California Transportation Commission

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

Semi-Annual Status Report
July 2016

BACKGROUND

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, State Route 99 Corridor Account, Trade Corridors Improvement Fund, State Transportation Improvement Program Augmentation, State Highway Operations and Protection Program, Traffic Light Synchronization Program, Highway-Railroad Crossing Safety Account, Local Bridge Seismic Retrofit Account, and State & Local Partnership Program (collectively Proposition 1B Programs). Consistent with the requirements of Proposition 1B, the Commission programs and allocates bond funds in each of the above mentioned programs and the status of the individual projects in each program is reported to the Commission on a quarterly basis.

Clarifying legislation to Proposition 1B, Senate Bill (SB) 88, enacted in 2007, includes implementation and accountability requirements for Proposition 1B projects and further defines the role of the Commission as the administrative agency for the Proposition 1B Programs. SB 88 requires the Commission to report to the Department of Finance, on a semiannual basis, on the progress of the projects in these Proposition 1B Programs. This report, as well as the Commission's Annual Report issued in December of each year, satisfy the reporting requirements of SB 88.

To date, the Commission has programmed all $12.025 billion of the Proposition 1B funds within its purview. The Commission has allocated $11.6 billion of the programmed Proposition 1B funds, to construction ready projects.

Construction Cost Trends

Lower construction cost trends continued in Fiscal Year 2015-16. The Department of Transportation (Department) received on average 5.2 bids per advertised contract, slightly lower than the prior fiscal year. The average low bid was 8% below the Engineer's Estimate for Fiscal Year 2015-16 versus 7.8% below the Engineer's Estimate for Fiscal Year 2014-15.

Close-Out Phase

With almost all of the Proposition 1B funds allocated and most of the allocated bond projects under construction, the Commission continues to monitor the progress of the projects through the close-out phase of the program. As projects are completed, the Commission is working with the Department and project sponsors to determine the degree to which benefits identified at the time of programming are achieved. Although, for many of the projects, the benefits will not be immediately identifiable, the Commission will continue to monitor and require that the project sponsor report the benefits achieved over time. In addition, the Commission will continue to consult with the Department ensuring that the Department's annual audit plan encompasses audits of completed bond funded projects.

PROGRAM SPECIFIC UPDATES

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, enhance operations, or otherwise improve travel times within highly congested travel corridors.

In February 2007, the Commission programmed 54 projects valued at $9.1 billion using $4.5 billion in bond funds that leveraged another $4.6 billion in federal, state and local funds. In delivering the CMIA program, the Commission successfully capitalized on cost savings realized at construction contract award and recycled the savings to grow the program to 90 projects valued at $12.3 billion. The Commission delivered the CMIA program within the statutory December 31, 2012 project award delivery deadline. Due to complexity, timing and construction phasing, some of the 90 projects were split resulting in 129 discrete construction projects.

Consistent with the Proposition 1B savings policy approved in January 2014, the Commission in June 2015 swapped approximately $72 million in CMIA project close-out and administrative savings with an equal amount of STIP funds on six projects that are eligible to receive CMIA program funds. This action freed up State Highway Account capacity to fund SHOPP projects. No CMIA savings accrued in FY 2015-16, therefore no such transfers were made in FY 2015-16. As CMIA projects are completed and final close-outs are done, the Department will continue to capture any CMIA fund savings and swap the CMIA funds with STIP funds to maximize State Highway Account capacity.

As of June 2016, 103 construction contracts were completed and 69 of these submitted Final Delivery Reports to the Commission.

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) Corridor Account. Funds in the SR 99 Corridor Account are for safety, operational enhancements, rehabilitation, or capacity improvements on SR 99. The SR 99 traverses approximately 400 miles of the State's central valley. In total, there are 23 SR 99 Corridor Account projects. Due to the complexity, timing and construction phasing, some of the SR 99 corridor projects were split, resulting in 27 discrete construction projects. The Commission capitalized on contract award savings and recycled the savings to grow the program to a current value of more than $1.3 billion.

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

As of June 2016, the uncommitted balance for the program was $24 million and the Commission allocated $967 million. Of the 27 construction contracts, 22 projects in the SR 99 Corridor Account are completed and 10 of these submitted Final Delivery Reports to the Commission.

Trade Corridors Improvement Fund

Proposition 1B authorized $2 billion of State general obligation bonds for the Trade Corridors Improvement Fund (TCIF). Funds in the TCIF are available for infrastructure improvements along federally designated "Trade Corridors of National Significance" in California or along other corridors within the State that have a high volume of freight movement. Acknowledging that the freight infrastructure needs of the State far exceed the $2 billion provided under Proposition 1B, the Commission supported a strategy to increase TCIF funding by $500 million from the State Highway Account via the SHOPP Program to fund State-level priorities that are critical to goods movement. In April 2008, the Commission adopted a program approximately 20 percent larger than the $2.45 billion available ($50 million was reserved for program administration). The 20 percent over programming assumed that new revenue sources would become available and would be dedicated to funding the adopted program. Unfortunately, new revenue sources to address the 20 percent over programming never materialized. The Corridor Coalitions diligently addressed the over programming and achieved the $2.45 billion program funding level by using project award savings as well as by removing projects from the program.

There are currently 93 projects in the TCIF program valued at over $7 billion. Of the 93 projects in the program, 38 have completed construction and 16 of these submitted Final Delivery Reports to the Commission, 52 are under construction and two projects remain unallocated. The Commission continues to work with the Corridor Coalitions and project sponsors to recapture cost savings at construction contract award and/or close out and redirect the savings to new projects that meet the TCIF criteria.

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

Traffic Light Synchronization Program

Proposition 1B authorized $250 million for the Traffic Light Synchronization Program (TLSP). The TLSP is subject to the provisions of the Government Code Section 8879.23(k)(2) that requires the Department to develop a program for traffic light synchronization or other technology-based improvements to safely operate and effectively manage capacity of local streets and roads.

Government Code Section 8879.64(b), added by Senate Bill (SB) 88, directed that $150 million from the TLSP be allocated to the City of Los Angeles for upgrading and installing traffic signal synchronization within its jurisdiction. SB 88 also designated the Commission as the administrative agency responsible for programming the funds and authorized it to adopt guidelines for TLSP.

On May 28, 2008, the Commission adopted a $245 million TLSP program ($5 million was reserved for program administration), programming 22 traffic light synchronization projects totaling $147 million for the City of Los Angeles and $96.8 million for 59 additional traffic light synchronization projects for other agencies throughout the state.

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

Highway-Railroad Crossing Safety Account

Proposition 1B authorized $250 million for the Highway-Railroad Crossing Safety Account (HRCSA) program to fund the completion of high-priority grade separation and railroad crossing safety improvements. A total of $245 million in HRCSA funds ($5 million was reserved for program administration) were made available for allocation by the Commission, upon appropriation by the Legislature.

The HRCSA program is divided into the following two parts:

> Part 1 - Government Code Section 8879.23(j)(1) provides $150 million (less $3 million reserved for program administration) 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 Streets and Highways Code.
>
> Part 2 - Government Code Section 8879.23(j)(2) provides $100 million (less $2 million reserved for program administration) for high-priority railroad crossing improvements that are not part of the PUC priority list process.

The HRCSA program concluded its fourth two-year cycle in June 2016. A total of $2.7 million in program savings will be available for programming in the 2016 HRCSA program (fifth cycle). The Commission will adopt the 2016 HRCSA program in October 2016.

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

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

Local Bridge Seismic Retrofit Account

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

In April 2007, the Department identified 479 local bridges as eligible to receive LBSRA funds. The 479 local bridges were those bridges remaining from the local bridges initially identified as needing seismic retrofit under the Local Bridge Seismic Retrofit Program (LBSRP) funded with Federal Highway Bridge Funds programmed and allocated by the Commission. Subsequently, the Department and local agencies revised the list of eligible bridges to 378.

The Commission allocates LBSRA funds to the Department for sub-allocation to local agencies. During FY 2015-16, the Commission allocated $10.2 million, and the Department sub-allocated $8.1 million in LBSRA funds to Local Agencies for seven eligible projects. As of June 2016, the Commission allocated $67.7 million in LBSRA funds to the Department, with $46.4 million of these funds sub-allocated by the Department to Local Agencies. Of the 378 eligible projects, 299 have been completed and 62 have submitted a Final Delivery Report.

Progress of LBSRA projects is tracked by the Department on the federal fiscal year since 88.5% of funds used to retrofit local bridges are federal Highway Bridge Program funds. Commission allocated funds not sub-allocated by the Department by the end of the federal fiscal year revert back to the LBSRA.

State Local Partnership Program Account

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

In 2008, the Legislature enacted implementing legislation (AB 268, Chapter 756, Statutes of 2008) to add Article 11 (commencing with Section 8879.66) to Chapter 12.491 of Division 1 of Title 2 of the Government Code. This statute defined the program, eligibility of applicants, projects and matching funds. The program was split into two sub-programs – a formula program to match local sales tax, property tax and/or bridge tolls (95 percent or $950 million) and a competitive program to match local uniform developer fees (five percent or $50 million).

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

As of June 2016, 210 projects (148 formula and 62 competitive) have completed construction and 170 (118 formula and 52 competitive) of these submitted Final Delivery Reports to the Commission.

Public Transportation Modernization, Improvement, and Service Enhancement Account

Proposition 1B authorized $4 billion for the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). Funds in the account are available, upon appropriation by the Legislature, to the Department 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.

Of the $4 billion authorized for the PTMISEA, $3.6 billion is available for allocation by the State Controller in accordance with Public Utilities Code (PUC) distributions: 50 percent allocated by formula to Local Transit Operators as specified in PUC Section 99314 and 50 percent allocated by formula to regional entities as specified in PUC Section 99313.

The remaining $400 million is available for programming and allocation by the Commission to the Department for intercity rail improvements. AB 268 (Chapter 756, Statutes of 2008) requires the Department to report to the Commission annually on the administration and status of the PTMISEA program.

As of June 2016, there are 19 programmed projects valued at $392 million. Of the 19 projects included in the program, the Commission allocated $338.4 million to 15 projects, of which eight projects have been completed. During FY 2015-16 the Commission approved two PTMISEA allocations for $31.4 million.

ACCOUNTABILITY

In clarifying legislation to Proposition 1B, on August 24, 2007, the Governor signed into law Senate Bill 88 (SB 88) which designates 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 imposes 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 increases the Commission's delivery monitoring responsibility for the bond funded projects. Specifically, the Commission is required to develop and implement 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 semiannual 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. In addition, the Commission prepares the Semi-Annual Proposition 1B Status Report and the Annual Report to the Legislature, which includes the status of the Proposition 1B Programs.

Another key element of bond accountability is the audit of bond project expenditures and outcomes. Specifically, the Commission is required to develop and implement an accountability plan which includes provisions for bond audits. Under the Executive Order, expenditures of bond proceeds shall be 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. In order to ensure that the Commission is meeting the auditing requirements as the administrative agency, as mandated by SB 88 and the Governor's Executive Order, the Department is performing the required audits on behalf of the Commission. The Department, in consultation with the Commission, develops the Audit Plan for the Proposition 1B Bond Program annually.