Policy Guidance in October 2009, only one P3 project proposal has been received by the Commission for approval. At its May 2010 meeting, the Commission approved the joint request by Caltrans and the San Francisco County Transportation Authority for Caltrans to enter into an agreement with a Developer to develop Phase 2 of the Doyle Drive Replacement Project, otherwise known as the Presidio Parkway P3 Project, for $1.4 billion. The Presidio Parkway project reached commercial close in January 2011 and financial close in June 2012.

On June 11, 2013, the Commission approved a revised funding plan totaling $1.08 billion, including a risk reserve of $36.84 million. The funding plan was revised in response to a number of factors including a lower interest TIFIA loan, favorable market conditions, and project debt competition. The project reached substantial completion in September 2015. However, through innovative scheduling and staging, the Developer successfully opened the project to traffic nearly 3 months earlier than contractually required. Remaining activities on the project include punch list items, local road construction, and landscaping. Upon reaching substantial completion, the Developer began receiving the scheduled availability payments.

While the project has reached these milestones, it has not been without controversy. In July 2015, the Developer commenced litigation for declaratory relief in the San Francisco Superior Court. The parties reached a proposed settlement in June 2016 related to the resolution of outstanding potential disputes, contractual obligations, additional scope of work, and landscaping work. The proposed settlement and request for funding related to additional scope of work related to Phase I of the project was brought before the Commission in June and August 2016, respectively. The outstanding potential disputes were identified as relief events for which Caltrans retained liability, interpretative engineering determinations, administrative claims, and issues related to third parties specifically including the landowner, the Presidio Trust. As a result of the parties' mutual agreement to settle, the litigation will be dismissed with prejudice which prohibits the Developer from filing a subsequent lawsuit relating to the same issues.

Analysis of the best management practices are being contemplated by Caltrans, the Legislative Analyst's Office, and the Commission. The Commission believes that these efforts should be consolidated to assist the Legislature in establishing the parameters that must be in place for successful P3 projects moving forward.

DESIGN-BUILD

In 2009, the Design-Build Demonstration Program was established by SB 4 X2 (Cogdill, Chapter 2, Statutes of 2009) allowing Caltrans and local transportation entities to use the design-build project delivery method to deliver projects on a limited basis. Caltrans, subject to the approval of the Commission, was authorized to use this new tool for up to ten projects on the state highway system and local transportation entities were allowed up to five design-build projects on the local streets and roads network or local public transit system within the local entity's jurisdiction. A locally administered project on the state highway system was subsequently authorized under AB 2098 (Miller, Chapter 250, Statutes of 2010) for the Riverside County Transportation Commission to utilize a design-build procurement process for the State Route 91 Corridor Improvements Project.

The Commission authorized all 10 design-build projects for Caltrans and the locally administered State Route 91 Improvements Project. No projects on local roads for regional agencies were brought forth to the Commission for approval. The basis of the Commission's recommendation that the Legislature authorize Caltrans general design-build authority is due in large part to the successful implementation and delivery of all Caltrans projects under the initial demonstration program.

To date, as intended, design-build has achieved both time and cost savings. On average, Caltrans achieved an average cost savings of 14 percent or $164 million, through innovative methods proposed during the procurement of the design-build projects. Projects in the second half of the program were awarded up to 27 months earlier than using the traditional design-bid-build process. Lastly, project completion was up to 30 months earlier using design-build.

The original Design-Build Demonstration Program has sunset and was replaced by AB 401 (Daly, Chapter 586, Statutes of 2013).

Project Description	Design-Builder	Cost at Award ($1,000)	Status
San Mateo 101 – Install Ramp Metering System 04-2A7904	Republic ITS, Inc.	$10,552	Complete
Madera 99 – Rehabilitation Roadway 06-0E0404	Granite Construction, Inc.	$22,582	Complete
Fresno 180 – Construct Braided Ramps 06-0C1104	R&L Brosamer, Inc.	$40,677	Complete
LA 10/110 – HOV to HOT Lanes 07-274404	Atkinson Contractors, LP	$72,364	Complete
LA 10/605 – Construction Connector 07-245404	MCM Construction, Inc.	$46,190	Substantially Complete
San Diego 805 – HOV/BRT (North) 11-2T2004	Skanska	$71,885	Substantially Complete
LA-710 – Replace Gerald Desmond Bridge 07-228304	Shimmick Construction Company Inc., FCC Construction S.A. and Impregilo S.p.A. a Joint Venture (SFI)	$649,150	Awarded and in construction
San Bernardino 15/215 – Devore Interchange Improvements 08-0K7104	Atkinson Contractors, LP	$208,150	Substantially Complete
San Bernardino 15 – Cajon Pass Rehabilitation 08-0Q7404	Coffman/Parsons Joint Venture	$113,845	Awarded and in construction
Sacramento/Yolo 50/5 – Bridge Deck Rehabilitation 03-2F21U4	Myers and Sons/RL Wadsworth Joint Venture	$17,782	Complete
Corridor Improvements Project (CIP) 91	Atkinson/Walsh, a Joint Venture	$632,572	Substantially Complete

CONSTRUCTION MANAGER/GENERAL CONTRACTOR

AB 2498 (Gordon, Chapter 752, Statutes of 2012) authorized Caltrans to use the CM/GC project delivery tool for six projects as a pilot program. With CM/GC, Caltrans remains the engineer of record and engages a contractor as a construction manager during Caltrans' design process to leverage the construction manager's construction expertise more completely and specifically in constructability reviews. CM/GC is a two-step process which includes Caltrans entering into a pre-construction services agreement with a construction manager. At a mutually agreed point, Caltrans and the construction manager negotiate the price to construct the project. Once agreement has been reached, the two enter into a construction agreement and the construction manager becomes the general contractor for the project.

It should be noted that CM/GC is primarily a cost savings tool and allows Caltrans, with the engagement of a construction expert early in the design process, to iron out any issues with constructability while the design is completed. CM/GC is intended to limit or eliminate any contract change orders related to the design of the project. The success of CM/GC will be measured by whether Caltrans will achieve savings with respect to time, costs, or both. While it is too early to predict the success of CM/GC, Caltrans was successful in timely developing the programmatic documents, engaging the industry in the review of the programmatic materials and approaches, and issuing a call for projects. To date, all six slots have been awarded and the current status of each CM/GC project is outlined below:

Project	Description	Status
04-013531 PM 0.5 SF/Ala 80 SFOBB Foundation Removal	Remove existing marine foundation	One construction package completed. The second and final construction package awarded and under construction.
06-2HT10 PM 23.5/26.6 Fre 99 Realignment	Realign Route 99 to accommodate High Speed Rail	One construction package completed. The second and final construction package awarded and under construction.
08-0J070 PM 0.6/2.0 SBd 215 Reconstruct Interchange	Reconstruct Barton Road Interchange	Preconstruction Phase
08-34770 Kern 143.5/143.0 SBD 0.0/12.9 SBd 58 Upgrade	Convert 2-lane conventional highway to 4-lane expressway	Preconstruction Phase
10-0P920 PM 42.0/42.7 MPA 140 Ferguson Slide Restoration	Construct 2-lane highway on new alignment	Preconstruction Phase. One construction package awarded and under construction.
11-2T170, 11-2T171, 11-2T172 I-5 North Coast Corridor (27 miles)	Improve I-5, Rail, and Transit in the North Coast Corridor	Preconstruction Phase

The Commission incorporated provisions specific to CM/GC in its STIP guidelines to address the unique aspects to delivering projects through a CM/GC process.

CALIFORNIA TRANSPORTATION FINANCING AUTHORITY

AB 798 (Nava, Chapter 474, Statutes of 2009), created the California Transportation Financing Authority (CTFA). AB 798 provides that a project sponsor, as defined in Government Code Section 64102(g), may apply to the CTFA for bond financing or refinancing of a transportation project that has been approved for construction by Caltrans and the Commission. The CTFA and the Commission are required to develop an approval process that results in project approval by the Commission and financing approval by the CTFA in a cooperative manner that is not sequential, so that both approvals may be delivered to a project at approximately the same time.

Beginning June 30, 2011, and annually thereafter, the CTFA is required to provide the Commission a summary of actions taken in the previous calendar year, including the number of project sponsors that sought financing through the CTFA, a description of each project, a summary of the sources of funding used to finance or refinance the project, and any recommendations the CTFA may have to improve the financing of transportation infrastructure. This information is to be included in the Commission's Annual Report to the Legislature.

Since enactment of this legislation, the CTFA has not received a formal request to finance or refinance a project.

GARVEE BOND FINANCING

Federal Grant Anticipation Revenue (GARVEE) Bond Financing is used in the STIP and the SHOPP to finance large rehabilitation and reconstruction projects that would otherwise be unaffordable with available State Highway Account (SHA) funding. Although this financing mechanism allows strategic projects to be delivered, the debt service limits future flexibility.

The Commission approved the issuance of GARVEE notes twice, once for STIP projects and once for SHOPP projects. On March 10, 2004, the state issued $614.8 million of GARVEE bonds (Series 2004A Bonds) for eight STIP projects. The Series 2004A Bonds were structured with serial maturities from 2005 through 2015. The Series 2004A Bonds fully matured on February 1, 2015 and all eight projects have been completed. On October 16, 2008, the state issued a second set of GARVEE Bonds (Series 2008A Bonds) totaling $97.6 million for two SHOPP projects. The Series 2008A Bonds are structured with serial maturities from 2009 through 2020. The two SHOPP projects have been completed.

On March 23, 2016, the Commission, pursuant to Government Code Section 14553.9(b), reported to the Governor and the Legislature the total amount of outstanding GARVEE notes for the 2015 calendar year. The debt service outstanding as of December 31, 2015 was $55.747 million from Series 2008A.

Pursuant to Government Code Section 14553(b) the Commission prepared, in conjunction with the State Treasurer's Office, the annual analysis of California's capacity for issuing GARVEE bonds. This year's analysis was presented to the Commission at its June 29, 2016 meeting. Based on a programmatic and forward-looking approach, the Commission determined that the state has a $3.69 billion SHOPP GARVEE bond capacity, assuming a 12-year maturity and 2.16% interest rate.

4.18 AERONAUTICS PROGRAM

Through the Aeronautics Account, the state provides funds for Caltrans' program administration, safety grants, maintenance and capital improvement projects, and airport land use compatibility plans. The Aeronautics Account includes revenues from an 18-cent per gallon fuel excise tax on general aviation gasoline and a 2-cent per gallon excise tax on general aviation jet fuel. In addition, the Local Airport Loan Account (LALA) provides loans for projects that benefit an airport and/or improve its self-sufficiency (this is a revolving fund that was initiated with seed money from the Aeronautics Account). As principal and interest payments are returned to the Loan Account, additional loans can be provided to airports.

Aeronautics Account revenues funded the following FY 2015-16 activities (presented in statutorily defined order):

1. Caltrans Division of Aeronautics Operations ($3.932 million)
2. Annual $10,000 grants or "credits" to each of the State's 149 general aviation airports ($1.49 million)
3. Local match grants (approximately one-half of an airport's match requirement) for Federal Aviation Administration (FAA) Airport Improvement Program (AIP) funds ($2 million)

4. Acquisition and Development (A&D) Program grants for up to 90 percent of an airport's eligible cost for projects in the Aeronautics Program as adopted by the Commission ($2.503 million)

Based on statutory priority, the AIP program must fully be funded prior to approving funds for A&D projects. This impacts the Commission's ability to allocate projects in the A&D program. In January 2016, the Commission approved a revised Fund Estimate which included a $1.3 million transfer to the Aeronautics Account from the LALA, pursuant to section 21602(f) (2) of the Public Utilities Code. This action provided the means to fund the AIP and A&D programs.

For FY 2015-16, on June 25, 2015, the Commission initially allocated to the Caltrans Division of Aeronautics a lump sum of $1 million for the AIP local match grant sub-allocation. In September 2015, the FAA published a list of federal AIP grant awards to California Airports. Based on this list, the initial $1 million allocated by the Commission needed to be increased. Therefore, in December 2015, the Commission allocated an additional $1 million for AIP grants, bringing the total AIP program amount to $2 million. As of June 30, 2016, from the $2 million allocation, Caltrans had sub-allocated approximately $1.7 million to 49 projects.

The FY 2015-16 A&D program originally included four projects totaling $1.3 million. During FY 2015-16, two projects valued at $522,000 were deleted from the program at the request of the local agency and eight projects valued at $1.8 million were added to the program. The Commission disencumbered another $250,264 from projects delivered with savings. These funds were reverted to the Aeronautics Account and $190,000 was used to augment programmed projects at allocation. As of June 30, 2016, the Commission allocated $2.5 million to 10 projects in the A&D program.

4.19 PROPOSITION 116 PROGRAM

Proposition 116 enacted the Clean Air and Transportation Improvement Act of 1990, designating $1.99 billion primarily for passenger rail capital projects as follows:

- $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 bicycle improvement capital outlay projects that improve safety and convenience for bicycle commuters.
- $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 were made available under a two-step process analogous to the process used for STIP funding. First, the Commission programmed funds for projects eligible under the original authorization by approving project applications that define the project scope, schedule, and funding. Then the Commission allocates funds when projects are ready to proceed.

The Commission did not take actions on the program in FY 2015-16. As of June 30, 2016, $349,261 in savings from completed projects remains to be programmed. Of the amounts programmed by the Commission, over $12.7 million remains unallocated, of which nearly $5 million is for the State Museum of Railroad Technology and over $4.9 million is for the Rail Extension to Monterey County project. Unallocated amounts are detailed in the following table.

PROPOSITION 116 AUTHORIZATIONS WITH UNALLOCATED AMOUNTS

County	Agency, Project	PUC Section	Authorization	Balance Unallocated
El Dorado	Lake Tahoe, Intermodal Station	99647	$7,000,000	$9,206
Humboldt/ Mendocino	North Coast Railroad Authority	99625/26	$10,000,000	$72,285
Los Angeles	Caltrans, Alameda Corridor	99624	$80,000,000	$17,437
Los Angeles	Los Angeles County MTA, rail	99630	$229,000,000	$62,083
Nonurban Counties	Counties, transit capital	99628	$73,000,000	$11,780
Monterey	TAMC, Rail Extension to County	99638	$17,000,000	$4,917,837
Orange	OCTA, Commuter/Intercity Rail Program	99645	$125,000,000	$2,483,000
Sacramento	Sac. Regional Transit, rail	99643	$100,000,000	$4,931
San Diego	MTDB/NCTD, rail	99642	$77,000,000	$60
San Joaquin	SJCOG, Altamont Corridor	99644	$14,000,000	$65,130
San Joaquin	Caltrans, San Joaquin Corridor	99622(a)	$140,000,000	$352
Sacramento	State Parks, Rail Museum	99648	$5,000,000	$5,000,000
Statewide	Competitive, water-borne ferry	99651	$20,000,000	$29,350
Statewide	Caltrans, rail cars, locomotives	99649	$100,000,000	$85,913
			Total	$12,759,364

AB 2620 (Dababneh, Chapter 763, Statutes of 2016) sunsets Proposition 116 and requires the Commission to reallocate Proposition 116 funds to other passenger rail projects if the funds are not expended or encumbered by July 1, 2020.

4.20 ELDERLY AND DISABLED SPECIALIZED TRANSIT PROGRAM

In 1975, Congress established the Transportation for Elderly Persons and Persons with Disabilities Program (Section 5310) 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.

In 1996, state legislation (AB 772, Aguiar, Chapter 669, Statutes of 1996) mandated that the Commission direct the allocation of program funds, establish an appeals process, and hold at least one public hearing prior to approving each annual program project list. To implement this directive, the Commission developed an annual program review and approval process in cooperation with Regional Transportation Planning Agencies (RTPAs), state and local social service agencies, the California Association for Coordinated Transportation, and Caltrans.

Under existing processes, RTPAs score applications based on objective criteria adopted by the Commission. A State Review Committee, consisting of representatives from the Departments of Aging, Rehabilitation, and Developmental Services, Caltrans, and Commission staff (acting as facilitator), reviews the RTPA scoring by applying the Commission-adopted criteria.

After the State Review Committee completes its review and creates a statewide priority list, Commission staff and the State Review Committee members hold a meeting to hear appeals with project applicants and regional agencies based on technical issues related to scoring. After the appeals meeting and a Commission held public hearing, the Commission adopts the annual program project list. Projects receive 88.53% federal funding and require an 11.47% match.

Federal implementing legislation enacted in 1975 designated the state Governor as program administrator. In California, Caltrans was delegated this authority. Caltrans has administered this federal program since its inception. In early 2014, the Federal Transit Administration issued Circular 9070.1G addressing significant changes made by MAP-21 to the Section 5310 Program. Under MAP-21, MPOs, RTPAs and large urbanized areas are eligible to act as the designated recipients in place of the Governor for administering Section 5310 funding. This essentially allows specified agencies to select and administer Section 5310 projects, with or without Commission oversight and Caltrans administration. As a result, on August 20, 2014, the Commission adopted revised criteria and a revised application for the Section 5310 program. The FAST Act, signed into law in December 2015 made minimal changes to the program.

The cycle for the next program of projects starts when the FFY 2016-17 apportionments for the program are identified. The call for projects for the next 3-year program will be in January 2017. It is estimated that approximately $48 million ($16 million per year) will be available for agencies in large urban, small urban and rural counties. The Commission will receive comments to the proposed FFY 2016-17 5310 Program of Projects during a public hearing scheduled for the May 2017 Commission meeting. The Commission intends to adopt the FFY 2016-17 5310 Program at its June 2017 Commission meeting.

4.21 ENVIRONMENTAL ENHANCEMENT AND MITIGATION PROGRAM

The Environmental Enhancement and Mitigation (EEM) Program was established by the Legislature in 1989 to fund environmental enhancement and mitigation projects directly or indirectly related to transportation projects. Funding has historically been provided by the legislation calling for a $10 million annual transfer to the EEM Fund from the State Highway Account. EEM Program projects must fall within one of three categories: highway landscape and urban forestry; resource lands; or roadside recreation. Projects funded under this program must provide environmental enhancement and mitigation over and above that otherwise called for under CEQA. Streets and Highways Code Section 164.56 mandates that the California Natural Resources Agency (Resources Agency) evaluate projects submitted for the program and that the Commission award grants to fund projects recommended by the Resources Agency. Any local, state, or federal agency or nonprofit entity may apply for and receive grants. The agency or entity need not be a transportation- or highway-related organization, but it must be able to demonstrate an 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 adopted specific procedures and project evaluation criteria for assigning quantitative prioritization scores to individual projects. In accordance with the provisions of Sections 187 and 188 of the Streets and Highways Code, an attempt is made to allocate 40 percent of the total amount recommended to projects in northern counties of California and 60 percent of the total amount to projects in southern counties. For the FY 2014-15 Program, the Resources Agency evaluated 39 applications and recommended 21 projects for EEM funding, 10 projects in Northern California totaling approximately $3.9 million and 11 projects in Southern California totaling approximately $4.4 million for a program total of approximately $8.3 million.

The FY 2014-15 EEM Program was adopted by the Commission on March 16, 2016 and the funds were allocated to the Resources Agency at that time.

GLOSSARY OF ACRONYMS

A&D	Acquisition and Development
AB	Assembly Bill
AIP	Airport Improvement Program
Amtrak	National Passenger Rail Corporation
ARB	California Air Resources Board
ATP	Active Transportation Program
BCSH	California Business, Consumer Services and Housing Agency
BRT	Bus Rapid Transit
CAFE	Corporate Average Fuel Economy
Caltrans	California Department of Transportation
CASP	California Aviation System Plan
CCJPA	Capitol Corridor Joint Powers Authority
CEQA	California Environmental Quality Act
CM/GC	Construction Manager/General Contractor
CMAQ	Congestion Mitigation and Air Quality
CMIA	Corridor Mobility Improvement Account
Commission	California Transportation Commission
COS	Capital Outlay Support
CPI	Consumer Price Index
CTFA	California Transportation Financing Authority
CTP	California Transportation Plan
DB	Design Build
DBF	Design Build Finance
DBM	Design Build Maintain
DBFO	Design Build Finance Operate
DBOM	Design Build Operate Maintain
DBFOM	Design Build Finance Operate Maintain
DOF	Department of Finance
EEM	Environmental Enhancement and Mitigation
EIR	Environmental Impact Report
EMP	Environmental Mitigation Program
FAA	Federal Aviation Administration
FFY	Federal Fiscal Year
FTA	Federal Transit Administration
FHWA	Federal Highway Administration
FY	Fiscal Year
GARVEE	Federal Grant Anticipation Revenue Vehicle
GHG	Greenhouse Gas
GLC	Golden Link Concessionaire
GMAP	Goods Movement Action Plan
GPS	Global Positioning System

HBP	Federal Highway Bridge Program
HCD	California Department of Housing and Community Development
HOT	High Occupancy Toll
HOV	High Occupancy Vehicle
HRCSA	Highway-Railroad Crossing Safety Account
HSRA	California High Speed Rail Authority
HUTA	Highway User Tax Account
ITIP	Interregional Transportation Improvement Program
ITSP	Interregional Transportation Strategic Plan
LA Metro	Los Angeles County Metropolitan Transportation Authority
LALA	Local Airport Loan Account
LAO	Legislative Analyst's Office
LBSRA	Local Bridge Seismic Retrofit Account
LBSRP	Local Bridge Seismic Retrofit Program
LOSSAN	Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency
MAP-21	Moving Ahead for Progress in the 21st Century Act
MBUF	Mileage-Based User Fee
MPH	Miles Per Hour
MPO	Metropolitan Planning Organization
MTC	Metropolitan Transportation Commission
NEPA	National Environmental Policy Act
NAAQS	National Ambient Air Quality Standards
NMFN	National Multimodal Freight Network
NOP	Notice of Preparation
OCTA	Orange County Transportation Authority
ODOT	Oregon Department of Transportation
OPR	Governor's Office of Planning and Research
P3	Public-Private Partnership
PDA	Pre-development Agreement
PFN	Primary Freight Network
PID	Project Initiation Document
PRIIA	Passenger Rail Investment and Improvement Act of 2008
PS&E	Plans, Specifications and Estimates
PTA	Public Transportation Account
PTMISEA	Public Transportation Modernization, Improvement and Service Enhancement Account
PUC	Public Utilities Commission/Code
RCTC	Riverside County Transportation Commission
RSTP	Regional Surface Transportation Program
RTIP	Regional Transportation Improvement Program
RTP	Regional Transportation Plan

RTPA	Regional Transportation Planning Agency
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
SB	Senate Bill
SANDAG	San Diego Association of Governments
SAS	Self-Anchored Suspension
SCAG	Southern California Association of Governments
SCS	Sustainable Communities Strategies
SFCTA	San Francisco County Transportation Authority
SFOBB	San Francisco-Oakland Bay Bridge
SHA	State Highway Account
SHOPP	State Highway Operation and Protection Program
SJCOG	San Joaquin Council of Governments
SLPP	State-Local Partnership Program
SR	State Route
SSRP	Seismic Safety Retrofit Program
SSTI	State Smart Transportation Initiative
STA	State Transit Account
STIP	State Transportation Improvement Program
TACA	Technical Advisory Committee on Aeronautics
TBPOC	Toll Bridge Program Oversight Committee
TBSRP	Toll Bridge Seismic Retrofit Program
TCIF	Trade Corridors Improvement Fund
TCRF	Traffic Congestion Relief Fund
TCRP	Traffic Congestion Relief Program
TIF	Transportation Investment Fund
TIRCP	Transit and Intercity Rail Capital Program
TLSP	Traffic Light Synchronization Program
UCLA	University of California Los Angeles
USDOT	United States Department of Transportation
VMT	Vehicle Miles Traveled
WSTC	Washington State Transportation Commission

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