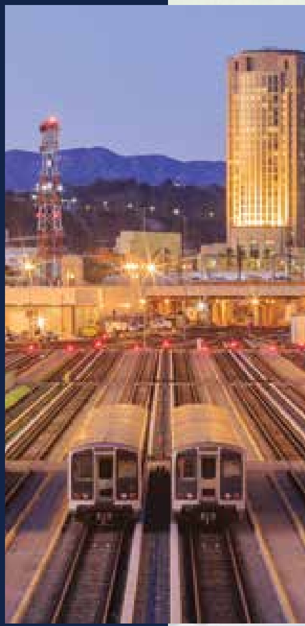
2017

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, aeronautics, 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

We are pleased to present the California Transportation Commission's (Commission) 2017 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. The Commission's recommendations include taking steps to prepare for the inevitable transportation technology impacts, promoting effective partnerships between the state and its partners, and most importantly, providing institutional accountability and transparency in the planning, funding, and delivery of California's transportation programs.

For the past decade, the lack of sufficient funding to address the state's transportation needs for a growing population and economy has been of great concern to the Commission. After years of the Commission advocating for a solution to the state's transportation crisis, the Legislature passed and the Governor signed Senate Bill (SB) 1 (Beall, Chapter 5, Statutes of 2017), also known as the Road Repair and Accountability Act of 2017, which increases transportation funding and institutes much-needed reforms to promote increased accountability, transparency, and efficiency.

The Commission commends the Legislature and Governor for enactment of SB 1 as it provides California with significant opportunities to reduce congestion, improve air quality, achieve environmental goals, foster job growth, and support the state's economy. The Commission recognizes the importance of the reforms contained in the measure, as well as the responsibility for increased oversight assigned to the Commission. We pledge to honor the trust you have put in this body, and we will continue to pursue transportation policies that provide the greatest statewide benefit for California.

Given the severity of the transportation funding crisis, the Commission moved swiftly since SB 1 was enacted to direct funding to projects that will provide the greatest overall benefit to California. As of December 15, 2017, the Commission has adopted funding guidelines for the State Highway Operation and Protection Program, the Transportation Asset Management Plan, the State Transportation Improvement Program, the Local Streets and Roads Program, the Local Partnership Program, the Solutions for Congested Corridors Program, and the Trade Corridor Enhancement Program. By the spring of 2018 the Commission expects that projects for each program under its purview will be identified for the first year or more of the funding made possible with the enactment of SB 1.

Increasing transparency and accountability of transportation investments and the expenditure of public funds continues to be a key focus area of the Commission. While the Legislature provided additional resources to the Commission in the 2017-18 Budget Act, the Commission's responsibilities have grown significantly in recent years. The Commission operates with a very small staff and is assessing its capacity to provide the level of analysis and reporting the Legislature expects. With this in mind, we encourage the Administration and Legislature to support the Commission in its effort to secure the necessary resources to fulfill expectations of accountability and transparency.

Achievement of California’s goals for mobility, safety, environmental sustainability, a healthy environment, and economic vitality will not be achieved without innovation and reforms. With this recognition, at each of its meetings, the Commission showcased innovative transportation technologies and programs within the public and private sector for delivering mobility more efficiently and effectively.

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. Several staff level meetings were also held throughout the state with the environmental justice stakeholders to inform the Commission’s programming responsibilities. Given the nature of the concerns raised, the Commission is in the process of forming a workgroup of environmental justice stakeholders to identify specific recommendations for the Commission to consider.

Addressing the need to move people and freight, to meet environmental and livability goals, and to grow California’s economy in a sustainable manner through wise transportation planning and investments is of great importance. 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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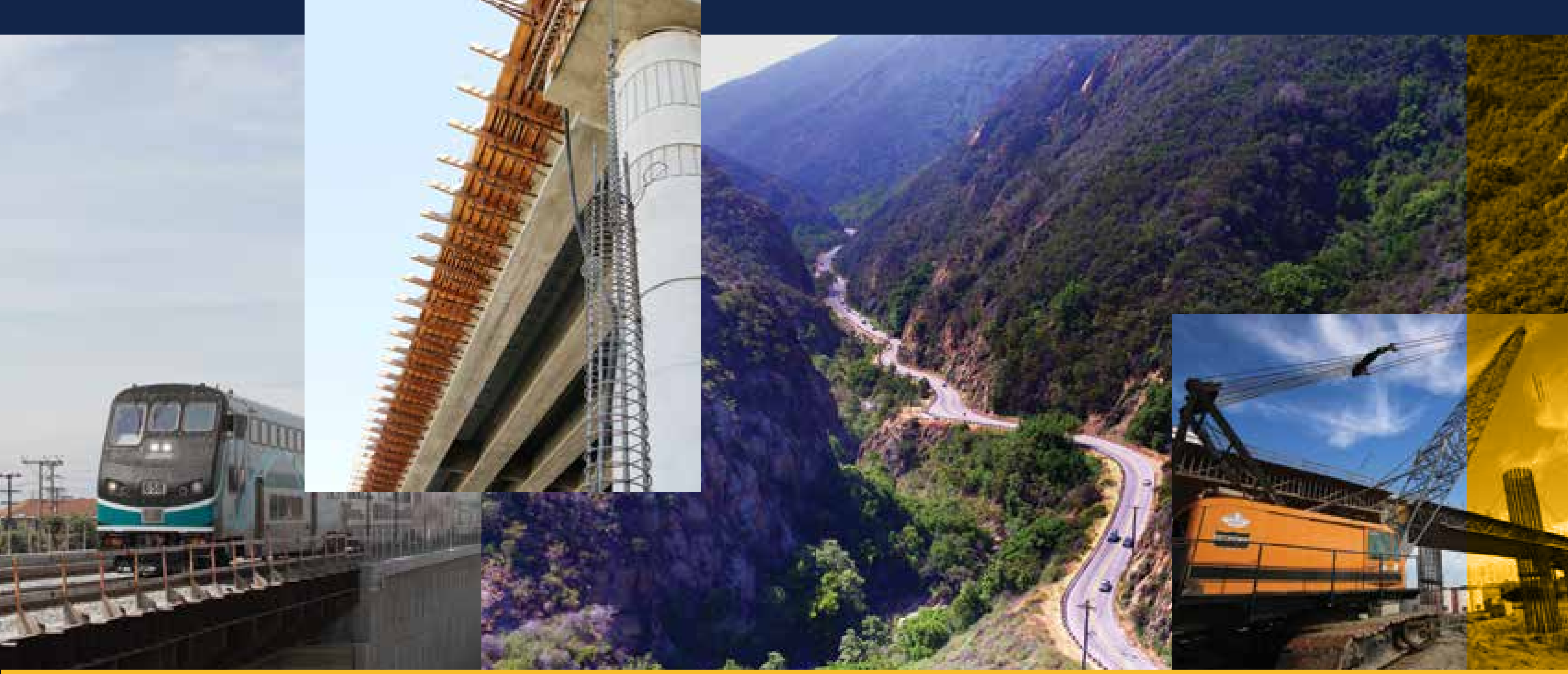


1. COMMISSION IN BRIEF

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 non-voting 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, approves and/or adopts state transportation policy.

The Commission is primarily responsible for the following activities:

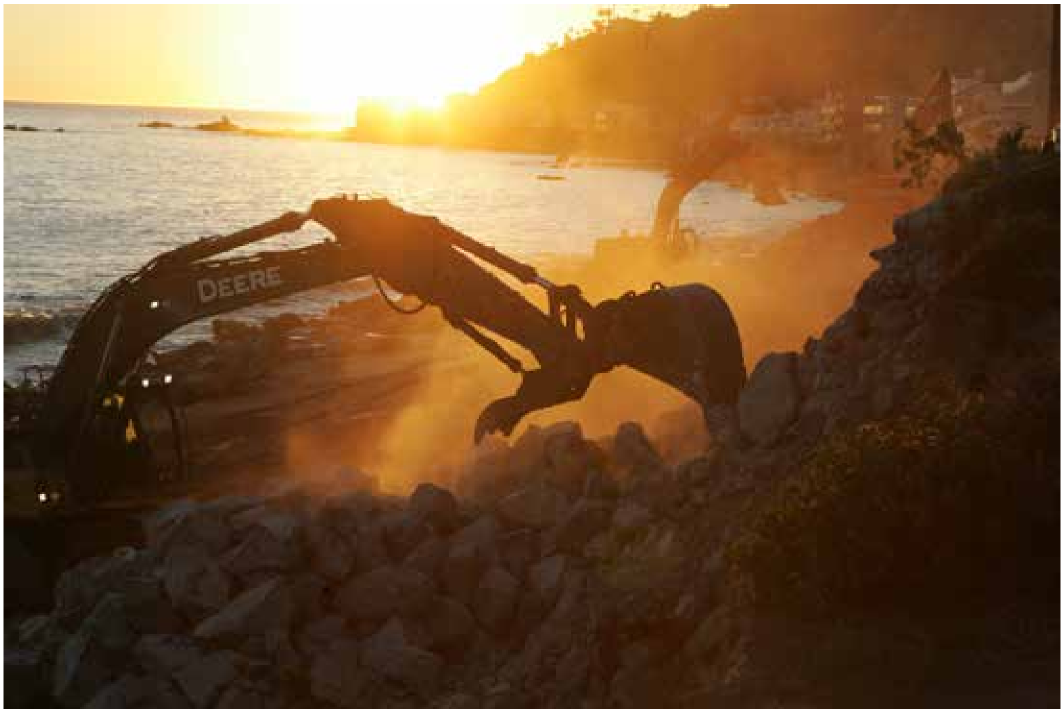
- Advising and assisting the California State Transportation Agency (Transportation Agency) Secretary and the Legislature in formulating and evaluating state policies and plans for state transportation programs.
- Adopting the biennial five-year Fund Estimate of state and federal funds expected to be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

- Approving the California Department of Transportation (Caltrans)-prepared Transportation Asset Management Plan and adopting performance measures and targets to guide the selection of projects for the State Highway Operation and Protection Program.
- Adopting the biennial four-year State Highway Operation and Protection Program.
- Approving amendments to the State Highway Operation and Protection Program, State Transportation Improvement Program and other programs.
- Reviewing and commenting on the Ten-Year State Highway Operation and Protection Program Plan and the Five-Year Maintenance Plan.
- Establishing reporting requirements related to the funding received by city and county governments from the Road Maintenance and Rehabilitation Account.
- Adopting the Active Transportation Program.
- Allocating state funds for capital projects, consistent with the State Transportation Improvement Program, State Highway Operation and Protection Program, Active Transportation Program, 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), and other programs.
- Allocating state funds for capital grants from the Aeronautics Account and the Environmental Enhancement and Mitigation Program Fund.
- Allocating funds for Caltrans' support costs related to the State Highway Operation and Protection Program.
- Adopting guidelines, programming projects, allocating funds and reporting on Commission-administered SB 1 (Beall, 2017) funded programs, including but not limited to the Local Partnership Program, the Solutions for Congested Corridors Program, and the Trade Corridor Enhancement Program.
- Adopting guidelines for the California Transportation Plan and Regional Transportation Plans.
- Approving project proposals for high-occupancy toll lanes or other toll facilities.
- Approving 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 24 and an annual budget of approximately $5.4 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 and federal fiscal year, 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 from the 2016 Annual Report to improve the state's transportation system, including much needed revenue increases and reforms such as those incorporated in the Road Repair and Accountability Act. As in prior years, this Annual Report includes recommendations for the Legislature to consider pursuing in the upcoming year.



2. COMMISSION POLICY ISSUES AND RECOMMENDATIONS FOR 2018

The Commission was created in 1978 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 to the Legislature discussing major transportation issues and making recommendations for the Legislature's consideration by December 15th of each year.

For many years, the dominant statewide transportation issue has been obtaining adequate, reliable funding to invest in critical maintenance and modernization of the state's transportation network and to keep up with the state's growing transportation needs. On April 28th, 2017, the Legislature and Governor took a major step toward addressing this issue by enacting SB 1 (Beall, 2017), also known as the Road Repair and Accountability Act of 2017. Through a variety of revenue increases, SB 1 addresses basic road maintenance, rehabilitation, and critical safety needs on both the state highway and local streets and roads systems. The legislation also sets aside funding for a variety of other important transportation priorities including active transportation, goods movement, transit and intercity rail, and critical congested corridor needs in the state. Finally, SB 1 includes a number of important accountability measures to increase transparency and improve oversight of the expenditure of transportation funds in California.

While enactment of SB 1 helps address the state's most critical transportation funding needs, there are many significant challenges remaining in transportation for the Legislature and Administration to address for a sustainable mobility system. Following are recommendations for legislative consideration as well as proposals for improving the way the California Department of Transportation (Caltrans) delivers mobility to the state.

Legislative Recommendations

In 2015, the Legislature passed and the Governor signed into law 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 requirement, the Commission has made a number of specific recommendations for statutory and administrative reforms in recent Annual Reports.

Many of the Commission's past recommendations have been enacted, leading to increased funding for transportation and improved project delivery. 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 to 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.

This year's Legislative recommendations are divided into three sections. First, the Commission focuses on the potential impact of disruptive technologies to the state's transportation system and, after hosting a policy forum on transportation technology, provides initial recommendations for preparing for inevitable disruption. Second, through dialogue with regional transportation agencies, the Commission has developed recommendations to improve the efficiency of the relationship between the state and its partners. Finally, included in the report are important legacy recommendations from previous Annual Reports that have yet to be enacted but are still relevant to the state's transportation needs.

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 Impacts of Disruptive Transportation Technologies

For the past century, since the internal combustion engines that power cars replaced the horse-drawn carriage on our primary transportation corridors, technological change has not made a radical impact on the country's surface transportation system. Recent and rapid technological advances are applying pressure for a significant change in that outmoded system. From electric vehicles to drones, ridesharing services to full vehicle automation, truck platooning to Hyperloop travel, technology companies continue identifying inefficiencies in the existing transportation sector and developing solutions that are revolutionizing how people and goods move.

In light of this coming change, the Commission held its first Transportation Technology Policy Forum to begin the conversation with the Legislature about the policy implications of new transportation technologies. On the one hand, the state needs to find ways to encourage technological solutions to its intractable transportation challenges and ensure that innovation is studied and developed here and not only in other states. On the other hand, the Legislature should be aware of and ensure steps are taken to address potential negative externalities of these coming technologies, such as maintaining access to mobility for disadvantaged communities. Ultimately, care must be exercised as legislation is considered to ensure enacted policies guide innovation toward the best outcomes for everyone.

With this in mind, the Commission proposes the following recommendations to the Legislature, recognizing that this is not a comprehensive list of proposals but only the beginning of a much larger conversation.

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1. Create a technical advisory committee to encourage the development and deployment of advanced technologies.

The Commission recommends that the Legislature direct the Commission to create a technical advisory committee to develop specific policies encouraging the development and deployment of advanced technologies in California. The technical advisory committee should include representatives from state government, local government, auto manufacturers, automated vehicle technology firms, safety advocates, public transit, goods movement, taxi industries, and other relevant experts.

The state needs a central entity, comprised of relevant experts, to publically tackle the oncoming disruption of transportation technologies for several reasons. First, it is critical that California maintain its position as a strong proponent of transportation related technological development and deployment in order to maintain its leading position in the national and world economy. Without the proper incentives and policies in place, businesses may relocate to other states in order to develop and test their innovative technologies. Second, should technologies be deployed without proper policy parameters in place, the potential negative impacts on communities may create popular backlash and discourage future innovation. Finally, California's influence as the most populous and most diverse state in the nation is significant; and, therefore, careful consideration of technological development and deployment in this state will enable the entire country to realize maximum benefits.

At a minimum, the technical advisory committee should be assigned the following responsibilities:

- Identify current state and local laws that might be in conflict with the capabilities of future advance technologies.
- Explore potential impacts, both positive and negative, of various technologies and recommend actions to help mitigate those impacts.
- Develop ways to encourage technology-neutral solutions that allow for flexible innovation and avoid locking the state into adopting one technology to the exclusion of all others.
- Award research funding for the development of further policy direction.

2. Dedicate specific revenue to infrastructure projects supporting advanced technologies.

The Commission recommends that the Legislature enact legislation dedicating certain revenues, such as those derived from the $100 zero-emission vehicle fee, to infrastructure that encourages the development and deployment of advanced technologies in California. Further, the Legislature should assign to the technical advisory committee referenced in recommendation 1 above the responsibility of selecting projects for this funding.

For example, emerging technologies assist drivers to stay in their respective lanes, but rely on well-marked lanes to do so. In addition to clear lane markings, pavement should be uniform and without potholes, traffic signals should be functioning properly and easily visible, and signs should be clearly legible and visible from the roadway. States that provide the best existing transportation infrastructure will have an advantage attracting new technologies and investments. Therefore, the Legislature should set aside funding specifically for modernizing critical elements of the state's transportation system to enable new technologies.

3. Develop a pilot program for municipalities to compete for funding to implement advanced technologies.

The Commission recommends that the Legislature accelerate the testing and adoption of advanced technologies in California cities and counties through a pilot program in which municipalities compete for grant funding for these purposes.

In December 2015, the US Department of Transportation launched its Smart City Challenge, asking mid-sized cities across America to develop ideas for an integrated, first-of-its-kind smart transportation system that would use data, applications, and technology to help people and goods move more quickly, cheaply, and efficiently. The challenge generated an overwhelming response: 78 applicant cities shared the challenges they face and ideas for how to tackle them. This program incentivized local jurisdictions to work with technology companies and consider solutions beyond the traditional transportation paradigm. While only a select few of these entities ended up winning the grants, all applicants benefited from the experience.

The Legislature should set aside funding for a similar program in California. The tangential benefits of encouraging communities to consider the incoming transportation changes and challenges could far outweigh the cost of administering the program.

4. Continue the statutory authority for the Commission's Road Charge Technical Advisory Committee.

The Commission recommends that the Legislature amend statute to make the Commission's Road Charge Technical Advisory Committee permanent in order to continue providing oversight of and direction for the Administration's exploration of road charging as a replacement of state fuel taxes.

Consistent with SB 1077 (DeSaulnier, Chapter 835, Statutes of 2014), the Commission created a Road Charge Technical Advisory Committee (TAC). The TAC is comprised of members 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. Under SB 1077, the TAC was charged with providing pilot program design recommendations and evaluation criteria to the Transportation Agency, and spent 12 months in public hearings throughout California to develop those recommendations. The TAC has held quarterly public meetings to monitor the progress of the Road Charge Pilot Program.

The statute creating the Road Charge TAC sunsets on January 1, 2019. Without the statutorily-created entity involved in future road charge studies, there is no way to assure the Legislature and the public stay informed on the Administration's efforts. Therefore, it is important to maintain this advisory body so long as a road charge is being studied. Although the revenue generated as a result of SB 1 will greatly benefit California's transportation infrastructure, the Legislature needs to continue pursuing other long-term alternatives to replace the existing per-gallon fuel tax as fuel consumption is expected to steadily decline over the next decade.

5. Enable the state to effectively partner with the private sector to encourage technology solutions to transportation problems.

The Commission recommends that the Legislature enact legislation enabling the state to use tools such as public-private partnerships (P3) and other concessionary instruments to encourage private entities to develop and implement technological solutions to the state's transportation problems.

Technology companies are increasingly proposing alternative solutions to many of the state's mobility challenges. For example, smart traffic signals and other street infrastructure can significantly improve safety for all users as well as reduce congestion. In addition, new modes such as the Hyperloop model could revolutionize point-to-point goods movement, leading to improved air quality, and reduced truck congestion in highly traveled corridors. These types of solutions are very difficult to implement, however, under existing procurement models. Currently, Caltrans is restricted to standard design-bid-build and low bid contracting, which limits the state's ability to contract with private entities in ways which enable them to address some of these challenges. With alternative procurement options, these technology companies could partner with the state and local governments to implement solutions at reduced cost and an accelerated pace.

Promoting Effective Partnerships

Delivering transportation projects in California is often a long, difficult process involving many public entities and a variety of funding sources. At the 2017 Commission Self-Help Counties Town Hall, participants agreed that there is no finish line for improving project delivery. Governments can always improve, and learn better ways to provide the projects that enable Californians critical mobility options.

Currently, statute assigns responsibilities for various aspects of the project delivery process to different entities. For example, most transportation projects are selected by regional transportation planning agencies with boards comprised of locally elected officials in order to ensure local and regional priorities are determined by those most directly impacted. Alternatively, to ensure consistency and safety for street and highway infrastructure from community to community, Caltrans is responsible for developing statewide design and signage standards.

In order for transportation project selection, development, and construction to proceed smoothly, state, regional, local, and private entities must all work well together by identifying expectations up front and then delivering on their promises on time. Partnering between these various entities can sometimes be difficult for a variety of reasons. The state, regions, locals, and entities representing various travel modes all have their own funding sources, agendas, goals, and challenges. Finding common ground among the many stakeholders is often difficult, as each competes for its share of a finite amount of funding.

What has become clear is that the public doesn't care about the inherent difficulties of various entities working together with competing interests – the public wants better mobility, with more choices to get to the places people need and want to be. The Commission strongly urges the Legislature to seriously consider ways to get past these challenges and to improve delivering mobility. To be clear, there are many great examples of partnership and coordination across the state. However, there is always more to be done; the Commission will continue to work with all the stakeholders in the state to identify ways to promote good partnerships. The following recommendations are ways in which the Legislature can assist the various entities in this pursuit.

6. Incentivize better corridor coordination across modes and agencies to maximize mobility.

The Commission recommends that the Legislature authorize regions to apply to the Commission for the ability to more easily combine various state transportation revenues to fund the best projects for corridor mobility.

A corridor-based planning process emphasizes coordinating multimodal improvements and strategies in significant transportation corridors, rather than addressing individual modal needs separately. Through the multimodal corridor-based planning process, emphasis can be given to those facilities and services that relieve congestion, improve goods movement, and support interregional, interstate, and international trips. It also gives priority to the most cost-effective transportation investments and strategies, regardless of mode, that would have the greatest positive impact on the State's economy and quality of life. The intent of corridor-based multimodal networks is not to replace regional plans, but to "connect the dots" among state, regional, and modal agency plans.

Transportation investments should consider a broad assessment of goals and objectives across the multi-modal functionality of the transportation system. To a large degree, unfortunately, the current process of selecting projects for funding consists of the review and evaluation of projects based on individual funding programs, with very limited cross-coordination. This is a direct result of the fact that transportation funding in California is bifurcated by mode and implementing agency, making it difficult for cross-modal or varied levels of government to coordinate comprehensive corridor solutions. For example, there is currently no statutory mechanism allowing a region to consider using funding

dedicated to transit operations to time traffic lights (road management infrastructure) along a corridor, even though such an investment could significantly improve the service of that transit operator.

Breaking down funding silos to enable a comprehensive multi-modal, corridor-based approach to project selection will allow for the review, assessment, and funding of a suite of projects within a corridor across modes and regional boundaries.

7. Encourage innovative partnerships with regions through effective alignment of responsibilities.

The Commission recommends that the Legislature enact legislation enabling regional entities to create partnerships with Caltrans district offices, ultimately assigning responsibilities to the parties most able to accomplish them.

In 2012, Assembly Member Gordon introduced AB 2382, which was sponsored by the Santa Clara Valley Transportation Authority (VTA). AB 2382 required Caltrans to enter into an agreement with VTA to implement a demonstration program to do all of the following:

- Operate under a different business model that consists of a realignment of roles and responsibilities between VTA and Caltrans, the delegation of decision-making authority, the use of streamlined processes, and the application of advance technologies with the goal of delivering projects and services in a more responsive, cost-effective and efficient manner.
- Serve as a mechanism for testing out new and innovative approaches for improving project delivery and local assistance services.
- Identify those innovative approaches that are suitable for application by Caltrans to other parts of the state.
- Co-locate Caltrans and regional staff to improve coordination and communication between the parties.

This bill was not enacted because Caltrans agreed to implement the proposed program administratively. Since that time, both VTA and Caltrans report this program has been a success by saving money through identified efficiencies and improved service delivery.

The success of the Caltrans-VTA demonstration program suggests that this type of arrangement may be beneficial across the state. To the extent that regions desire it, the Legislature should require Caltrans to enter into such agreements elsewhere.

8. Create a committee of stakeholders to explore potential improvements to the North Coast Railroad Authority.

The Commission recommends that the Legislature create a committee of stakeholders involved in the development and operation of the North Coast Railroad Authority (NCRA) to explore various scenarios for the Authority's future.

NCRA was created by State law in 1989 to maintain and expand rail service to the North Coast area of the State. There have been a series of loans and grants of federal and State funds provided to NCRA to purchase right of way, rolling stock and other equipment, and make improvements and repairs to related facilities.

Between 1991 and 2008, the Commission allocated Proposition 116, Transportation Planning & Development (Transit Capital Improvement Program), and Traffic Congestion Relief Program (TCRP) funding. The last reimbursement request by and authorized payment to NCRA by the Department was processed in January 2012.

In a recent presentation to the Commission, NCRA leadership shared that the enterprise is having difficulty maintaining and expanding rail service, has never been self-sufficient, and is routinely unable to pay its obligations. The Commission asked the NCRA representatives to provide a business plan identifying potential responsible directions the Authority can implement moving forward. To date, the NCRA has been unable to produce a plan that makes the business case for its existence.

Given the uncertain future direction expressed by the Authority's management, the Commission believes that it is in the best interest of the state that a committee of stakeholders be formed to oversee the development of a plan for the future of this statutorily-created enterprise.

9. Require Caltrans to develop a streamlined process for approval of project initiation documents.

The Commission recommends that the Legislature require Caltrans to approve project initiation documents (PIDs) in a streamlined manner, and create a system by which regions or their consultants can effectively and efficiently provide to Caltrans the proper studies necessary to initiate projects on the state system.

Before potential projects can be developed and constructed, detailed project planning work must first be completed. Initial project plans, called PIDs, contain specific information, including the identification of the transportation problem that is to be addressed, an evaluation of potential alternatives to address the problem, and the justification and description of the preferred solution. Each PID also includes the estimated cost, scope, and schedule of the project—information needed to decide if, how, and when to fund the project.

According to Caltrans, it takes on average 10 months to compile the various studies to develop a PID. With all that work, however, a significant amount of unknowns in the plans remain because it is impossible to specify project details with any accuracy prior to the environmental and design phases of a project's development. These unknowns lead to wide variances between the estimates in the PIDs and the ultimate cost and schedule of the projects proposed.

In addition, the expanded level of detail in the PID is no longer necessary under the new allocating responsibilities in SB 1. Prior to SB 1, the Commission used the information in the PID to program construction funding to projects before the project development process was concluded. SB 1 assigned to the Commission the responsibility to allocate funding for each project by phase throughout the development process, creating the opportunity for Caltrans to update programmed estimates as more information becomes available. Therefore, the PID does not need to be as comprehensive as was required prior to SB 1 because the Commission has more opportunities to review the project as it is developed.

Given the inherent inaccuracy of PIDs, and the reduced need for detailed estimates at the programming stage of project development, the Legislature should require Caltrans to streamline its PID development process and significantly reduce the amount of time and effort spent on PIDs. The Legislature should also create a mechanism for regional transportation entities to develop PIDs for projects on the state highway system and minimize Caltrans' review responsibilities to further expedite PID development.

Legacy Recommendations

The Legislature has enacted several of the Commission's prior recommendations, but some recommendations still remain unimplemented. The following recommendations from previous annual reports continue to be relevant, and the Commission encourages the Legislature to consider pursuing them in the second year of the 2017-18 legislative session.

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

As it has for several years, 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 partnerships (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.

11. The Commission should allocate all Caltrans support costs, including for the STIP.

The Commission recommends that the Legislature assign to the Commission the responsibility to allocate all of Caltrans' Capital Outlay Support (COS) work by project component, and provide the Commission with the resources necessary to effectively review program and allocation requests. The Commission was assigned this responsibility for the State Highway Operation and Protection Program (SHOPP) through enactment of SB 1; however, Caltrans support work for projects in the State Transportation Improvement Program (STIP) are not allocated by the Commission, leaving an incomplete picture of how the state is managing its transportation resources.

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.

Consistent with SB 1, the Commission developed processes for allocating COS for all SHOPP projects by phase. Not all of Caltrans' COS workload is involved in SHOPP project development. While Commission allocation of SHOPP COS workload improves Caltrans transparency and accountability by increasing transparency of how it manages its budgets by project, there remain portions of Caltrans' budget that are not clearly overseen. The Legislature should expand the Commission's responsibility for COS allocation to include Caltrans' work on STIP projects, in addition to SHOPP projects, in order to provide a more complete understanding of how Caltrans is managing its workload.

This proposal can only be successful, however, if it accompanies 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 in

order 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 will increase.

12. 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 build on the work done by the Little Hoover Commission[1] and require entities to identify and evaluate 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 implementing 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 for compounding negative impacts on project delivery associated with cost increases or time delays. Navigation of this regulatory environment with a multitude of overlapping federal, state, and locally 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. These barriers which impact Caltrans' ability to complete environmental studies in a timely manner jeopardize the state's ability to put transportation funds to work expeditiously to reduce congestion, provide environmental benefits, 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 environmental analysis, permitting, and impact mitigation processes for transportation projects. With time and resources dedicated for study, however, it would be possible to better understand the monetary and

[1]In October, 2011, The Little Hoover Commission published a report titled "Better Regulation: Improving California's Rulemaking Process," urging the Governor and Legislature to make the state's process for developing regulations more rigorous and consistent across agencies and to strengthen oversight to ensure that agencies have assessed the economic impact of proposed regulations.

opportunity costs associated with disconnected environmental regulations and identify policy solutions to facilitate project delivery while still ensuring environmental protections.

13. 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 (Golden 1 Center). 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 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 environmental analysis work already completed by the Metropolitan Planning Organization and the ARB. 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 community challenges, 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.

14. 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 CEQA exemption to repair, maintenance, and minor alterations roadway projects located within existing rights-of-way.

Existing law grants 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 was extended to 2020 by a bill that was unanimously passed by the Legislature and signed by the Governor in 2015. Extending this minor exemption to all jurisdictions has the potential to save money and time when delivering minor, critical repairs to the transportation system.

15. 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 advance statewide climate goals.

In 2012, SB 1339 (Yee, Chapter 871, Statutes of 2012) 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 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.

Administrative Recommendations Regarding Caltrans

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 about the growing financial impacts on the state's limited transportation resources related solely to compliance.

2. Focus state-of-good-repair investments to encourage innovation in the state.

In making investments in the state's transportation system, Caltrans should prioritize elements of its roadway state-of-good-repair projects that empower vehicle automation. Research suggests that the most beneficial action states can undertake to attract businesses driving transportation innovation is to improve roadway state-of-good-repair. For example, since automated vehicle technology works best on well-maintained and marked roads, these firms are naturally attracted to states with a commitment to fix-it-first.

SB 1 enables California to make strides toward improving the state of its transportation system. It is important that maintenance and rehabilitation projects prioritize and focus on readying the state and local infrastructure for deployment of new technologies. For too long, because of the scarcity of resources, state transportation funding has been stretched to try and address the highest needs as efficiently as possible. This has meant that, at times, non-critical infrastructure needs were cut out of construction contracts in order to save funding. Now that SB 1 has infused the system with new funds, it is important that those non-critical components be included in projects, especially those that encourage deployment of innovative technologies.

3. YEAR IN REVIEW

Implementing SB 1

In April 2017, the Legislature passed and the Governor signed SB 1 (Beall, Chapter 5, Statutes of 2017), also known as the Road Repair and Accountability Act of 2017, increasing transportation funding and instituting much-needed reforms. SB 1 provides the first significant, stable, and on-going increase in state transportation funding in more than two decades. In providing this funding, the Legislature has provided additional funding to and increased the Commission's role in a number of existing programs, and created new programs for the Commission to oversee.

The Commission approved its SB 1 implementation plan at its May 17, 2017, Commission meeting. Following adoption of the implementation plan, Commission staff began the guidelines development process for the new and existing programs under SB 1: the Local Partnership Program, the Local Streets and Roads Program, the Solutions for Congested Corridors Program, the Trade Corridor Enhancement Program, the State Highway Operation and Protection Program (SHOPP), the State Transportation Improvement Program (STIP), and the Active Transportation Program.

State Transportation Improvement Program

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

During the year, Commission staff started work on updating the STIP Guidelines to reflect new SB 1 related changes and to incorporate other legislative changes to the STIP process. The Commission adopted these guidelines and an estimate of funds expected to be available over the next five-year STIP period in August 2017.

Asset Management and the State Highway Operation and Protection Program

Senate Bill 486 (DeSaulnier, Chapter 917, Statutes of 2014) requires that Caltrans, in consultation with the Commission, prepare a “robust” Transportation Asset Management Plan (TAMP) to inform and guide the project selection process for the SHOPP. Specifically, the legislative intent in support of an asset management plan is that it serves as a policy document to inform future transportation investment decision making. The Commission adopted both TAMP Guidelines and Interim SHOPP Guidelines on June 28, 2017.

Active Transportation Program

The Active Transportation Program (ATP) was created in 2013 to encourage increased use of active modes of transportation, such as biking and walking. The ATP consolidated various transportation programs – including the federal Transportation Alternatives Program, the State Bicycle Transportation Account, and the federal and state Safe Routes to School programs - into a single program to increase the proportion of biking and walking trips; increase mobility and safety for non-motorized users; and advance the efforts of regional agencies to achieve greenhouse gas reduction goals.

In FY 2016-17, SB 1 provided a $100 million per year increase to ATP. This increase augmented the approximately $123 million annual program.

The Commission received 456 applications requesting almost $977 million in funding in 2016. The 2017 ATP was fully adopted on May 17, 2017 and included 44 projects totaling almost $132 million in the statewide component, 10 projects totaling $26 million in the small urban and rural component, and 68 projects totaling approximately $105 million in the MPO component. Of these, 114 projects will benefit disadvantaged communities and 65 were identified as Safe Routes to School projects.

Recognizing that the program was underfunded, the Legislature boosted the program's funding levels in FY 2016-17 with an additional $10 million from the Greenhouse Gas Reduction Fund for the ATP. The Commission received 27 project applications for these additional dollars. After following a competitive selection process that included review and evaluation by the Commission, Caltrans, and the California Air Resources Board, three projects were selected to receive this funding.

Road Charge Technical Advisory Committee

Senate Bill 1077 (DeSaulnier, Chapter 835, Statutes of 2014) created the California Road Charge Pilot Program and tasked the Chair of the Commission, in consultation with the California State Transportation Agency (Transportation Agency) to convene a fifteen member Technical Advisory Committee (TAC) to study road usage 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 legislation also provides that the TAC may make recommendations on the criteria to be used to evaluate the pilot program. The Transportation Agency was charged with implementing a pilot program by January 1, 2017, and reporting its findings on the pilot program to the TAC, the Commission, and the appropriate policy and fiscal committees of the Legislature by June 30, 2018. The Commission is required to include its recommendations regarding the pilot program in its annual report to the Legislature. The provisions of SB 1077 will sunset on January 1, 2019.

The timeline for the Road Charge Pilot Program was accelerated by the Administration. Based on design recommendations from the TAC, Caltrans developed and implemented the Road Charge Pilot Program. The participant portion of this program operated from July 2016 through March 2017 and included more than 5,000 vehicles which, combined, drove more than 37 million miles. Throughout the Road Charge Pilot Program the TAC received regular updates and provided feedback to Caltrans on program operations. The participant portion of the program ended on March 31, 2017.

Implementing Legislative Recommendations

The Commission's 2016 Annual Report to the Legislature included a number of specific, action-oriented recommendations for legislation. In response, Legislators introduced a number of bills implementing the Commission's recommendations. While some bills fell victim to the legislative process, seven of the bills made it to the Governor's desk and were signed into law. The Commission wishes to acknowledge the hard work of all the authors working to implement Commission recommendations and intends to build on the successes of 2017 to improve transportation in California.

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

- AB 28 (Frazier, Chapter 4, Statutes of 2017) - NEPA Assignment Renewal
- AB 515 (Frazier, Chapter 314, Statutes of 2017) - State Highway System Management Plan
- AB 1218 (Obernolte, Chapter 149, Statutes of 2017) - CEQA Exemptions for Bicycle Plans
- AB 1282 (Mullin, Chapter 643, Statutes of 2017) - Transportation Permit Processing Task Force
- AB 1633 (Frazier, Chapter 158, Statutes of 2017) – Highway Exit Signage for EV Charging
- ACA 5 (Frazier, Chapter 30, Statutes of 2017) - Constitutional Protection of New Transportation Revenues
- SB 1 (Beall, Chapter 5, Statutes of 2017) - Road Repair and Accountability Act of 2017

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

- AB 1 (Frazier) - Transportation Funding Package
- AB 278 (Steinorth) - CEQA Exemptions for Projects in Existing Rights of Way
- AB 1324 (Gloria) - Localized Transportation Sales Tax Measures

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 primarily focused on issues relating to SB 1. 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 Kern and Imperial counties to better understand the key transportation issues in those rural areas of the state.

In addition, through extensive support from its partner agencies, the Commission published the California Mobility Investment Opportunities report, a compendium of priority projects in each region that were unfunded prior to SB 1 but could become reality through new investment opportunities.

Finally, recognizing the profound impact that transportation will undergo as technological changes (such as autonomous vehicles) become more widely utilized by the public, the Commission held a forum to address the policy-related issues regarding these fundamental changes. A broad-range of speakers from the private and public sectors attended to discuss possible policy implications of technological changes to our transportation system.

Transportation Planning

The two primary actions undertaken by the Commission relating to transportation planning during FY 2016-17 was the adoption of the Regional Transportation Plan (RTP) Guidelines in January 2017 and the first-ever California Transportation Plan (CTP) Guidelines in May 2017.

For the first time, to address the varied federal and state planning requirements for the development of RTPs prepared by urbanized Metropolitan Planning Organizations (MPOs) and rural Regional Transportation Planning Agencies (RTPAs), the RTP Guidelines were divided into two separate documents, one directed to MPOs and another for RTPAs. The 2017 RTP Guidelines were developed with extensive input from a wide group of stakeholders.

In response to SB 486 (DeSaulnier, Chapter 917, Statutes of 2014), the Commission, working in consultation with the California Air Resources Board, Caltrans, and other transportation stakeholders, prepared and adopted guidelines for the preparation of the CTP. The purpose of the CTP Guidelines is to provide a cohesive policy framework and document the structure for the development of future CTP updates by Caltrans to ensure consistency with federal and state requirements.

Freight

The federal “Fixing America’s Surface Transportation (FAST) Act” was signed into law in December 2015 and established a new formula freight fund under the National Highway Freight Program for a five-year period. The National Highway Freight Program provides approximately $582 million of apportionments to California over the five-year period of the FAST Act. In addition to the National Highway Freight Program funding, Assembly Bill 133 (Weber, Chapter 2, Statutes of 2016) provided an $11 million Traffic Congestion Relief Fund (TCRF) loan repayment to be used for trade corridor improvements. On June 27, 2016 the Governor signed Senate Bill 826 (Leno, Chapter 23, Statutes of 2016), which directed the Commission to allocate federal National Highway Freight Program formula funds to corridor-based projects selected by local agencies and the state.

The Commission is responsible for the development of guidelines, and the allocation of both the $582 million in federal FAST Act freight funds and the $11 million state TCRF funds. Over the past year, the Commission conducted a series of workshops to develop the California Freight Investment Program (CFIP) Guidelines. With the passage of SB 1 in April 2017, the adoption of the CFIP Guidelines was postponed until additional language could be added to incorporate the new Trade Corridor Enhancement Account program which was included in SB 1. Guidelines for the Trade Corridor Enhancement Program were adopted by the Commission on October 18, 2017.

Proposition 1B

Proposition 1B, approved by the 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 included the Corridor Mobility Improvement Account (CMIA), SR 99 Corridor Account, Trade Corridors Improvement Fund (TCIF), State Local Partnership Program (SLPP), Local Bridge Seismic Retrofit Account (LBSRA), Highway-Railroad Crossing Safety Account (HRCSA), Traffic Light Synchronization Program (TLSP) and the augmentations of the existing STIP and the SHOPP.

As of June 30, 2017, the Commission allocated $11.627 billion of the $12.025 billion in bond funds programmed under its purview. With almost all of the Proposition 1B funds allocated, and most of the allocated projects either constructed or finishing construction, the Commission continues to monitor progress of the projects through the close-out phase of the program.

4. THE ROAD REPAIR AND ACCOUNTABILITY ACT OF 2017 (Senate Bill 1)

After years of advocating for a solution to the state's transportation crisis, the Legislature passed and the Governor signed SB 1 (Beall, Chapter 5, Statutes of 2017), also known as the Road Repair and Accountability Act of 2017, increasing transportation funding and instituting much-needed reforms. Figure 1 is a brief summary of SB 1.

FIGURE 1: Summary of Senate Bill 1 (as passed April 6, 2017)

Revenues: SB 1 increases revenues through several mechanisms:

Beginning November 1, 2017:

- Gasoline excise tax – 12 cent increase
- Diesel excise tax – 20 cent increase
- Diesel sales tax – 4 percent increase

Beginning January 1, 2018:

- New “Transportation Improvement Fee” applied to annual vehicle registration fee
  - » $25 – Cars valued under $5,000
  - » $50 – Cars valued between $5,000 - $25,000
  - » $100 – Cars valued between $25,000 - $35,000
  - » $150 – Cars valued between $35,000 - $60,000
  - » $175 – Cars valued over $60,000

Beginning July 1, 2019:

- Gasoline price-based excise tax (PBET) is set at 17.3 cents[2]

Beginning July 1, 2020:

- $100 Road Improvement Fee – Additional fee to the annual vehicle registration fee for zero-emission vehicles with a model year of 2020 or later

No later than June 30, 2020, all outstanding transportation loans to the General Fund ($706 million) must be repaid as follows:

- $256 million for regional planning grants and the Transit and Intercity Rail Capital Program
- $225 million to Caltrans for the State Highway Operation and Protection Program (SHOPP)
- $225 million sub-vented to cities and counties for local streets and roads

Indexing to Inflation:

Beginning in 2020, the Board of Equalization (BOE) will annually adjust all of the gasoline and diesel excise tax rates (including the base rates and the increased rates in SB 1), as well as the Transportation Improvement Fee, based on the growth of the California Consumer Price Index. The BOE will begin the annual adjustment of the fee on zero-emission vehicles in 2021.

[2]Department of Finance estimates that, without changes to existing law, the Board of Equalization would set the PBET rate to 18 cents on July 1, 2019. The Commission’s 2016 STIP Fund Estimate predicts that the rate would be adjusted to 16 cents on that date. For planning purposes, the change in SB 1 will minimize the volatility of the existing PBET.

Expenditures:

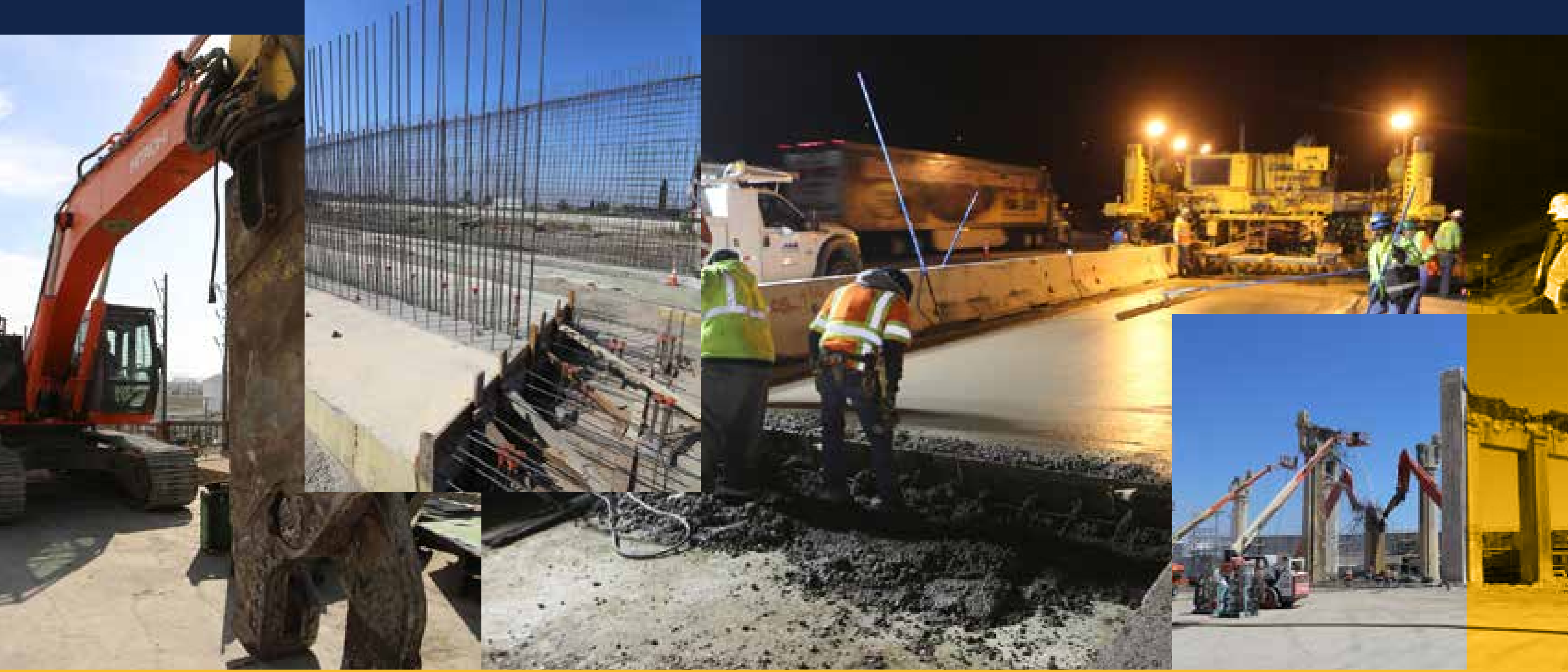
Within the legislative intent language in SB 1, the estimated expenditures by program are as follows:

Funding Amount (over 10 years)	Funding Amount (per year)	Program Name/Description
Local Programs		
$15 billion	$1.5 billion	Local street and road maintenance and rehabilitation
$7.5 billion	$750 million	Transit operations and capital
$2 billion	$200 million	Local Partnership Program
$1 billion	$100 million	Active Transportation Program
$825 million	$82.5 million	State Transportation Improvement Program – regional share
$250 million	$25 million	Local planning grants
State Programs		
$19 billion	$1.9 billion	State highway maintenance and rehabilitation
$3 billion	$300 million	Trade Corridor Enhancement Program
$2.5 billion	$250 million	Solutions for Congested Corridors Program
$800 million	$80 million	Parks, off-highway vehicle, boating, and agricultural programs
$275 million	$27.5 million	State Transportation Improvement Program – interregional share
$250 million	$25 million	Freeway service patrol programs
$70 million	$7 million	California university transportation research programs

Reform Measures: SB 1 includes a number of reforms:

- Requires the Commission to allocate Caltrans' Capital Outlay Support (preconstruction) for SHOPP projects, consistent with the Commission's recommendation in the 2016 Annual Report.
- Requires the newly created Independent Office of Audits & Investigations within Caltrans to ensure the Administration, Legislature, and Commission are fully informed concerning fraud, improper activities or other serious abuses or deficiencies related to the expenditure of transportation funds or administration of Caltrans' programs and operations.

- Creates an Advance Mitigation program to accelerate project delivery while meeting applicable environmental requirements, and funds it with an annual set aside of $30 million for the next four years from the annual appropriations for the STIP and the SHOPP.
- Requires Caltrans to include in their Transportation Asset Management Plan the condition targets for various assets that are included in the bill, and requires the Commission to hold Caltrans accountable to achieving those targets through regular reporting. These targets include:
  - » 98 percent of pavement in good or fair condition
  - » 90 percent of culverts in good or fair condition
  - » 90 percent of transportation management system units in good condition
  - » 500 or more bridges fixed
- Requires the Commission to hold accountable both Caltrans and the cities/counties receiving road repair and maintenance funding through annual reporting.
- Requires Caltrans to implement efficiency measures to generate savings (at least $100 million each year) to invest in maintenance and rehabilitation of the state highway system, and to report annually to the Commission the savings achieved.
- Sunsets the Traffic Congestion Relief Program.



4.1 Commission's Senate Bill 1 Implementation Plan

SB 1 (Beall, Chapter 5, Statutes of 2017) provides the first significant, stable, and on-going increase in state transportation funding in more than two decades. In providing this funding, the Legislature has increased the Commission's role in a number of existing programs, and created new programs for the Commission to oversee.

As stated in the Legislature's findings and declarations of SB 1, "this act presents a balance of new revenues and reasonable reforms to ensure efficiency, accountability, and performance from each dollar invested to improve California's transportation system." SB 1 further states that this comprehensive, reasonable transportation funding package will: 1) ensure transportation needs are addressed, 2) fairly distribute the economic impact of increased funding, and 3) direct increased revenue to the state's highest transportation needs.

SB 1 creates the Road Maintenance and Rehabilitation Account (RMRA) into which the majority of the revenue from the fuel tax increases in SB 1 flow. Programs funded by this account include the Local Partnership Program, the Active Transportation Program, the SHOPP, and Local Streets and Roads apportionments. SB 1 states that "it is the intent of the Legislature that the Department of Transportation and local governments are held accountable for the efficient investment of public funds to maintain the public highways, streets, and roads, and are accountable to the people through performance goals that are tracked and reported."

Specific to the Road Maintenance and Rehabilitation Program (the SHOPP and Local Streets and Roads apportionments funded from the Road Maintenance and Rehabilitation Account), SB 1 includes the following guidance:

- To the extent possible and cost effective, and where feasible, Caltrans and cities and counties shall use advanced technologies and material recycling techniques that reduce the cost of maintaining and rehabilitating the streets and highways, and that exhibit reduced levels of greenhouse gas emissions through material choice and construction method.
- To the extent possible and cost effective, and where feasible, Caltrans and cities and counties shall use advanced technologies and communications systems in transportation infrastructure that recognize and accommodate advanced automotive technologies that may include, but are not necessarily limited to, charging or fueling opportunities for zero-emission vehicles, and provision of infrastructure-to-vehicle communications for transitional or fully autonomous vehicle systems.
- To the extent deemed cost effective, and where feasible, in the context of both the project scope and the risk level for the asset due to global climate change, Caltrans and cities and counties shall include features in the projects funded by the program to better adapt the asset to withstand the negative effects of climate change and make the asset more resilient to impacts such as fires, floods, and sea level rise.
- To the extent beneficial, cost effective, and practicable in the context of facility type, right-of-way, project scope, and quality of nearby alternative facilities, and where feasible, Caltrans and cities and counties shall incorporate complete street elements into projects funded by the program, including, but not limited to, elements that improve the quality of bicycle and pedestrian facilities and that improve safety for all users of transportation facilities.

In addition to fuel tax increases, SB 1 creates two new vehicle registration fees - the Transportation Improvement Fee imposed on all motor vehicles, and the Road Improvement Fee imposed on zero-emission motor vehicles. Revenues from the Road Improvement Fee are deposited in the Road Maintenance and Rehabilitation Account. Revenues from the Transportation Improvement Fee are deposited in three different accounts for three separate purposes: 1) the Public Transportation Account to fund the Transit and Intercity Rail Capital Program and the State Transit Assistance Program, 2) the State Highway Account to fund the Solutions for Congested Corridors Program, and 3) the Road Maintenance and Rehabilitation Account to fund its various programs.

Recognizing the emphasis SB 1 places on accountability, the Commission is incorporating measures in its guidelines for the individual programs to promote efficiency, accountability, and performance from each dollar invested.

The Commission approved the SB 1 implementation plan at its May 17, 2017 Commission meeting. Following adoption of the implementation plan, the Commission began the guidelines development process for the new and existing programs under SB 1: the Local Partnership Program, the Local Streets and Roads Program, the Solutions for Congested Corridors Program, the Trade Corridor Enhancement Account, the SHOPP, the STIP, and the Active Transportation Program.

The development of guidelines includes workshops open to state and federal agencies, tribal governments, regional and local agencies, as well as organizations representing environmental, social equity, land-use, business, and interested stakeholder perspectives.

SB 1 Kick-Off

On June 8, 2017, the Commission held an Implementation Kickoff Forum. More than 200 interested stakeholders attended the event and approximately 200 participated via live webcast. The Kickoff Forum included presentations by the Assembly Transportation Committee Chair Jim Frazier, as well as California State Transportation Agency Secretary Brian Kelly, representatives from Caltrans, the Department of Housing and Community Development, Strategic Growth Council, regional agencies, local governments, social and environmental justice organizations, the business and industrial communities, and others.

First SB 1 Workshop

On June 9, 2017, the Commission hosted its first workshop with a focus on SB 1 Implementation.

An overview of the Commission's implementation strategy for six of the programs outlined in SB 1 was provided. This workshop was the first of many workshops the Commission has convened to solicit input from stakeholders to guide the development of program guidelines. Stakeholders attending in person and those on the phone were engaged throughout the day. This workshop was well attended with approximately 100 attendees and about the same number of teleconference participants. Future workshops have had similar numbers of participants.

Following are descriptions of each of the SB 1 programs the Commission is responsible for administering.

4.2 New Program: Solutions for Congested Corridors Program

SB 1 established a number of programs and reforms including the new Solutions for Congested Corridors Program. The purpose of the program is to provide funding to achieve a balanced set of transportation, environmental, and community access improvements within congested, highly-traveled corridors throughout the state. This statewide, competitive program makes $250 million available annually for projects that implement specific transportation performance improvements and are part of a comprehensive corridor plan by providing more transportation choices while preserving the character of local communities and creating opportunities for neighborhood enhancement. The Commission is responsible for guidelines development and administration of this program.

Regional transportation planning agencies, county transportation commissions and Caltrans are eligible to apply for program funds through the nomination of projects. All projects nominated must be identified in a currently adopted regional transportation plan and an existing comprehensive corridor plan.

The Commission is required to score and select submitted applications based on the following criteria:

1) Safety;

2) Congestion;

3) Accessibility;

4) Economic development, job creation and retention;

5) Air pollution and greenhouse gas emission reductions;

6) Efficient land use;

7) Level of matching funds; and

8) The ability to complete the project in a timely manner.

SB 1 requires preference to be given to comprehensive corridor plans that demonstrate collaboration between Caltrans and local or regional partners, reflecting a comprehensive planning approach. No more than half the available funding each year can be awarded to projects nominated exclusively by Caltrans.

Eligible project elements within the corridor plans may include improvements to state highways, local streets and roads, rail facilities, public transit facilities, bicycle and pedestrian facilities, and restoration or preservation work that protects critical local habitat or open space. Program funds cannot be used to construct general purpose lanes on a state highway. Capacity increasing projects on the state highway system are restricted to high-occupancy vehicle lanes, managed lanes, and other non-general purpose lane improvements for safety and/or operational improvements for all modes of travel. Examples are auxiliary lanes, trucks climbing lanes, or dedicated bicycle lanes.

The Commission adopted guidelines for the Solutions for Congested Corridors Program at its December, 2017 meeting. The guidelines were developed in consultation with the California Air Resources Board, regional transportation planning agencies, and other transportation stakeholder groups. Prior to adoption of the guidelines, the Commission will have conducted numerous public workshops throughout the state to solicit input and feedback. This will include two hearings as required by SB 1, one in northern California and one in southern California. A call for projects is anticipated in December 2017, with project applications due to the Commission in February 2018.

4.3 New Program: Local Partnership Program

Another new program created by SB 1 is the Local Partnership Program. The purpose of this program is to provide local and regional transportation agencies that have passed sales tax measures, developer fees, or other imposed transportation fees with a continuous appropriation of $200 million annually to fund sound walls, road maintenance and rehabilitation, and other transportation improvement projects. The Commission is responsible for guidelines development and administration of this program.

The development of Local Partnership Program guidelines was initiated in June 2017, in consultation with stakeholders representing state, regional, and local government entities, as well as private industry and advocacy groups. Throughout the summer, the Commission held public workshops in locations around the state and engaged transportation interests at the local and regional level to solicit feedback on program guidance and structure. Based on stakeholder input received, the Local Partnership Program will be modeled closely after the Proposition 1B State-Local Partnership Program in the areas of project eligibility, distribution of formula funds based on population and revenue generation, match requirement, and project selection criteria. Program funds will be distributed through a 50% statewide competitive component and a 50% formula component.

To finalize the policy, standards, criteria, and procedures for the development and management of the Local Partnership Program, the Commission conducted robust stakeholder outreach through Fall 2017. Program guidelines were adopted at the October 2017 Commission meeting. The Commission will be adopting a program of projects for the formula component in January 2018 and the competitive component in May 2018.

4.4 New Program: Trade Corridor Enhancement Program

SB 1 provides an ongoing source of state funding dedicated to freight-related projects by establishing the new Trade Corridor Enhancement Account (TCEA). The TCEA will provide approximately $300 million per year in state funding for projects which more efficiently enhance the movement of goods along corridors that have a high freight volume. Subsequent legislation, SB 103 (Committee on Budget and Fiscal Review, Chapter 95, Statutes of 2017), combines the funds in this account with existing federal freight funding for the Commission to fund trade corridor improvements consistent with various statutory requirements, as described below.

California Freight Investment Program

The Fixing America's Surface Transportation (FAST) Act was signed into law on December 4, 2015, by President Obama and authorized federal transportation funding for a five-year period beginning in 2016.

The FAST Act established a new formula freight program known as the National Highway Freight Program (NHFP) to invest in projects which support the efficient movement of freight and the economy. The program provides approximately $571 million to California over the five-year period of the Act. This equates to about $110 million per year beginning with federal fiscal year 2015-16.

In November 2016, the Commission began the guideline development process for the California Freight Investment Program (CFIP) based on SB 826 (Leno, 2016), which directs the Commission to allocate the NHFP funding to corridor-based projects selected by local agencies and the state.

After a number of workshops throughout the state and input from stakeholders representing state, regional, and local governments, advocacy groups and private industry, the final CFIP Guidelines were noticed for adoption at the May 2017 CTC Meeting.

However, action to adopt the guidelines was withdrawn due to the release of proposed budget trailer bill language included in SB 103 which combined the federal NHFP funds and the Trade Corridor Enhancement Account funds approved under SB 1 into one program and identified additional requirements. SB 103 was subsequently signed into law in July 2017.

Trade Corridor Enhancement Program

The Commission is responsible for guidelines development and administration of the new Trade Corridor Enhancement Program (TCEP) as established by SB 1 and modified by SB 103.

The Commission incorporated much of the language proposed for use in the CFIP Guidelines given the tremendous amount work and input received from stakeholders in the development of those guidelines. Additional workshops were held through November 2017, to provide an opportunity for stakeholders to give input on the new requirements set forth under SB 103.

The new requirements under SB 103 include the following:

- Develop parameters to evaluate the potential economic and noneconomic benefits to the state's economy, environment, and public health.
- Develop measures for evaluating benefits or costs for disadvantaged communities and low-income communities.
- Develop performance measures to ensure accountability and transparency.
- Develop a transparent process to evaluate projects.
- Apply the California Sustainable Freight Action Plan Guiding Principles.

The Commission adopted the TCEP Guidelines in October 2017, and anticipates adopting a program of projects in May 2018.

4.5 New Program: Local Streets and Roads Annual Reporting Program

SB 1 dedicated approximately $1.5 billion per year in new formula revenues apportioned by the State Controller (Controller) to cities and counties for basic road maintenance, rehabilitation, and critical safety projects on the local streets and roads system. To promote accountability and transparency in the delivery of local transportation programs, SB 1 established basic annual project reporting requirements for cities and counties associated with these new revenues. To be eligible to receive funding from the Controller, each year cities and counties are required to submit a list of proposed projects to the Commission and a project expenditure report at the end of the year detailing the description, location, amount of funds expended, and estimated useful life of improvements constructed with program funding. The Commission will annually receive and review project lists and reports for completeness and provide to the Controller a statewide list of cities and counties that are eligible to receive funds.

The Controller is responsible for apportioning funds to cities and counties as well as auditing the expenditure of those funds. The Commission's role in this program is focused on compiling and sharing general project information to promote public understanding of how these new revenues are put to work on the local system. To fulfill its role, the

Commission will work in partnership with cities, counties and the Controller's office to annually gather and analyze project data and promote transparency & accountability by providing this information in an online format that is easily understood by, and accessible to, the public.

The Commission initiated the guidelines development process in June 2017, to ensure timely roll-out of this program and to facilitate putting the SB 1 Local Streets and Roads funding to work as soon as possible. Throughout the spring and summer, the Commission worked collaboratively with local and state partners and other stakeholders to develop the program reporting guidelines that were adopted by the Commission in August 2017. Initial project lists from cities and counties were due October 16th and in early December the Commission adopted and transmitted to the Controller a statewide list of cities and counties eligible to receive FY 2017-18 funding. To facilitate transparency, FY 2017-2018 proposed project information provided by cities and counties to the Commission has been posted online at www.rebuildingca.ca.gov. The Controller estimates providing the first monthly apportionments of new local streets and roads program funding to cities and counties in February 2018. The Commission will receive the first round of project expenditure reports from cities and counties in October 2018. This information is expected to be aggregated and shared with the public and the Legislature by December 2018.

4.6 Impact to Existing Program: State Highway Operation and Protection Program

SB 1 increased the Commission’s responsibility and accountability with regard to the State Highway Operation and Protection Program (SHOPP). The approximate $1.9 billion in additional annual SB 1 SHOPP investment will provide $1.5 billion for state highway roadway rehabilitation and $0.4 billion for state highway bridge and culvert maintenance and rehabilitation. SB 1 requires the Commission to adopt and manage the SHOPP in a transparent and accountable manner, similar to the State Transportation Improvement Program (STIP), the Proposition 1B bond programs, and other programs under the Commission’s purview.

Specific SB 1 measures that increase the Commission’s role in enhancing the transparency and accountability of the SHOPP include:

- Commission review and adoption of the four-year SHOPP document, after conducting Northern and Southern California public hearings.
- Review of project budgets, delivery milestone dates, and performance measures for all projects included in the four-year SHOPP document.

- Oversight of the development and management of the SHOPP program including authority to:
    - » Review and approve all proposed project scopes, costs and schedules.
    - » Review and approve all changes to programmed project scopes, costs and schedules.
    - » Allocate funds to all project development phases.
    - » Allocate project construction funds including construction support.

SB 1 codified the Commission-adopted performance measures and targets for the four primary Transportation Asset Management Program (TAMP) asset classes: pavement, bridges, culverts, and transportation management systems (TMS) elements. The performance targets included in SB 1 direct that over the next ten years not less than:

- 98% of pavement on the state highway system be in good or fair condition
- 90% of culverts be in good or fair condition
- 90% of TMS units be in good condition
- An additional 500 bridges be fixed

Meeting the transparency and accountability requirements, along with asset performance measures and goals, requires a fundamental change in the development and management of the SHOPP. Procedures to address these changes are encompassed in the Interim SHOPP guidelines and TAMP guidelines adopted by the Commission in June 2017.

4.7 Impact to Existing Program: Active Transportation Program

The Legislature created the Active Transportation Program (ATP) in 2013 to encourage increased use of active modes of transportation, such as biking and walking. The ATP consolidates various transportation programs - including the federal Transportation Alternatives Program, state Bicycle Transportation Account, and federal and state Safe Routes to School programs - into a single competitive program administered by the Commission.

The ATP initially was funded at about $123 million a year. With the tremendous demand for active transportation projects throughout the state, this funding level only fulfilled about a quarter of the funding requests each program cycle. Recognizing the need for more bike and pedestrian project funding, as part of SB 1, legislators directed $100 million annually from the Road Maintenance and Rehabilitation Account (RMRA) to the ATP, almost doubling the program's funding levels.

With SB1 providing $200 million in ATP funding for fiscal years 2017-18 and 2018-19, the Commission moved quickly to program these funds to shovel-ready projects with more immediate benefits to communities around the state. On June 28, 2017, the Commission adopted amended 2017 ATP Guidelines (2017 ATP Augmentation Guidelines) laying out an efficient process for selecting projects to utilize these early year funds. Since the Commission had just completed a project selection process for the 2017 ATP when SB 1 passed, the Commission decided that augmenting the 2017 ATP with the $200 million in SB 1 funds was the most efficient and effective way to select projects for the new funding in the next two fiscal years. The 2017 ATP Augmentation made funding available to:

- Projects programmed in the adopted 2017 ATP that can be delivered earlier than currently programmed.
- Projects that applied for funding in the 2017 ATP but were not selected for funding.

The next cycle of ATP projects, to be adopted in 2019, will incorporate the new funding levels and therefore these Augmentation Guidelines will no longer be necessary. The Commission initiated workshops to develop guidelines for the 2019 ATP during FY 2017-18.

5. FY 2016-17 ACCOMPLISHMENTS

5.1 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 STIP capital allocation capacity for FY 2016-17 was $236 million. The Commission allocated $135 million for STIP projects (including projects with allocation extensions expiring in FY 2016-17). In addition, the Commission allocated $61 million for Caltrans administered STIP right-of way activities, for a total of $196 million.

It is estimated that the STIP allocation capacity for FY 2017-18 of $327 million will be sufficient for all FY 2017-18 programmed projects and projects that were delayed to FY 2017-18.

2018 STIP Fund Estimate

SB 1 (Beall, Chapter 5, Statutes of 2017), stabilized funding for the STIP by setting the price-based excise tax rate at 17.3 cents starting in FY 2019-20 and annually adjusting this rate for inflation. The 2018 STIP Fund Estimate methodology and assumptions were approved by the Commission on May 17, 2017. The Commission adopted the 2018 STIP Fund Estimate at its August 16, 2017 Commission meeting. The 2018 STIP Fund Estimate includes a total estimate of $3.3 billion in program capacity over the five-year STIP period, including new capacity of approximately $2.2 billion.

The Public Transportation Account (PTA) capacity of $75 million through the STIP period is not sufficient to fund the current program of $201 million, resulting in a shortfall of $126 million. This is primarily due to the increase in PTA funding to other programs and projects as a result of SB 1. Some rail and transit projects funded in the STIP may need to be funded from other sources (e.g. State Highway Account or federal funds) in order to remain in the STIP. Below is the breakdown of the Fund Estimate over the 5-year STIP period.

SUMMARY OF 2018 STIP Fund Estimate

NEW STIP PROGRAMMING CAPACITY BY FISCAL YEAR (dollars in millions)						
	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Transit (PTA)	-$33	-$42	-$81	$15	$15	-$126
Roads (SHA, Federal)	$277	$351	$356	$670	$670	$2,324
Total	$244	$309	$275	$685	$685	$2,1983

2018 STIP Guidelines

The 2018 STIP guidelines development process began early in 2017. Draft guidelines were presented to the Commission at the June 2017 Commission meeting. Hearings were held on July 17, 2017, and August 16, 2017, and final guidelines were adopted by the Commission on August 16, 2017. The 2018 STIP guidelines continue to emphasize coordination and consistency with adopted regional transportation plans (RTPs), the Interregional Transportation Strategic Plan (ITSP), and investment strategies and decisions consistent with state and federal laws, and include criteria to evaluate and communicate the regional and statewide benefits of projects programmed in the adopted STIP.

2017 Report on County and Interregional Share Balances

Section 188.11 of the California Streets and Highways Code requires the Commission to maintain a record of County and Interregional STIP Share 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 4, 2017, the Commission released its Twentieth Annual Report of STIP Balances, County and Interregional Shares. The report included the 2016 STIP adopted in May 2016, including allocations and other actions approved through June 2017. The balances in the report are based on the capacity identified through FY 2020-21 in the Amended 2016 STIP Fund Estimate.

The 2017 STIP Balances, County and Interregional Shares Report can be found at http://www.catc.ca.gov/programs/STIP/orangebooks.htm

5.2 Asset Management Plan

SB 486 (DeSaulnier, Chapter 917, Statutes of 2014) requires Caltrans, under Commission oversight, to develop a robust Transportation Asset Management Plan (TAMP). The TAMP will serve as the policy document that informs and guides transportation investment decision-making in the project selection process for the State Highway Operation and Protection Program (SHOPP). SB 486 allows Caltrans to develop the TAMP in phases, but requires that the TAMP be fully implemented by the 2020 SHOPP.

Significant progress took place in the development of the TAMP in FY 2016-17. The Commission approved performance measures and targets for four primary asset classes at the October 2016 meeting: pavement, bridges, culverts, and traffic management system elements. The four primary asset classes collectively represent 70 percent of the SHOPP rehabilitation needs. At the June 2017 meeting, the Commission approved realignment and consolidation of 16 supplemental asset classes into 9 supplemental asset classes to provide a more complete picture of the condition of the State Highway System physical assets. According to the Commission's adopted TAMP guidelines, seven of the supplemental asset classes (highway lighting, overhead sign structures, drainage pump plants, weigh in motion scales, roadside rest facilities, transportation related facilities, and office buildings) will include a definition of the inventory, an assessment of current condition, defined performance targets, and a performance gap analysis. The remaining two supplemental asset classes (sidewalks and park & ride facilities) require site-specific accessibility analysis. Identified accessibility deficiencies will be quantified and monitored within the TAMP for these two asset classes.

To aid and guide Caltrans in the development of the TAMP, the Commission adopted TAMP Guidelines at its June 2017 meeting. The TAMP Guidelines reflect state and federal laws, Governor's Executive Orders, the California Transportation Plan, and current industry best-management practices.

5.3 State Highway Operation and Protection Program

Passage of SB 486 (DeSaulnier, Chapter 917, Statutes of 2014) and SB 1 (Beall, Chapter 5, Statutes of 2017) increased the Commission's duties and responsibilities related to the State Highway Operation and Protection Program (SHOPP). To meet these new duties and responsibilities, in May 2017, the Commission developed and published draft Interim SHOPP guidelines[3] and hosted a public forum on the guidelines shortly after publication. The guidelines describe the policy, standards, criteria and procedures for the development, adoption, and management of the SHOPP by the Commission. The draft interim guidelines were reviewed and commented upon by stakeholders, including Caltrans, and where appropriate, edits were incorporated. The Commission adopted the Interim SHOPP Guidelines at the June 2017 meeting. The guidelines, which emphasize accountability, flexibility, transparency, and simplicity, went into effect on July 1, 2017.

An essential element in the development of the SHOPP is the biennial Ten-Year SHOPP Plan developed by Caltrans. The Commission reviewed and transmitted comments to Caltrans on the 2017 Ten-Year SHOPP Plan at the May 2017 meeting. This long-range plan, which identifies all rehabilitation needs on the state highway for the next ten years, along with the companion TAMP and the Fund Estimate, comprises the foundation for the development and adoption of the 2018 SHOPP document.

[3]The Commission developed and adopted interim SHOPP guidelines to reflect changes in the program resulting from SB 1. These interim guidelines will be reviewed and updated as needed concurrent with the 2018 SHOPP programming cycle.

The harsh winter of FY 2016-17 also posed a challenge for the SHOPP. After many years of mild winters and modest rainfall, the winter storms drenched the state and covered the mountain passes with deep snow, causing slides, slip outs, bridge and culvert failures and other damage at hundreds of locations. Particularly hard hit was State Route 1, also known as the Pacific Coast Highway. Although the immediate damage has been repaired and most locations are now open to traffic, a number of sites require additional permanent restoration work to bring the roadway back to pre-storm damage condition. This permanent restoration work will continue into future years of the SHOPP.

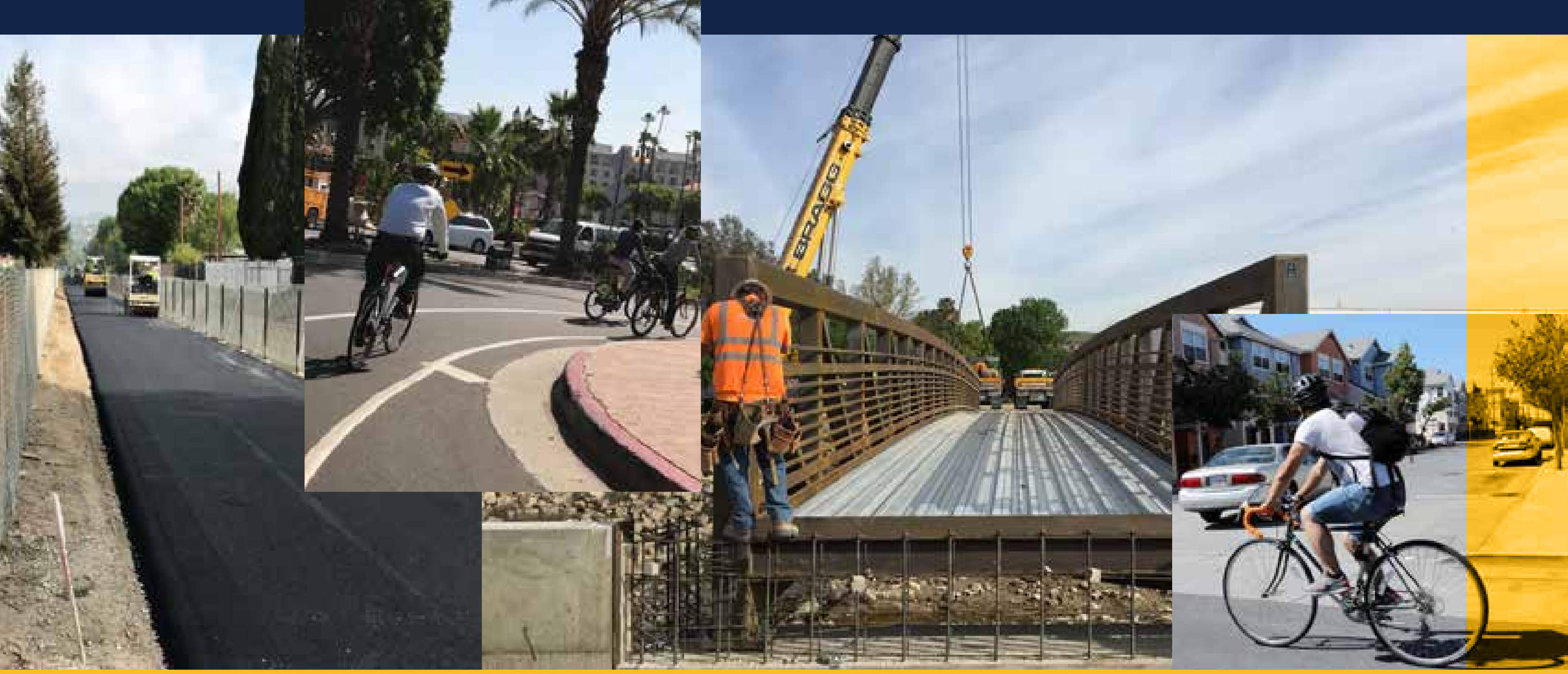
During FY 2016-17, the Commission allocated $2.4 billion in SHOPP project capital allocations, with $2.2 billion allocated to 527 projects, $46 million allocated in a lump sum for right-of-way acquisition, and $86 million allocated in a lump sum for minor projects.

State Route 269 near Huron, California

The passage of SB 1 supports the funding of many long overdue state highway rehabilitation projects. One example is the reconstruction of State Route (SR) 269 in Fresno County near the rural community of Huron. SR 269 is a critical connector between SR 198 and Interstate 5, connecting Huron's agricultural economy to goods movement corridors.

In the 1960s, a nearby segment of the California Aqueduct was constructed, intercepting Arroyo Pasajero Creek. Although some roadway flooding was anticipated, the magnitude and impact of the flooding was severely underestimated. Intermittent flooding, road closures, lengthy detours, and post-flood cleanup has continued for almost 30 years.

The solution, construction of a "flood-resistant" roadway, is not just a regional priority, but also a state-wide one. In partnership with the state, Fresno County Transportation Authority also dedicated funds towards this project. Although long-overdue, this partnership, along with the new funding resulting from the passage of SB 1, supports this long-term and sustainable solution. The "flood-resistant" roadway project is anticipated to commence construction in 2018.



5.4 Active Transportation Program

The Active Transportation Program (ATP) is a competitive 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' specific goals of tripling bicycle trips and doubling walking trips by 2020.

California Streets and Highways Code Section 2380 outlines the following goals for the program:

- Increase the proportion of biking and walking trips.
- Increase safety and mobility for non-motorized users.
- Advance efforts of regional agencies to achieve greenhouse gas reduction goals.
- Enhance public health, including the reduction of childhood obesity through the use of Safe Routes to Schools Program projects.
- Provide a broad spectrum of projects to benefit many types of active transportation users.
- Ensure that disadvantaged communities fully share in the benefits of the program.

ATP funding is divided into three components: 1) a statewide competition with 50 percent of program funds; 2) Metropolitan Planning Organizations (MPOs) with 40 percent of program funds; and 3) small urban and rural communities with 10 percent of program funds. The Commission adopts ATP guidelines, project scoring criteria, and an ATP fund estimate. In addition, the Commission oversees the ATP grant application evaluation process, adopts eligible projects into the program, establishes and maintains a project contingency list for the small urban and rural component, allocates funds to projects, and annually reports to the Legislature on the overall progress of the program at achieving its statutorily-specified goals.

Fiscal year 2016-17 was eventful for the Active Transportation Program. The Commission adopted the program's 3rd full cycle, the 2017 ATP; the program received additional funding from both the Greenhouse Gas Reduction Fund (GGRF) and SB 1; the program's technical advisory committee provided ongoing guidance to Caltrans and Commission staff regarding complex program and project delivery issues; and the Commission, in conjunction with Caltrans, instituted an ATP project scope change process to ensure that implementing agencies deliver the promised project benefits when responding to unforeseen project delivery challenges.

To initiate development of the 2017 ATP, the Commission held four stakeholder workshops in January and February of 2016 to consider revisions to the ATP guidelines and the ATP application. Major guideline revisions that resulted from the workshops included developing an application scoring method that encouraged funding projects in the most severely disadvantaged communities in the state. 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 requesting nearly $977 million of ATP funds. The 2017 ATP was fully adopted on May 17, 2017 and included 44 projects totaling almost $132 million in the statewide component, 10 projects totaling $26 million in the small urban and rural component, and 68 projects totaling approximately $105 million in the MPO component. Of these, 114 projects will benefit disadvantaged communities and 65 identified as safe-routes-to-school projects.

The ATP was initially funded at approximately $123 million annually. As the table below shows, however, this funding level only fulfilled about a third of the ATP funding requests received by the Commission in the program's first three cycles. Recognizing that the program was underfunded, the Legislature boosted the program's funding levels twice in FY 2016-17. The first increase came from AB 1613 (Committee on Budget, Chapter 370, Statutes of 2016), which appropriated $10 million from the Greenhouse Gas Reduction Fund (GGRF) for the ATP. The only ATP project types eligible for these funds were new, paved bicycle and pedestrian facilities and expansions of existing bike share programs. In addition, because of the requirements on the funding source, projects receiving these funds must achieve greenhouse gas reductions and further the purposes of AB 32, the California Global Warming Solutions Act of 2006. The Commission received 27 project applications for the ATP-GGRF. After following a competitive selection process that included review and evaluation by the Commission, Caltrans, and the California Air Resources Board, three projects were selected to receive this funding.

The ATP received additional funding with the passage of SB 1 in April 2017. SB 1 allocates $100 million per year from the RMRA to the ATP beginning in FY 2017-18. In order to program the $200 million in fiscal years 2017-18 and 2018-19 quickly and efficiently, the Commission elected to augment the recently adopted 2017 ATP by using the new funding to advance previously awarded projects into earlier years and to fund additional highly-ranked projects. After conducting two workshops with stakeholders, on June 28th, 2017, the Commission adopted the 2017 ATP Augmentation Guidelines describing the process by which projects will be selected for programming with funds available by SB 1 for fiscal years 2017-18 and 2018-19. The Commission is on target to have programmed projects with this funding by December 2017.

Over the past few years, the Commission has worked closely with Caltrans and 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 the goal of increasing use of active transportation including defining ineligible project costs, the scope of the Active Transportation Resource Center, and the application evaluation process. The Commission also closely collaborates with regional agencies to improve ATP delivery and project scope consistency.

Active Transportation Program through Fiscal Year 2016-17			
	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	122
Total Funds Programmed	$367,890,000	$359,043,000	$263,522,000
* Cycle 3 figures do not include the ATP-GGRF or SB 1 Augmentation.			
Funds Allocated (non-advancement)	$317,427,110	$64,263,000	$766,000
Number of Allocation Time Extensions	153	33	N/A
Total $ Amount of Allocation Time Extensions	$201,575,000	$16,060,000	N/A
Total $ Amount of Lapses	$7,571,890	$298,000	N/A
Allocation Advancements into FY 16/17	$5,054,000		

5.5 Road Charge Technical Advisory Committee

The California Road Charge Technical Advisory Committee (TAC) 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 to convene a fifteen-member TAC to study road charge alternatives to the gas tax, gather public comments, and make recommendations to the Transportation Agency regarding the design of a road charge pilot program. The TAC membership includes representatives from the telecommunication 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.

As part of the FY 2015-16 budget, the Governor and Legislature approved an acceleration of the Road Charge Pilot Program. In December 2015, the TAC adopted its Road Charge Pilot Design Recommendations to provide direction to the development of the program. Caltrans designed the pilot program consistent with the Committee's recommendations. The pilot program ran for nine months with over 5,000 vehicles enrolled and 37 million miles reported.

The pilot program began July 2016, and finished well over a year ahead of schedule in March 2017. SB 1077 requires the California State Transportation Agency to report on the operation and evaluation of the pilot program, and requires the Commission to provide recommendations to the Legislature for next steps based on that evaluation. Specifically, the Transportation Agency's evaluation of the program must address factors including the cost, privacy, jurisdictional issues, feasibility, complexity, acceptance, use of revenues, security, compliance, data collection technology, potential for additional driver services, and implementation issues. While the Transportation Agency's evaluation is not statutorily due until June 2018, the report is anticipated to be released by the Transportation Agency in December 2017.

Passage of SB 1 (Beall, 2017) provided the state with a much-needed increase in funding for transportation infrastructure. It is important, however, for the Commission and the Legislature to look beyond the next decade toward a future when reliance on internal combustion engines for transportation will decline dramatically. By many measures, the TAC and the Commission see the pilot program as a success. This pilot has demonstrated a possible long-term alternative to the gas tax which can create stability and ensure longevity for California's transportation revenues.

The TAC continues to meet to discuss policy issues related to alternatives to the gas tax. Beyond the recommendation to continue the TAC's oversight of future road charge pilots, the Commission will wait for the Transportation Agency's findings report before providing additional recommendations to the Legislature regarding future road charge efforts.

5.6 Proposition 1B

Proposition 1B, approved by the voters in November 2006, authorized the issuance of $19.925 billion in state general obligation bonds with $12.025 billion to be programmed and allocated by the Commission 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; Trade Corridors Improvement Fund; State Route 99 Corridor Account; State-Local Partnership Program; Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA); Highway-Railroad Crossing Safety Account; Traffic Light Synchronization Program; Local Bridge Seismic Retrofit Account; and the augmentation of the existing STIP and the SHOPP (collectively Proposition 1B Programs). Consistent with the requirements of Proposition 1B, with the exception of the PTMISEA, the Commission programs and allocates bond funding for each of the above-mentioned programs.

As of June 30, 2017, the Commission allocated $11.627 billion of the $12.025 billion in bond funds programmed under its purview. With almost all of the Proposition 1B funds allocated, and most of the allocated projects either constructed or finishing construction, the Commission continues to monitor 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 to ensure that the annual Caltrans audit plan encompasses 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.

As of June 30, 2017, 114 of the 129 construction contracts totaling $3.09 billion have been completed and 15 contracts totaling $1.39 billion are under construction. In FY 2016-17, 11 construction contracts totaling $526.90 million were completed. The table below provides the summary of the allocated CMIA contracts, contracts under construction, and contracts completed by fiscal year.

CMIA Program Contracts and Dollars by FY of Allocation (millions)

	Allocated CMIA Contracts			Contracts Under Construction			Construction Contracts Accepted			
Fiscal Year	#	Total Funds	CMIA Funds	#	Total Funds	CMIA Funds	#	Total Funds	CMIA Funds	# FDRs
07-08	11	$1,049.56	$663.90							
08-09	17	$2,615.38	$1,158.02	1	$1,137.70	$730.00				
09-10	18	$960.88	$439.29				4	$205.78	$60.11	4
10-11	14	$928.72	$103.17	2	$273.40	$55.54	8	$373.70	$182.58	8
11-12	63	$4,125.31	$2,021.85	7	$1,235.89	$451.09	8	$437.03	$273.97	8
12-13	6	$2,698.10	$90.56	5	$2,355.60	$151.66	19	$922.66	$409.64	17
13-14							19	$974.66	$386.77	18
14-15							19	$1,577.29	$582.90	14
15-16							26	$1,644.57	$665.63	7
16-17							11	$1,239.57	$526.90	
Total Value	**129**	**$12,377.96**	**$4,476.79**	**15**	**$5,002.59**	**$1,388.29**	**114**	**$7,375.26**	**$3,088.50**	**76**

A total of 90 Corridor projects in CMIA are reflected in 129 construction contracts. Final delivery reports (FDRs) are to be completed within six months after construction contracts are accepted. This report reflects the available data as of June 30, 2017. Figures may not sum up due to rounding.

Trade Corridors Improvement Fund

Proposition 1B authorized $2 billion in general obligation bond proceeds to be deposited in the Trade Corridors Improvement Fund (TCIF). Funds in the TCIF are available for allocation to California infrastructure improvements along federally designated "Trade Corridors of National Significance" or along other corridors that have a high volume of freight movement. TCIF funds may be used for highway capacity and operational improvements to more efficiently accommodate the movement of freight from seaports, land ports of entry and airports to warehousing and distribution centers; for freight rail improvements to move goods from seaports and land ports of entry to warehousing and distribution centers throughout California; truck corridor improvements, including dedicated truck facilities or truck toll facilities; and border access improvements to enhance goods movement between California and Mexico. Proposition 1B requires that the Commission allocate funds on projects that improve trade corridor mobility while reducing diesel particulate and other pollutant emissions.

As of June 30, 2017, 98 projects have been programmed in the TCIF program totaling $2.44 billion and $2.43 billion has been allocated. Due to complexity, timing, and construction phasing, some corridor projects were split into multiple projects resulting in 102 individual construction contracts.

From the 102 allocated construction contracts, 55 contracts totaling $954.43 million have been completed and 47 contracts totaling $1.47 billion are under construction. In FY 2016-17, 13 construction contracts totaling $328.75 million were completed. Currently, the TCIF available capacity is about $14.42 million due to project savings. The table below provides the summary of the programmed and allocated TCIF contracts, contracts under construction, and contracts completed by fiscal year.

TCIF Program Projects, Contracts, and Dollars by FY of Allocation (1,000's)

	Programmed Projects		Allocated TCIF Contracts			Contracts Under Construction			Contracts Completed			
Fiscal Year	#	TCIF Funds	#	Total Funds	TCIF Funds	#	Total Funds	TCIF Funds	#	Total Funds	TCIF Funds	# FDRs
07-08	54	$1,878,966	1	$33,003	$4,953		$0	$0		$0	$0	
08-09	2	$42,557	4	$237,968	$108,123		$0	$0		$0	$0	
09-10	1	$27,847	2	$88,841	$29,724	2	$499,241	$242,141	2	$33,003	$4,953	1
10-11	2	$33,583	9	$1,741,094	$466,855		$0	$0		$0	$0	
11-12	5	$112,129	22	$1,633,619	$610,709	3	$662,286	$246,613	2	$45,870	$17,037	2
12-13	3	$33,018	29	$2,435,300	$747,034	5	$1,351,061	$306,995	3	$120,553	$60,410	2
13-14	11	$198,014	14	$863,015	$326,443	14	$1,607,336	$405,768	6	$256,178	$121,070	3
14-15	9	$29,999	9	$132,415	$53,732	9	$526,622	$169,430	15	$760,717	$230,115	4
15-16	6	$54,225	9	$337,437	$54,943	5	$273,498	$70,681	14	$550,436	$192,093	6
16-17	5	$31,921	3	$1,689,176	$25,320	9	$1,758,079	$31,784	13	$746,988	$328,747	6
Total Value	**98**	**$2,442,259**	**102**	**$9,191,868**	**$2,427,836**	**47**	**$6,678,123**	**$1,473,412**	**55**	**$2,513,745**	**$954,425**	**24**

Final delivery reports (FDRs) are to be completed within six months after construction contracts are accepted. This report reflects the available data as of June 30, 2017. Figures may not sum up due to rounding. Due to complexity, some programed projects were split into multiple projects and contracts.

State Transportation Improvement Program (STIP) 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.

As of June 30, 2017, $1.959 billion has been allocated to 89 STIP projects as part of the 2006 STIP Augmentation and 87 projects are complete.

State Route 99 Corridor Account

Proposition 1B authorized $1 billion in general obligation bond proceeds to be deposited in the State Route 99 (SR-99) Account. Funds in the SR-99 Account may be used for safety, operational enhancement, rehabilitation, or capacity improvement projects on the SR-99 corridor. The corridor traverses approximately 400 miles of the state's central valley. The Commission programmed 23 SR-99 corridor projects. Some of the corridor projects are constructed in stages, thus resulting in 27 construction contracts. Including non-bond fund sources, the SR-99 corridor projects are valued at more than $1.3 billion.

As of June 30, 2017, 25 of the 27 allocated contracts totaling $792 million have been completed and 2 contracts totaling $165 million are under construction. In FY 2016-17, 3 construction contracts totaling $93 million were completed.

The table below shows the summary of the allocated SR-99 contracts, contracts under construction, and contracts completed by fiscal year.

SR-99 Program Contracts and Dollars by FY of Allocation (millions)											
	Allocated Contracts			Contracts Under Construction			Construction Contracts Accepted				
Fiscal Year	#	Total Funds	SR-99 Funds	#	Total Funds	SR-99 Funds	#	Total Funds	SR-99 Funds	# FDRs
9-10	5	$194.9	$221.2							
10-11	1	$38.3	$29.4							
11-12	15	$813.1	$716.2				1	$22.0	$22.0	1
12-13	4	$87.0	-$42.6				2	$15.0	$11.0	2
13-14	2	$211.4	$32.4				1	$32.0	$19.0	1
14-15							8	$340.0	$259.0	6
15-16							10	$547.0	$388.0	3
16-17				2	$257.0	$165.0	3	$130.0	$93.0	5
Total Value	**27**	**$1,344.7**	**$956.6**	**2**	**$257.0**	**$165.0**	**25**	**$1,086.0**	**$792.0**	**18**

Final delivery reports (FDRs) are to be completed within six months after construction contracts are accepted. This report reflects the available data as of June 30, 2017. Figures may not sum up due to rounding.

State-Local Partnership Program Account

Proposition 1B authorized $1 billion for the State-Local Partnership Program (SLPP) Account for allocation by the Commission over a five-year period to eligible transportation projects nominated by local transportation agencies.

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

As of June 30, 2017, the number of programmed projects has dropped from 260 to 257 due to the inability of the projects to meet timely use of funds requirements. From the programmed projects, 229 projects have completed construction, 192 submitted Final Delivery Reports, and 28 projects are in construction.

State Highway Operation and Protection Program (SHOPP) Augmentation

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. Projects are tracked as part of the normal SHOPP process.

As of June 30, 2017, $401.8 million has been allocated to 39 SHOPP projects. The balance of $98.2 million includes savings from 34 original SHOPP projects and $10 million set aside

for administration. In FY 2016-17, 3 projects totaling $69.3 million were programmed, resulting in the net available balance of about $18.9 million.

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 PTMISEA account are available for 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.

As of June 30, 2017, 22 intercity rail projects have been allocated totaling $339.50 million. From the 22 projects, 12 projects totaling $126.13 million in intercity rail funds have been completed and 10 projects totaling $213.37 million are under construction. The table below shows the summary of the allocated intercity rail projects, projects under construction, and completed projects by fiscal year.

IR Program Projects and Dollars by FY of Allocation (millions)

Fiscal Year	Allocated IRI Projects			Projects Under Construction			Completed Projects			
	#	Total Funds	IR Funds	#	Total Funds	IR Funds	#	Total Funds	IR Funds	# FDRs
07-08	5	85.59	50.38				5	$85.59	$50.38	5
08-09	2	50.49	35.49				2	$50.49	$35.49	2
09-10	1	3.10	3.15				1	$3.10	$3.15	1
10-11	1	3.75	3.75				1	$3.75	$3.75	1
11-12	2	195.71	67.45	2	$195.71	$67.45				
12-13	1	25.75	25.75				1	$25.75	$25.75	1
13-14	3	87.56	11.81	2	$5.31	$5.31	1	$82.25	$6.50	1
14-15	3	141.42	108.22	3	$141.42	$108.22				
15-16	3	32.80	32.50	2	$31.70	$31.40	1	$1.10	$1.10	1
16-17	1	22.73	1.00	1	$22.73	$1.00				
Total Value	**22**	**648.90**	**339.50**	**10**	**$396.86**	**$213.37**	**12**	**$252.04**	**$126.13**	**12**

Final delivery reports (FDRs) are to be completed within six months after construction contracts are accepted. This report reflects the available data as of June 30, 2017. Figures may not sum up due to rounding.

Highway-Railroad Crossing Safety Account

Proposition 1B authorized $250 million in general obligation bond proceeds 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 program is subject to the provisions of Government Code Section 8879.23 (j) where the HRCSA program funding is split into two parts as follows:

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

Since 2008 the HRCSA program has gone through five two-year programming cycles. As projects are completed and final expenditures are recorded, program savings are recycled.

As of June 30, 2017, 38 projects have been programmed totaling $246.5 million. From the total programmed value of $246.5 million, $243.7 million has been allocated. Of the 38 programmed projects, 32 projects totaling $201.6 million have been completed and 6 projects totaling $42.1 million are under construction. Currently, the HRCSA available capacity is about $2.8 million. The table below provides the summary of the programmed and allocated HRCSA projects, projects under construction, and completed projects by fiscal year.

HRCSA Program Projects and Dollars by FY of Allocation (millions)

2-Year Program Cycle	Programmed Projects		Allocated Projects			Projects Under Construction			Completed Projects			
	#	HRCSA Funds	#	Total Funds	HRCSA Funds	#	Total Funds	HRCSA Funds	#	Total Funds	HRCSA Funds	# FDRs
06-08	16	$116.7	16	$520.5	$116.7	1	$60.9	$5.0	15	$459.6	$111.7	15
08-10	8	$66.0	8	$294.9	$66.0	1	$48.8	$5.0	7	$246.1	$61.0	6
10-12	12	$42.8	12	$147.2	$42.7	2	$35.0	$13.8	10	$112.2	$28.9	9
12-14	1	$18.3	1	$153.2	$18.3	1	$153.2	$18.3	0	$0.0	$0.0	0
14-16	1	$2.7	1	$78.4	$0.0	1	$78.4	$0.0	0	$0.0	$0.0	0
Total	**38**	**$246.5**	**38**	**$1,194.2**	**$243.7**	**6**	**$376.3**	**$42.1**	**32**	**$817.9**	**$201.6**	**30**

Final delivery reports (FDRs) are to be completed within six months after construction contracts are accepted. This report reflects the available data as of June 30, 2017. Figures may not sum up due to rounding. In FY 2012, one project was split in two phases.

Traffic Light Synchronization Program

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

SB 88 (Committee on Budget and Fiscal Review, 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.

The Commission programmed 22 traffic light synchronization projects for the City of Los Angeles and 59 traffic light synchronization projects for agencies other than the City of Los Angeles for a total of 81 TLSP projects with a net programmed value of $243.84 million.

Due to complexity, timing, and construction phasing, some projects were split into multiple projects, resulting in 85 individual construction contracts.

As of June 30, 2017, 77 of the 85 allocated construction contracts totaling $182.15 million have been completed and 8 contracts totaling $61.70 million are under construction. The table below shows the summary of the programmed and allocated TLSP contracts, contracts under construction, and contracts completed by fiscal year.

TLSP Program Projects, Contracts, and Dollars by FY of Allocation

	Programmed Projects		Allocated TLSP Contracts			Contracts Under Construction			Contracts Completed			
Fiscal Year	#	TLSP Funds	#	Total Funds	TLSP Funds	#	Total Funds	TLSP Funds	#	Total Funds	TLSP Funds	# FDRs
08-09			38	$69,469,506	$61,337,300				4	$1,331,196	$660,756	3
09-10	84	$245,000,000	17	$65,114,939	$42,717,000	1	$35,349,000	$17,500,000	14	$7,255,481	$4,960,827	11
10-11			7	$65,817,210	$61,940,500	1	$25,618,405	$18,718,405	16	$15,063,859	$11,204,170	14
11-12	-3	($1,154,067)	15	$49,948,000	$38,628,354				7	$30,158,838	$19,390,341	7
12-13			1	$35,349,000	$6,799,579				19	$67,773,976	$50,977,334	11
13-14			3	$13,711,100	$11,819,400	1	$5,597,300	$4,877,900	8	$45,005,800	$34,934,400	5
14-15			3	$24,576,820	$13,540,700	2	$20,214,920	$15,779,300	8	$58,748,100	$53,502,500	5
15-16			0			1	$4,361,900	$4,076,500	1	$7,507,800	$6,515,500	1
16-17			1	$14,100,000	$7,063,100	2	$14,100,000	$748,000				0
Total Value	**81**	**$243,845,933**	**85**	**$338,086,575**	**$243,845,933**	**8**	**$105,241,525**	**$61,700,105**	**77**	**$232,845,050**	**$182,145,828**	**57**

In 11-12, three projects were removed from the program. Final delivery reports (FDRs) are to be completed within six months after construction contracts are accepted. This report reflects the available data as of June 30, 2017. Figures may not sum up due to rounding. Due to complexity, some programed projects were split into multiple projects and contracts.

Local Bridge Seismic Retrofit Account

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

Subsequent to the 1989 Loma Prieta earthquake, Caltrans identified 1,242 local bridges as needing seismic evaluation. In April 2007, Caltrans reported that the 479 remaining local bridges on the Local Bridge Seismic Retrofit Program (LBSRP) list are eligible to receive LBSRA funds as required match to Federal Highway Bridge funds.

Caltrans updates the LBSRP list as projects progress through the delivery process. The list is updated on the federal fiscal year (FFY) 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.

As of June 30, 2017, 238 projects have been programmed totaling $98.4 million and 168 projects totaling $59.9 million have been sub-allocated. From the 168 sub-allocated projects, 155 projects totaling $39.2 million have been completed and 13 projects totaling $19.3 million are under construction. The table below provides a summary of the LBSRA programmed and sub-allocated projects, projects under construction, and completed projects by fiscal year.

LBSRP Program Projects and Dollars by FY of Allocation (millions)

	Programmed Projects		Sub Allocated Projects		Projects Under Construction		Construction Contracts Accepted		
Fiscal Year	#	LBSRP Funds	#	LBSRP Funds	#	LBSRP Funds	#	LBSRP Funds	# FDRs
07-08	48	$13.3	52	$13.3	0	$0.0	51	$13.3	48
08-09	84	$21.0	21	$4.4	0	$0.0	21	$4.4	18
09-10	19	$12.2	14	$12.2	0	$0.0	14	$10.9	14
10-11	13	$4.4	19	$0.0	0	$0.0	19	$0.0	12
11-12	8	$5.2	8	$3.7	0	$0.0	9	$3.7	8
12-13	11	$4.1	34	$4.0	0	$0.0	34	$3.9	16
13-14	22	$11.2	10	$7.1	3	$4.1	7	$3.0	0
14-15	11	$7.0	4	$1.3	4	$1.3			
15-16	14	$10.2	4	$9.0	4	$9.0			
16-17	8	$9.8	2	$4.9	2	$4.9			
Total Value	**238**	**$98.4**	**168**	**$59.9**	**13**	**$19.3**	**155**	**$39.2**	**116**

Final delivery reports (FDRs) are to be completed within six months after construction contracts are accepted. This report reflects the available data as of June 30, 2017. Figures may not sum up due to rounding. The Construction Acceptance includes savings.

Accountability

In clarifying legislation to Proposition 1B, SB 88 designated the Commission as the administrative agency for the CMIA, SR99, TCIF, STIP Augmentation, SLPP, TLSP, LBSRA, HRCSA, and SHOPP Augmentation funded Proposition 1B programs. SB 88 imposed various requirements for the Commission relative to adopting guidelines, making allocations of bond funds, reporting on projects funded by the bond funds, and ensuring that the required bond project audits of expenditures and outcomes are performed.

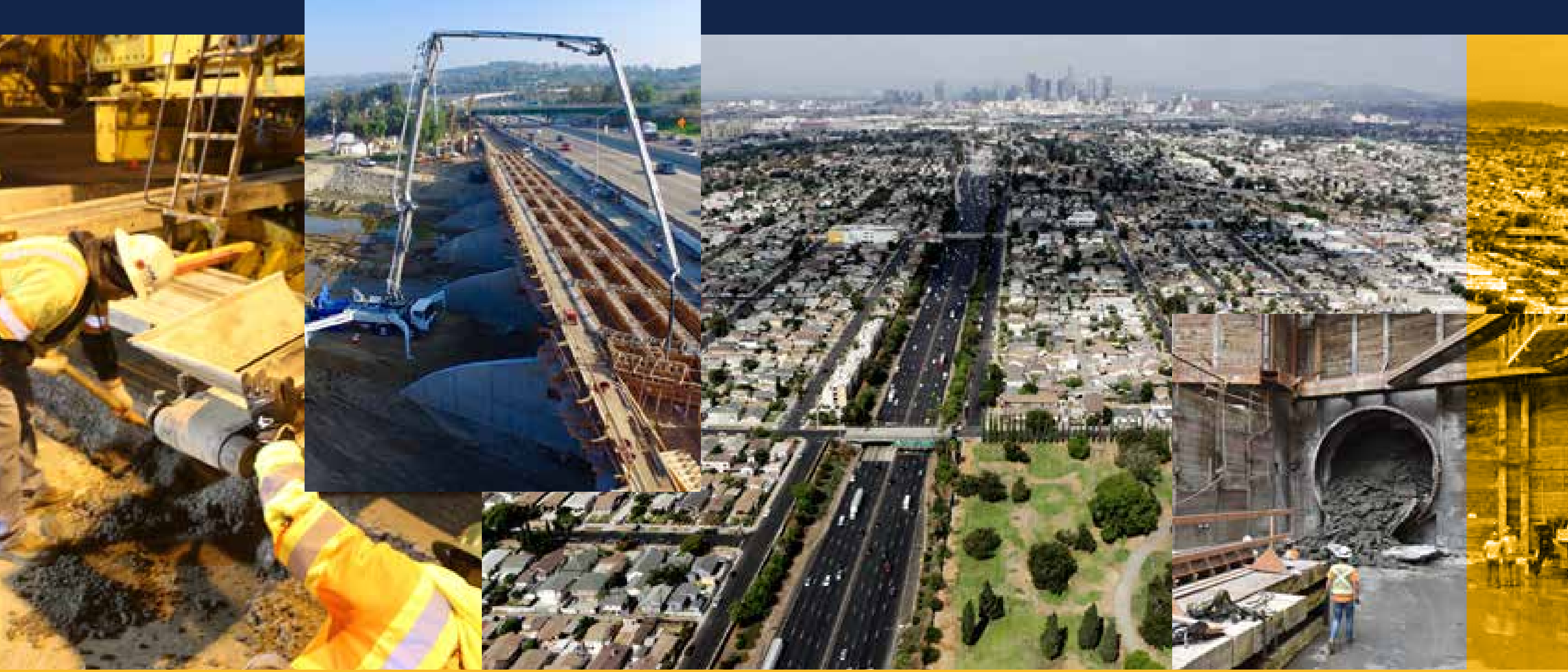
In addition, Executive Order S-02-07, issued by Governor Arnold Schwarzenegger on January 24, 2007, significantly increased the Commission's delivery monitoring responsibility for the bond-funded projects. As a result, the Commission developed and implemented an accountability plan, with primary focus on the delivery of bond funded projects within their approved scope, cost and schedule.

A key element of the Commission's responsibility for accountability as an administrative agency for specific bond programs is submitting reports to the Department of Finance on a semi-annual basis. The purpose of these reports is to ensure that projects are proceeding on schedule and within their estimated cost. As part of its Accountability Implementation Plan, the Commission requires bond fund recipients to report to the Commission on a quarterly basis. These reports are reviewed by the Commission and posted on the Bond Accountability website.

Another key element of bond accountability is the audit of bond project expenditures and outcomes. Specifically, the Commission developed and implemented an accountability plan which includes provisions for bond audits. Under the Executive Order, expenditures of bond proceeds are subject to audit to determine whether the expenditures made from bond proceeds:

- Were made according to the established front-end criteria and processes.
- Were consistent with all legal requirements.
- Achieved the intended outcomes.

The Commission's Accountability Implementation Plan includes provisions for the audit of bond projects. To ensure that the Commission is meeting the auditing requirements as the administrative agency and as mandated by SB 88 and the Governor's Executive Order, Caltrans is performing the required audits on behalf of the Commission. Caltrans, in consultation with the Commission, develops and carries out the Audit Plan for the Proposition 1B Bond Program.



5.7 Innovative Project Delivery and Financing

Toll Facilities

In 2015, 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 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 transportation infrastructure improvements, including the addition of toll lanes. The Commission adopted Toll Facility Guidelines to implement this new responsibility in 2016.

Project Update

In 2016, the Commission received an application from the Orange County Transportation Authority (OCTA) to develop and operate a high-occupancy toll facility on Interstate 405 (I-405) between State Route 73 and I-605 in Orange County. 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.

The development of the OCTA I-405 project has made significant progress since the Commission approved the application. Since the Commission's approval of its application, OCTA reports that the following list of milestones have been accomplished as of July 2017:

- The OCTA Board of Directors approved the initial toll policy and preliminary finance plan in May 2016.
- OCTA executed an agreement for Freeway Service Patrol in May 2016.
- OCTA executed a contract with Jacobs Engineering Group for construction management consultant services in June 2016.
- The draft Investment Grade Traffic and Revenue Study was completed in June 2016.
- 3rd Party Cooperative Agreements with the Orange County Flood Control District, Orange County Sanitation District, and the Cities of Costa Mesa, Fountain Valley, Huntington Beach, Westminster and Seal Beach were executed between May and August of 2016.
- The Project Oversight Agreement between the Federal Highway Administration (FHWA), Caltrans and OCTA was approved by FHWA in August 2016.
- The Project Management Plan required by FHWA was approved in September 2016.
- The Initial Financial Plan required by FHWA was approved in September 2016.
- The federal authorization for the construction phase was approved by FHWA in September 2016.
- The OCTA Board approved the Toll Operating Agreement with Caltrans in November 2016 and it was executed in early 2017.
- The OCTA Board approved the Design-Builder selection and awarded the contract to OC 405 Partners in November 2016.
- OCTA executed the contract with OC 405 Partners and issued Notice to Proceed No. 1, which is for design and administrative tasks, in January 2017.
- OCTA executed an agreement with the California Highway Patrol for Construction Zone Enhanced Enforcement Program (COZEEP) services in February 2017.

Next steps for the project include closing a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan in July 2017, followed closely by commencing construction, with the expectation of project completion in 2022.

To date, the Commission has not received additional applications for the operation and development of toll facilities.

Public-Private Partnership

On January 1, 2017, Senate Bill 4 (Cogdill, SBX2-4, Chapter 2, Statutes of 2009), which authorized 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 (P3) projects, expired.

Since the Commission's adoption of its Public Private Partnership Policy Guidance in October 2009, only one P3 project was 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 reached many milestones, it has not been without controversy. In July 2015, the developer commenced litigation for declaratory relief in the San Francisco Superior Court; Caltrans and the developer subsequently settled outside of court. 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 both June and August, 2016. The outstanding 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. In August 2016, the Commission approved a supplemental request for additional funding due to third party delays, and also removed the landscape area that would revert back to the Presidio Trust from the developer's scope of work. Caltrans continues its negotiation with the Presidio Trust on the remaining landscaping efforts that will revert back to the Presidio Trust. It is anticipated that the Developer will complete the remaining field work (punch list items) by November 2017, and reach final contract acceptance in early 2018.

The P3 project delivery tool is a unique tool specifically used on large infrastructure projects. With the infusion of additional funding from Senate Bill 1 and the passage of more self-tax measure initiatives in 2016, the innovative project delivery tools, including P3s, may be the only method appropriate in delivering these complex projects.

Design-Build

Senate Bill X2-4 (Cogdill, Chapter 2, Statutes of 2009) authorized Caltrans and local transportation entities to use the design-build project delivery method to deliver projects on a limited basis. Subject to the approval of the Commission, Caltrans 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. All 10 design-build slots for Caltrans were authorized by the Commission as well as the locally administered State Route 91 Improvements Project. Please see the table on the following page for design-build project status information.

Caltrans, as expected, achieved both time and cost savings for the projects delivered using the design-build delivery tool. 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.

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	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	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	Complete

The original Design-Build Demonstration Program has sunset and was subsequently replaced by AB 401 (Daly, Chapter 586, Statutes of 2013). AB 401 authorized 10 design-build projects for Caltrans over the next 10 years and unlimited design-build authority on projects on the State Highway System for local transportation entities. Local transportation agencies have begun to use their unlimited design-build authority to deliver projects. The Orange County Transportation Authority awarded a design-build contract for its I-405 Express Lanes project and Riverside County Transportation Commission awarded a design-build contract for its I-15 Express Lanes project in 2017. The San Bernardino County Transportation Authority is in the process of procuring a design-builder for its I-10 Corridor project.

Caltrans is collecting and implementing best practices obtained in delivering the initial 10 projects under Caltrans' Demonstration Program. Caltrans is also in the process of identifying appropriate projects for the additional 10 projects authorized by AB 401.

Construction Manager/General Contractor (CM/GC)

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.

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 completed.
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. One construction package awarded and under construction.

Recent legislation has expanded Caltrans' authority to a total of 22 projects using CM/GC. AB 2126 (Mullin, Chapter 750, Statutes of 2016) authorized Caltrans to use CM/GC on up to six additional projects and AB 115 (Ting, Chapter 20, Statutes of 2017) authorized Caltrans to use the CM/GC project delivery method on up to ten additional projects. Caltrans is in the process of identifying appropriate projects for the additional authorized projects.

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 State Transportation Improvement Program (STIP) and the State Highway Operation and Protection Program (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 17, 2017, 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 2016 calendar year. The debt service outstanding as of December 31, 2016 was $44.5 million from the Series 2008A bonds.

Prior to January 1, 2017, Government Code Section 14553(b) required the Commission to prepare, in conjunction with the State Treasurer's Office (STO), an annual analysis of California's bonding capacity for issuing GARVEE bonds. This requirement was amended by AB 2906 (Assembly Committee on Transportation, Statutes of 2016, Chapter 208) to only require this analysis by STO if Caltrans, in conjunction with the Commission, makes a written request for the issuance of new GARVEE bond notes. The STO will no longer publish its annual Analysis of GARVEE Bond Capacity report unless requested.

6. APPENDICES

APPENDIX A – The Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Proposition 1A)

The Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century, approved by the voters as Proposition 1A on November 2008, authorized the Commission, upon appropriation by the Legislature, to allocate funds for capital improvements to intercity rail lines, commuter rail lines and urban rail systems that provide direct connectivity to the high-speed train system or that provide capacity enhancements and safety improvements. The Commission is responsible for programming and allocating the net proceeds received from the sale of $950 million in bonds authorized by Proposition 1A.

Total allocations for Proposition 1A projects through June 30, 2017 is $825.714 million, with $5.716 million allocated in FY 2016-17. There is approximately $105 million in funding that remains unallocated in Proposition 1A funds.

APPENDIX B – 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)

Annual operating subsidies for the intercity rail services have continued to increase. The 2018 Fund Estimate shows that these subsidies are expected to total approximately $125.6 million in FY 2017-18 and increase by about $5 million per year.

Overall, intercity ridership for the three routes has increased 2.3 percent (about 129,683 riders) in FY 2016-17 over ridership in FY 2015-16. Revenues in the overall state system increased from $148.4 million to $154.6 million in the same time period.

In FY 2016-17 intercity rail projects received a STIP allocation totaling $23 million for the Stockton to Escalon Double Track, Segment 4 Project on the San Joaquin Corridor.

APPENDIX C – Transit and Intercity Rail Capital Program

The Transit and Intercity Rail Capital Program (TIRCP) was created by SB 862 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2014) and modified by SB 9 (Beall, Chapter 710, Statutes of 2015) which provides grants from the proceeds of the State's Cap and Trade auctions. In addition, SB 1 is expected to provide an estimated $270 million annually to the TIRCP. 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. SB 1, provided additional funding from the Public Transportation Account to the TIRCP.

On August 16, 2016, the California State Transportation Agency (CALSTA) announced the award of $390 million for 14 TIRCP projects. The 2016 program of projects was presented to the Commission at its October 20, 2016 meeting. The project list was updated at the March and June 2017 Commission meetings. The update consisted on identifying the segments for the projects as well as updating the delivery schedule. A new project was added to the list as a result of SB 132 (Committee on Budget and Fiscal Review, Chapter 7, Statutes of 2017), the Altamont Corridor East (ACE) Merced Extension Project in San Joaquin County for $400 million.

The Commission allocated $144.8 million in TIRCP funds during FY 2016-17.

APPENDIX D – Local Assistance

The Commission is responsible for allocating and authorizing Caltrans to sub-allocate State and Federal transportation funds to local agencies. Caltrans is required to update the Commission quarterly with a status of State and Federal lump sum sub-allocations.

The two largest federally-funded transportation programs designated for local agencies are the Regional Surface Transportation Program (RSTP) and the Congestion Mitigation and Air Quality (CMAQ) program. The RSTP provides flexible funding for projects to preserve and improve the conditions and performance of any federal-aid highway. RSTP funds may also be used for public road, safety, bridge, tunnel, and pedestrian projects, and for transit capital improvement projects.

The CMAQ program provides a flexible funding source to regions that do not meet federal air quality standards for transportation projects and programs that help meet the requirements of the Federal Clean Air Act. Federal law allows CMAQ funding to be expended to address particulate matter in nonattainment and maintenance areas. Eligible activities include transit improvements, travel demand management strategies, traffic flow improvements, and fleet conversions to cleaner fuels.

In FFY 2016-17, the Commission approved $1.72 billion in federal and state lump sum allocations to Caltrans. This allowed Caltrans to obligate, and local agencies to deliver, 100% of the federal obligation authority made available to local agencies for the 18th consecutive year. Please refer to the table below for program detail of the Federal and State lump sum encumbrances and expenditures in FFY 2015-16 and FFY 2016-17.

Local Assistance Lump Sum Allocations Through June 30, 2017 ($ in thousands)

Federal Lump Sum Programs	2015-16			2016-17		
2660-102-0890(1)	Allocated[3]	Encumbrances/ Expenditures[4]	Difference	Allocated[3]	Encumbrances/ Expenditures[4]	Difference
Surface Transportation Program	$474,906	$363,519	$111,387	$485,810	$240,096	$245,714
Congestion Mitigation and Air Quality Improvement Program	459,508	323,955	135,553	474,871	212,339	262,532
Bridge - National Highway Performance Program and Off-System Bridge	303,252	485,097	-181,845	319,163	186,292	132,871
Discretionary Programs[1]	257,876	65,306	192,570	247,068	70,754	176,314
Highway Safety Improvement Program	61,997	101,600	-39,603	75,926	56,789	19,137
Federal Lump Sum Total	$1,557,539	$1,339,476	$218,063	$1,602,838	$766,270	$836,568
State Lump Sum Programs	2015-16			2016-17		
2660-102-0042(1)	Allocated[3]	Encumbrances/ Expenditures	Difference	Allocated[3]	Encumbrances/ Expenditures	Difference
Surface Transportation Program Match and Exchange	$57,849	$56,690	$1,159	$57,849	$56,075	$1,774
Freeway Service Patrol	25,479	25,149	330	25,479	25,479	0
Railroad Grade Separation	15,000	14,959	41	15,000	0	15,000
Systemic Safety Analysis Report (SSAR) Program	10,000	9,981	19	7,700	0	7,700
Railroad Grade Crossing Maintenance	3,765	3,756	9	3,765	3,663	102
Miscellaneous Unassigned Local Programs[2]	3,250	1,383	1,867	3,250	1,000	2,250
Bridge Inspection	735	126	609	735	0	735
State Lump Sum Total	$116,078	$112,045	$4,033	$113,778	$86,217	$27,561
Grand Totals	**$1,673,617**	**$1,451,521**	**$222,096**	**$1,716,616**	**$852,487**	**$864,129**

Notes:
Numbers may not add due to rounding.
Encumbrances and expenditures for Federal Lump Sum Programs for 2015-16 included transfers to the Federal Transit Administration.

1. Encumbrances and expenditures for Discretionary Programs also includes Demonstration projects, Emergency Relief, and miscellaneous Federal programs for current and previous Federal Transportation Acts.
2. Encumbrances and expenditures for Miscellaneous Unassigned Local Programs include state match of the Local Technical Assistance Program, the Cooperative Training Assistance Program, and excess Local Bridge Seismic Retrofit Account match.
3. Allocated amount is consistent with the State Budget Act for both the Federal and State Lump Sum Programs.
4. The Federal Lump Sum Programs is also consistent with the Federal Apportionment levels.
5. The amounts for the encumbrances and expenditures of the Federal Lump Sum Programs are at the Federal Obligation Authority level (approximately 90% to 95% of the apportionments).

APPENDIX E – Traffic Congestion Relief Program

The Traffic Congestion Relief Act of 2000 – AB 2928 (Torlakson, Chapter 91, Statutes of 2000) and SB 1662 (Burton, 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.

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 through various statutes between 2001 and 2006. In 2008, the Commission adopted an allocation plan to meter the allocation of funds because of the funding uncertainties. The allocation plan consisted of two tiers: Tier 1 included projects that had a higher priority for funding and Tier 2 included all remaining projects. The remaining Tier 2 projects included those with programmed TCRP funds and those that were not yet fully programmed.

SB 1 (Beall, Chapter 5, Statutes of 2017) deemed the TCRP to be complete and final as of June 30, 2017. This aligns with the Commission's recommendations in past Annual Reports to close-out the program. Further, SB 1 directed the repayment of all outstanding loans that were made from the TCRF to the General Fund and directed the repayments that would have funded TCRP projects to the Public Transportation Account, the State Highway Operation and Protection Program, and to the State Controller for apportionment to cities and counties for local streets and roads. Specifically SB 1 states, in pertinent part, that "as of June 30, 2017, projects in section 14556.4 for the TCRP shall be deemed complete and final, and funding levels shall be based on actual amounts requested by the designated lead applicant pursuant to section 14556.12. Projects without approved applications in accordance with section 14556.12 shall no longer be eligible for program funding. TCRP savings shall be transferred to other transportation accounts for the purposes specified in section 16321." All references to code sections are specifically to the Government Code.

In May 2017, the Commission approved a program close-out policy to maximize the use of program savings. The policy allowed regions to partner and shift TCRP funds from some potential recipients to other recipients who would be able to allocate the funds at the June 2017 Commission meeting. This partnering provided the opportunity to allocate $26.372 million in identified savings that would otherwise have been redistributed as specified in SB 1.

As of June 2017, the Commission was able to allocate $4.568 billion of the $4.9 billion available, the difference being an amount that was never repaid to the fund prior to the fund being closed out.

APPENDIX F – 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. The Seismic Safety Retrofit Program 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 – Subdivided into three seismic retrofit subprograms that total $12.1 billion. The subprograms are as follows:

- Seismic Safety Retrofit Program, Phase 1 – Successfully seismically retrofit 1,039 vulnerable bridges at a cost of $1.1 billion.
- Seismic Safety Retrofit Program, Phase 2 – Initiated after the 1994 Northridge earthquake, focused on 1,151 bridges identified as needing seismic retrofit. A total of $1.35 billion was initially dedicated from the Seismic Retrofit Bond Act of 1996 (Proposition 192). An additional $544 million in SHOPP funds were made available to certain Phase 2 bridges where bridge replacement as opposed to bridge retrofit was the preferred retrofit strategy, bringing the total allocation for the Phase 2 bridges to $1.89 billion.

As of June 30, 2017, 1,150 of these bridges are seismically retrofitted. The last bridge, the Schuyler Heim Bridge in Los Angeles, remains under construction and is expected to be completed by June 2019.

- Toll Bridge Seismic Retrofit Program – Initiated after the 1989 Loma Prieta earthquake to address seven toll bridges needing seismic retrofit. Two additional bridges, the Antioch and Dumbarton, were added to the program by the AB 1175 (Torlakson, Chapter 515, Statutes of 2009), bringing the total number of bridges in the program to nine and a total budget of $9.435 billion. With the opening of the new east span of the San Francisco-Oakland Bay Bridge to traffic on September 2, 2013, all nine bridges in the toll bridge seismic retrofit program are now seismically retrofitted.

While the new east span of the San Francisco-Oakland Bay Bridge is complete and the re-grouting of the high strength rods was completed in June 2017, removal of the old bridge is still being addressed. Caltrans is proceeding with a number of contracts to remove the old east span foundations and some remaining slope stabilization work on Yerba Buena Island. Implosion of the marine foundations is expected to be completed by the end of 2017.

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.

APPENDIX G – 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 2016-17 activities (presented in statutorily defined order):

- Caltrans Division of Aeronautics Operations ($4.0 million)
- Annual $10,000 grants or "credits" to each of the State's 149 general aviation airports ($1.49 million)
- Local match grants (approximately one-half of an airport's match requirement) for Federal Aviation Administration Airport Improvement Program funds. The Commission approved a $2 million lump sum allocation request for FY 2016-17 in June 2016.
- Acquisition and Development Program grants for up to 90 percent of an airport's eligible costs for projects in the Aeronautics Program as adopted by the Commission. The Commission approved the allocation requests for 5 projects totaling $1.173 million in May 2017.

In May 2017, the Commission approved the assumptions for the 2018 Aeronautics Account Fund Estimate. The assumptions form the foundation upon which all federal and state resources expected to be available for aeronautics programming, are developed. Among the assumptions is the transfer of LALA account funds to the Aeronautics Account authorized by Section 21602(f) (2) of the Public Utilities Code. This transfer is subject to the approval of the Department of Finance and the Commission. Transfers may not decrease the LALA fund balance below $5 million. The 2018 Aeronautics Account Fund Estimate assumes a transfer in the amount of $4 million annually. The LALA account transfers fund the California Aid to Airports Program. The Department of Finance did not approve the FY 2016-17 LALA account transfer and the Caltrans Aeronautics Division was not able to program $4 million in California Aid to Airports projects in FY 2016-17.

APPENDIX H – The Clean Air and Transportation Improvement Act (Proposition 116)

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

The Commission did not take any actions on the Proposition 116 Program in Fiscal Year 2016-17. As of June 30, 2017, $316,000 in savings remain unprogrammed and over $12 million remains unallocated.

APPENDIX I – Enhanced Mobility of Seniors and Individuals with Disabilities Program

The Enhanced Mobility of Seniors and Individuals with Disabilities Program (Section 5310) provides annual grants of federal funds for projects to assist the elderly and disabled for whom mass transportation services are unavailable, insufficient, or inappropriate under two subprograms:

- Traditional Program - provides funds to purchase transit capital equipment.
- Expanded Program – provides funds for mobility management and operating assistance.

The Commission adopted the 2017 Section 5310 Program following the required hearing at the June 2017 Commission meeting. The estimated $16.7 million in federal funds were programmed as follows:

- $9.2 million for the Traditional Projects (capital), and
- $7.5 million for the Expanded Projects (capital, operating assistance and mobility management)

The complete list of Section 5310 projects is available for review at: http://www.catc.ca.gov/meetings/agenda/2017Agenda/2017-06/Yellows/Tab_83_4.18.pdf

APPENDIX J – Environmental Enhancement and Mitigation Program

The Environmental Enhancement and Mitigation (EEM) Program provides grants to fund environmental enhancement and mitigation projects that directly or indirectly are related to the environmental impact of modifying existing transportation facilities or for the design, construction, or expansion of new transportation facilities. Projects eligible for funding include, but are not limited to: urban forestry, resource lands or mitigation projects beyond the scope of the CEQA Lead Agency. Per California Streets and Highways Code Section 164.56, the Commission is charged with the responsibility for funding an annual EEM Program as evaluated and recommended by the California Natural Resources Agency (Resources Agency).

For the most recent EEM Program cycle (FY 2015-16), the Resources Agency reviewed 44 grant applications and recommended funding 15 projects, for a total of $6.7 million. The recommended projects included 5 projects in Northern California totaling approximately $2.5 million and 10 projects in Southern California totaling approximately $4.2 million. The Resources Agency funds projects the year following the program cycle, and therefore the EEM Program was adopted and allocated by the Commission on March 16, 2017.

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
Caltrans	California Department of Transportation
CCJPA	Capitol Corridor Joint Powers Authority
CEQA	California Environmental Quality Act
CMAQ	Congestion Mitigation and Air Quality
CMIA	Corridor Mobility Improvement Account
Commission	California Transportation Commission
COS	Capital Outlay Support
CTC	California Transportation Commission
CTP	California Transportation Plan
EEM	Environmental Enhancement and Mitigation
EIR	Environmental Impact Report
FAA	Federal Aviation Administration
FAST Act	Fixing America's Surface Transportation Act
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
HBP	Federal Highway Bridge Program
HCD	Housing and Community Development
HOT	High Occupancy Toll
HOV	High Occupancy Vehicle
HRCSA	Highway-Railroad Crossing Safety Account
HUTA	Highway User Tax Account
ITIP	Interregional Transportation Improvement Program
ITSP	Interregional Transportation Strategic Plan
LA Metro	Los Angeles County Metropolitan Transportation Authority

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
OPR	Office of Planning and Research
P3	Public-Private Partnership
PID	Project Initiation Document
PS&E	Plans, Specifications and Estimates
PTA	Public Transportation Account
PTMISEA	Public Transportation Modernization, Improvement and Service Enhancement Account
PUC	Public Utilities Commission
RCTC	Riverside County Transportation Commission
RMRA	Road Maintenance and Rehabilitation Account
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
STA	State Transit Account
STIP	State Transportation Improvement Program
TACA	Technical Advisory Committee on Aeronautics
TAMP	Transportation Asset Management Plan
TBSRP	Toll Bridge Seismic Retrofit Program
TCEA	Trade Corridor Enhancement Account
TCEP	Trade Corridor Enhancement 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
VMT	Vehicle Miles Traveled

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**In November 2017, Eric Thronson transitioned from the Commission to serving as Chief Consultant for the Assembly Transportation Committee.*

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