



2014

ANNUAL REPORT TO THE CALIFORNIA LEGISLATURE

CHAIR AND VICE CHAIR LETTER

Members of the Legislature:

The California Transportation Commission (Commission) is pleased to submit our 2014 Annual Report. State law requires that the Commission report to the Legislature each year to identify timely and relevant transportation issues facing our state and to summarize the Commission's major policy decisions in the past year.

During 2014, the Commission directed its focus to the need for strategic reforms and sustainable, sufficient, and reliable revenue. To build public trust, it is imperative that transparency, accountability, and efficiency measures are embedded in existing and new processes as funding mechanisms are secured and investment decisions are made. The recommendations set forth in this report underscore these themes.

The Commission's transportation investment actions during 2013-14 continued to be impressive. During the 2013-14 fiscal year, the Commission allocated over \$4 billion in state and federal transportation funding, helping generate more than 92,000 private and public sector jobs, contributing to a construction program in excess of \$5.89 billion in state-administered construction contracts.

In addition, the Commission adopted the 2014 State Transportation Improvement Program which includes more than \$1 billion in highway and road projects, and more than \$237.7 million in rail and transit projects. Furthermore, the Commission developed, implemented and adopted the Active Transportation Program, which was created by Senate Bill 99 and Assembly Bill 101 (Chapters 359 & 354, Statutes of 2013) signed by the Governor on September 26, 2013. In response to the Commission's call for projects, 771 applications valued at more than \$1 billion were received. With assistance from a multi-disciplinary project evaluation committee, the Department of Transportation (Caltrans), the Metropolitan Planning Organizations (MPOs) and others, the Commission adopted the Statewide and Small Urban and Rural program of projects on August 20, 2014, consisting of 148 projects totaling \$220.8 million in Active Transportation Program funds. The MPO program is expected to fund an additional \$147.2 million slated for adoption on November 12, 2014. The projects included

in the adopted program will not only encourage increased biking and walking and benefit California's disadvantaged communities, but will also provide safe access improvements to more than 83 of California's schools.

The Commission continues to monitor the progress of on-going Proposition 1B funded projects. As the program transitions into the close-out phase, the Commission looks forward to providing in its future reports information received from Caltrans and project sponsors of the benefits recognized from these investments.

However, as we look to 2015 it is clear that existing mechanisms for funding the state's transportation system is at a critical juncture and must be addressed. With the Federal Highway Trust Fund facing its own challenges, Proposition 1B winding down, declining state excise tax revenues, the projected effects of cap and trade on fuel costs, and other factors, action must be taken now to address the near and long-term financial needs to maintain, operate and expand the state's transportation system. For over a decade the Commission has implored the Legislature and the Administration to address this dire situation. No longer do we have the luxury of time; definitive and non-partisan action is required immediately to ensure the economic stability and public safety of the people we serve.

While short term solutions such as redirecting weight fees, raising excise taxes, and repaying loans must be implemented, the Legislature and Administration must look beyond to sustainable and innovative funding streams such as road usage charges, congestion pricing, and tolling to better align revenue collection with usage and value.

The Commission commends the California State Transportation Agency (CalSTA) and CalSTA Secretary Brian Kelly for taking an introspective look at their role as well as the role of Caltrans in delivering transportation projects statewide. The publishing of the California Transportation Infrastructure Priorities by CalSTA and the external review of Caltrans done by the State Smart Transportation Initiative demonstrate the acknowledgement that there is room for improvement on the efficiency, accountability and transparency within Caltrans. The Commission is committed to working with CalSTA and Caltrans on implementing the changes needed to ensure the state remains a leader in transportation innovation and an example of sound transportation policy.

Demonstrating a commitment to reform, the Commission is actively developing a comprehensive approach to examining our future transportation network investment decisions. Working with our regional partners and Caltrans, the Commission is proposing the examination of projects through a corridor lens to assist in identifying and programming transportation projects that best meet statewide

goals while ensuring the economic vitality of the state. To meet the needs of the diverse demographics of the state and ensure sound investments, as we look to 2015, it is imperative that a holistic corridor-based approach in partnership with the State's regional agencies is employed as investment decisions are made. It is through partnership that the most critical needs, regardless of modal choice or system condition are addressed.

A collaborative and collegial approach to facing the state's overwhelming transportation infrastructure needs is essential to ensuring the future success of California's transportation network. The Commission is dedicated to promoting this cooperation, bringing the Legislature, Administration, regional partners and the general public together to build a long range plan that provides a sustainable solution to meet our current and future transportation needs.

Sincerely,

A handwritten signature in black ink that reads "Carl Guardino".

CARL GUARDINO
Chair

A handwritten signature in black ink that reads "Lucetta Dunn".

LUCETTA DUNN
Vice Chair



TABLE OF CONTENTS

| | |
|--|----|
| COMMISSION IN BRIEF | 8 |
| ISSUES FOR 2015 | 10 |
| REFORM | 12 |
| Corridor Based Programming | 12 |
| State Transportation Improvement Program | 13 |
| State Highway Operation and Protection Program | 14 |
| Congestion Management & Congestion Pricing | 15 |
| Freight | 16 |
| REVENUES | 17 |
| Federal Highway Trust Fund | 17 |
| Cap and Trade | 18 |
| Gasoline Excise Tax | 19 |
| Early Loan Repayment | 20 |
| Truck Weight Fees | 20 |
| Road Usage Charge | 21 |
| 2013 - 14 IN REVIEW | 24 |
| 2013-14 ACCOMPLISHMENTS | 28 |
| STATE & REGIONAL PLANNING SUSTAINABILITY GOALS AND OBJECTIVES | 28 |
| REGIONAL TRANSPORTATION PLAN GUIDELINES | 29 |
| STATE TRANSPORTATION IMPROVEMENT PROGRAM | 34 |
| 2014 STIP Fund Estimate | 35 |
| 2014 STIP Guidelines | 35 |
| 2014 STIP | 36 |
| 2016 STIP Guidelines | 36 |
| 2014 Report on County and Interregional Share Balances | 36 |
| STIP Project Delivery | 37 |
| STATE HIGHWAY OPERATION AND PROTECTION PROGRAM | 40 |

| | |
|--|----|
| ACTIVE TRANSPORTATION PROGRAM | 42 |
| PROPOSITION 1B - HIGHWAY SAFETY, TRAFFIC REDUCTION, AIR QUALITY, AND PORT SECURITY BOND ACT OF 2006 | 46 |
| Corridor Mobility Improvement Account Program | 47 |
| State Route 99 Corridor Program | 48 |
| Trade Corridors Improvement Fund | 48 |
| Traffic Light Synchronization Program | 49 |
| Highway-Railroad Crossing Safety Account | 50 |
| Public Transportation Modernization, Improvement, and Service Enhancement Account | 51 |
| Local Bridge Seismic Retrofit Account | 51 |
| State-Local Partnership Program Account | 52 |
| IMPLEMENTATION OF THE SAFE, RELIABLE HIGH-SPEED PASSENGER TRAIN BOND ACT OF THE 21ST CENTURY | 54 |
| STATE-SUPPORTED INTERCITY PASSENGER RAIL SERVICE | 56 |
| LOCAL ASSISTANCE | 60 |
| RSTP and CMAQ – AB 1012 | 62 |
| TRAFFIC CONGESTION RELIEF PROGRAM | 64 |
| SEISMIC SAFETY RETROFIT PROGRAM/SFOBB | 68 |
| LOCAL STREETS AND ROADS - LOCAL BRIDGE SEISMIC RETROFIT PROGRAM | 70 |
| HIGH OCCUPANCY TOLL LANES | 72 |
| PUBLIC PRIVATE PARTNERSHIP | 76 |
| DESIGN-BUILD DEMONSTRATION PROGRAM | 78 |
| CALIFORNIA TRANSPORTATION FINANCING AUTHORITY: TOLL FACILITIES | 80 |
| GARVEE BOND FINANCING | 82 |
| AERONAUTICS PROGRAM | 84 |
| PROPOSITION 116 PROGRAM | 86 |
| ELDERLY AND DISABLED SPECIALIZED TRANSIT PROGRAM | 88 |
| ENVIRONMENTAL ENHANCEMENT AND MITIGATION PROGRAM | 90 |
| GLOSSARY OF ACRONYMS | 92 |



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 is a part-time body that holds public meetings typically one or two days per month, at which time it formally reviews, approves and/or adopts state transportation policy.

The Commission is primarily responsible for the following activities:

- Advise and assist the Secretary of Transportation and the Legislature in formulating and evaluating state policies and plans for state transportation programs.
- Adopt the biennial five-year fund estimate of state and federal funds expected to be available for the State Transportation Improvement Program and State Highway Operation and Protection Program.
- Adopt the biennial five-year State Transportation Improvement Program and approve the biennial four-year State Highway Operation and Protection Program .
- Allocate 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), and Proposition 1B (Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006).
- Allocate state funds for capital grants from the Aeronautics Account and the Environmental Enhancement and Mitigation Program Fund.
- Adopt guidelines for the development of Commission-administered programs and regional transportation plans.
- Approve project proposals for public private partnership agreements.
- Approve right-of-way matters such as route adoptions, new public road connections, resolutions of necessity, relinquishments, Director's Deeds and airspace leases.

The Commission is supported by an Executive Director who oversees a staff of 17 and an annual budget of approximately \$4 million. The Executive Director acts as a liaison between the Commission and the Legislature. The Executive Director also acts as a liaison with the Secretary of Transportation, the Director of the California Department of Transportation, and regional transportation agencies' executive directors and their respective staff. Furthermore, the Executive Director 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 15 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 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 significant upcoming transportation issues anticipated to be of concern to the public and the Legislature.



ISSUES FOR 2015 REFORM AND REVENUE

Introduction

What we do, or fail to do, to address our growing transportation infrastructure crisis will have tremendous impact on our future economic prosperity, quality of life and ability to support the transportation needs of our growing population. As the Commission looks towards 2015, it is clear that reforms and revenue solutions are necessary to achieve California's safety, mobility, sustainability and economic goals and objectives. Efforts to identify and implement reforms, establish funding priorities, secure long-term stable revenues, address goods movement strategies, and achieve sustainability goals are only a few of the complex and multifaceted challenges under consideration by the state's transportation leaders.

Reflecting on recent initiatives by the Administration, Legislature, and Regional Transportation Planning Agencies, the Commission is keenly aware that California has entered a time of change. Greater focus is now directed towards addressing greenhouse gas emission reduction and other sustainability goals when making transportation investment decisions for an efficient and functioning transportation system. The platform is evolving from improving mobility through expansion of the state transportation system, to preserving the existing infrastructure and supporting the implementation of sustainable communities strategies. This evolution includes greater focus on and expectation for reforms to improve efficiency, increase transparency and promote accountability of transportation expenditures. This is evidenced in several reports and legislative proposals that were made public since the Commission's 2013 Annual Report.

On February 6, 2014, the California State Transportation Agency (CalSTA) released a report "California Transportation Infrastructure Priorities: Vision and Interim Recommendations". The interim recommendations set forth in this report emphasize four core concepts to improve the state's transportation system: Preservation, Innovation, Integration, and Reform. CalSTA also released a report prepared by a consultant (State Smart Transportation Initiative) providing the results of an external assessment of the Department of Transportation (Caltrans) that outlines a series of recommendations for improving the mission and operations of Caltrans. On May 14, 2014, the Legislative Analyst's Office (LAO) published their assessment of Caltrans' existing Capital Outlay Support (COS) program highlighting the need for additional oversight and transparency. Additionally, the Self-Help Counties Coalition issued the State Local Transportation Partnership Proposal outlining opportunities for enhanced coordination and cooperation with Caltrans. Similarly, several pieces of legislation aimed at reform and increased transparency and accountability, in addition to attempts to address transportation funding challenges, were authored with some passing both houses of the Legislature and two enacted.

Reforms are necessary to ensure that decisions made today promote efficient and effective actions and solutions. In addition to institutional reforms providing for efficiencies in utilization of declining resources, reforms can encompass the way we preserve and manage our assets to the way we select and manage new projects. However, reforms alone will not solve our growing and multifaceted challenges. New and sustainable revenues dedicated to transportation solutions remain critical for planning and implementing the improvements that are essential for the movement of people and goods, economic prosperity and quality of life. It is well known that transportation revenues are not keeping pace with inflation, and the proliferation of fuel efficient cars and alternative fueled vehicles, among other factors, are dramatically impacting this funding. Declining revenue makes it more important than ever to ensure that transparency, accountability, and efficiency measures are embedded in existing processes as investment decisions are made. To meet this need, the existing processes for selecting and investing in transportation projects must be evaluated. Existing processes associated with ongoing state transportation programs lack cross coordination, adequate transparency, and clear articulation of the accomplished benefits to the general public. These processes are neither designed to provide for a multimodal perspective of corridor investments nor to ensure that funds are directed to those transportation projects offering the greatest potential for achieving desired outcomes. Instead existing processes offer a limited view of projects within specific program silos, each of which is focused on one or more primary objectives such as preservation, expansion, and active transportation, to name a few.

Recognizing the gaps in existing processes, the Commission has begun an evaluation of existing programs, and is working to implement a corridor-based approach in developing future transportation programs. The Commission envisions that, with the adoption of the 2016 State Transportation Improvement Program (STIP), a corridor-based approach should serve to highlight investments

and associated benefits arising from the STIP, the State Highway Operation and Protection Program (SHOPP), the Active Transportation Program (ATP), and the various other ongoing state transportation programs.

Reforms are just one solution and, in isolation, will not address the growing transportation infrastructure crisis. The most critical issue remains - diminishing resources to fund the growing demand on California's transportation system. A long-term sustainable solution to the transportation financial crisis requires immediate attention. For over a decade the Commission has implored the Legislature and the Administration to take action to avoid a fiscal crisis. Unfortunately, the fiscal crisis has materialized. Although the passage of Senate Bill (SB) 1077 (DeSaulnier, Chapter 835, Statutes of 2014) is a forward step towards sustainable funding, the Commission continues to urge the Legislature and the Administration to implement immediate and long term revenue solutions to meet California's transportation system needs.

REFORM

Corridor Based Programming

Transportation investment decisions should consider a broad assessment of goals and objectives across the multi-modal functionality of the transportation system. The current process of selecting projects for funding consists of the review and evaluation of projects based on individual programs, with very limited cross-coordination. Implementing a comprehensive multi-modal corridor-based approach to project selection will allow for the review and assessment of a suite of projects within a corridor, across modes and regional boundaries. This approach provides for more informed decisions by identifying whether projects compliment or detract from the achievement of overall regional and statewide objectives while at the same time improving transparency and accountability of the overall process.

Corridor based programming would provide for a holistic view of the transportation system by identifying and funding transportation priorities that are essential to the functionality of a transportation corridor. Ultimately, this approach would provide for the Commission's adoption of a portfolio of projects funded through a variety of programs including the STIP, the SHOPP, the ATP and other programs under the Commission's purview. Overall, such a portfolio would increase the effectiveness and the transparency of investment decisions, and would better articulate the overall benefits of planned improvements to California's transportation system.

Implementing a corridor approach to programming will require California's transportation stakeholders to partner and work together across regional and modal boundaries to identify significant priorities for investment. Critical to the success is building upon the priorities identified at the local, regional, and state levels. Regional transportation plans, and sustainable communities strategies, adopted by California's MPOs and Regional Transportation Planning Agencies (RTPAs) would serve as the foundation by providing a comprehensive view of regional needs and funding priorities. The statewide plans prepared by Caltrans will complement the regional plans by identifying interregional and statewide rail, transit, highway and other modal needs. Taken together, the regional transportation plans and the plans prepared by Caltrans will encompass California's transportation system needs and priorities across all system components including, but not limited to, highways, transit, pedestrian and bicycle facilities, ports, airports, land ports, railroads, and others.

When utilizing a corridor approach, MPOs and RTPAs in partnership with Caltrans would be better positioned to develop investment proposals that address the most critical needs, regardless of modal choice or system condition. Individual investments, when coordinated, are likely to result in more effective and efficient project implementation, thus reducing duplication of effort and the overall cost and time to deliver on promises to the traveling public.

Corridor Based Programming - SB 468 (Kehoe, Chapter 535, Statutes of 2011) embraces a corridor approach in the delivery of the North Coast Corridor Project. This project is defined as a 27-mile long series of multi-modal projects within a coastal zone that includes improvements to a segment of Interstate 5, and the Los Angeles-San Diego-San Luis Obispo (LOSSAN) rail corridor.

State Transportation Improvement Program

Despite statutory and funding limitations, projects programmed in the STIP do address, to the maximum extent possible, state mobility, safety, sustainability, economic and other objectives as required through the Commission's guidelines for the development of the STIP and Regional Transportation Plans (RTP)/Sustainable Communities Strategies (SCS). However, due to funding changes affecting the STIP, projects most likely to offer increased sustainability benefits, such as transit and active transportation projects, do not make up a significant percentage of the projects included in the STIP.

Projects eligible for funding in the STIP are based on priorities identified by the regions and Caltrans. To be eligible for inclusion in the STIP, all projects must be included in RTPs adopted by Metropolitan Planning Organizations and/or Regional Transportation Planning Agencies. In addition to the adopted RTP, projects submitted by Caltrans must also be consistent with the Interregional Transportation Strategic Plan (ITSP).

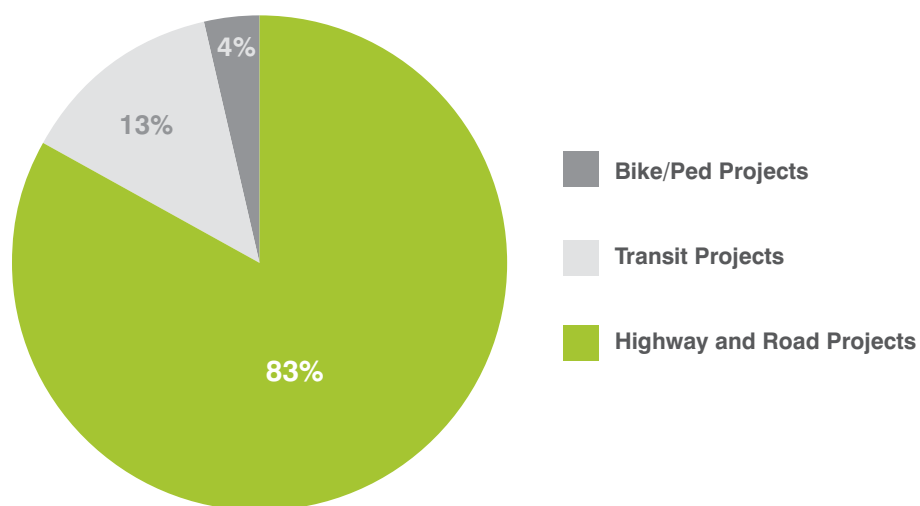
The development of an RTP and SCS is based on Commission adopted guidelines that incorporate state and federal statutory and regulatory requirements. The RTP is action oriented and pragmatic considering both short-term and long-term needs. It establishes the basis for programming local, state, and federal funds for transportation projects within a region, while the ITSP identifies and prioritizes investments of statewide significance to facilitate the interregional movement of people and goods. Ultimately the RTPs adopted by the regions are directed at achieving a coordinated and balanced regional transportation system including, but not limited to, mass transportation, highway, railroad, maritime, bicycle, pedestrian, goods movement and aviation.

The ITSP, on the other hand, serves as a compliment to the RTPs, and is prepared by Caltrans with advice from the Commission and cooperation with the regions. The Commission requires that projects proposed for the Interregional Transportation Improvement Program (ITIP) must be included in the ITSP as well as an adopted RTP. However, the development of the ITSP and the ITIP has not historically been subject to a public vetting process similar to that of the RTP and the RTPs. In the last update of the ITSP, the Commission recommended that Caltrans utilize an open and transparent process to further refine the ITSP in parallel with the development of the California Transportation Plan to be finalized in December 2015. The Commission applauds the Legislature and the Administration for passing and enacting SB 486 (DeSaulnier, Chapter 917, Statutes of 2014) which provides the platform for publicly vetting the ITSP and ITIP.

The Commission is currently working with interested stakeholders to update the STIP Guidelines to provide for an open and transparent corridor approach to programming the 2016 STIP. Project

performance measures and reporting requirements will be simplified and strengthened to communicate the nexus with statewide and regional goals and objectives. Regions and Caltrans will be encouraged to utilize improved cost effectiveness determinations as one criterion for including projects in the proposed RTIPs and/or the ITIP. Regions and Caltrans will also be encouraged to demonstrate how proposed STIP projects contribute to the overall efficiency of the affected transportation corridor.

2014 STIP Programming



State Highway Operation and Protection Program

Key to achieving state and regional goals for the transportation system is the consideration of rehabilitation and reconstruction needs within a corridor simultaneously with expansion, congestion management, and other investment decisions. As projects that add capacity to the system are considered, infrastructure maintenance and rehabilitation costs must also be considered. Without such considerations, the risk for diminished return on investment and the need for re-investment are increased. To reduce these risks and at the same time leverage corridor investments and enhanced benefits, it is critical that the development of the SHOPP is closely coordinated with the development of the STIP, beginning with the 2016 programming cycle. A public vetting process of both programs will increase transparency and accountability, and will better articulate the mutual benefits of both programs.

Prior to the passage of SB 486, the SHOPP was not programmed and amended through a process that offered the same level of transparency of other programs that are “programmed and adopted” by the Commission, e.g., the STIP and ATP. The Commission did not have the authority to select, reject or modify projects, or to approve project amendments in the SHOPP. Instead, Caltrans programmed and amended the SHOPP and submitted informational program status reports to the Commission. However, newly enacted statutes governing the SHOPP have expanded the role of the Commission to include the review of the SHOPP for overall adequacy and consistency with the State’s asset management plan. The Commission is also given the authority to adopt or decline adoption of the program.

It is well established that transportation revenues for SHOPP projects are insufficient to preserve and maintain the existing transportation infrastructure. Protecting transportation system assets and ensuring

that limited resources are efficiently and effectively directed to the most significant needs is critical. Transparency and accountability for investment decisions should be a priority.

Congestion Management & Congestion Pricing

Reforms in how we manage our transportation system for optimal performance are essential as we are faced with increasing demand and limitations on highway expansion, both physically and financially. Recognizing this challenge, recently adopted Regional Transportation Plans have brought congestion management applications to the forefront as viable solutions to manage demand on corridors within regional jurisdictions.



Congestion management involves the development and deployment of strategies to improve the reliability and performance of the transportation system by reducing the impacts of congestion on the movement of people and goods. California has employed congestion management strategies for decades, utilizing such applications as ramp metering, signal synchronization, changeable message signs, High Occupancy Vehicle (HOV) Lanes, High Occupancy Toll (HOT) lanes, and exclusive Toll lanes, to name a few. By choosing to utilize HOT lanes, or those highway lanes shared with HOV lanes, commuters are provided with a more reliable commute, while at the same time reducing demand on general-purpose lanes. HOT and/or Toll lanes can also be used to manage the throughput of the system by introducing dynamic pricing where the toll fluctuates based on the demand for the facility. Given declining revenues of the federal and state gas tax, as well as increasing congestion on highways, regions are increasingly considering the implementation of Toll lanes and HOT lanes as a supplementary revenue source, but more importantly for managing congestion, increasing trip time reliability, and improving safety within the tolled corridors.

Prior to 2006, toll facilities were authorized through project specific legislation. The legislative authority to implement HOT lanes without naming a specific project(s) was established by AB 1467 (Nunez, Statutes of 2006), which added section 149.7 to the Streets and Highways Code. Section 149.7, which expired in January 2012, limited the authority to four HOT lane projects (two in Northern California and two in Southern California). At that time, the Commission was charged with advising the Legislature, after holding public hearings in both Northern and Southern California, of eligible projects based on eligibility criteria established by the Commission. Approval of an eligible project was within the purview of the Legislature until AB 798 (Nava, Chapter 474, Statutes of 2009) eliminated the need for the Legislature, without naming an alternate agency, to approve HOT lane projects.

To maximize the use of tolling to provide congestion relief and to supplement funding available for transportation system improvements, legislative authority that provides a consistent statewide policy, increased opportunities for implementation of toll facilities, and a streamlined approval process is necessary. A statewide congestion management approach is critical for informing transportation funding and operational decisions, in particular due to the overlapping responsibilities between regional agencies and Caltrans. This legislative authority could charge the Commission with the development of a statewide congestion management and pricing policy as well as the responsibility to clearly and objectively define, communicate, and implement a network approach to evaluate and approve HOT lane

applications. This policy should be sensitive to current and future transportation and land use needs, address operational responsibilities, and establish principles for the application and distribution of excess toll revenue.

The Commission's role in congestion management policy and in approving tolling applications could serve to protect the public interest, promote transparency, and increase network coordination and assurance that implementation, operational responsibilities, risk sharing, and revenue application decisions are consistent and effective.

Freight

The transportation system supporting the movement of goods is critical to California's economic health. Not only do consumers and businesses in California rely on this goods movement system, but so do Americans throughout the nation. In 2012, according to the Southern California Association of Governments, approximately 1 billion tons of cargo valued at almost \$2 trillion moved through the Southern California region alone, providing the goods and services needed to sustain industries and consumers throughout the state and the nation.

California's ports face intense competition from other seaports in the United States and beyond, particularly in anticipation of the expanded Panama Canal, expected to become operational in 2015. The Panama Canal will enable mega ships to bypass California's ports by taking an alternative route to the Gulf and East Coast. Considering the impact of international trade on California's economy, safety, public health, and in light of escalating competition, statewide leadership is vital to promote investment decisions that support a sustainable and thriving goods movement network. Strategic statewide investment in goods movement infrastructure improvements is essential to ensuring efficient trade, reducing public health impacts, increasing safety and enhancing the quality of life for all Californians.

Underscoring the national importance of goods movement and the need for investment, in July 2012, the President signed a two-year federal transportation reauthorization bill – Moving Ahead for Progress in the 21st Century (MAP-21) – that recognizes the importance of a strong freight network to ensure competitiveness in the global economy. Furthermore, Assembly Bill (AB) 14 (Lowenthal, Chapter 223, Statutes of 2013) requires CalSTA to prepare a state freight plan to govern the immediate and long-range planning activities and capital investments of the state with respect to goods movement. Caltrans, on behalf of CalSTA, has assumed the responsibility for producing a freight plan referred to as the "California Freight Mobility Plan" and forming and facilitating a California Freight Advisory Committee.

The Commission is keenly aware of California's freight mobility issues having programmed and allocated funds for numerous goods movement projects over the years in the State Transportation Improvement Program, the Proposition 1B funded Trade Corridors Improvement Fund (TCIF), and other programs. The Commission believes that many of the lessons learned in the development and delivery of the TCIF bond funded program should be applied when identifying statewide freight mobility priorities for investment. As observed with the development and implementation of the TCIF program, goods movement in California is a collaborative process. The Corridor Coalitions, representing the regions and the freight industry, were instrumental in identifying and prioritizing freight projects that provided the greatest benefit to the state, region and industry. Freight movement is a critical component of mobility and quality of life considerations at the regional level, and many regions have adopted regional freight plans to address related system and community impacts.

The California Freight Mobility Plan, when complete, should align and integrate with regional freight plans to serve as a comprehensive statewide plan governing the immediate and long-range planning activities and capital investments of the state. It is essential that a strategic, comprehensive, transparent and accountable approach is in place when prioritizing future investments.

REVENUES

Investments to preserve California's transportation system have not kept pace with the demand. In real terms, funding has diminished while the demand and the cost to maintain and operate the transportation system have soared. As the transportation system grows increasingly unreliable, California will become less attractive to businesses, residents, and tourists, which will ultimately increase our transportation revenue shortfall, and adversely impact the economy and overall quality of life.

To effectively address this pending financial crisis, a phased approach with immediate and long-range sustainable solutions is required. In the immediate sense, increasing and indexing to inflation the taxes on motor fuel must be seriously considered. However, traditional fuel tax revenues are not keeping pace with inflation, and the proliferation of fuel efficient cars and alternative fuel vehicles, among other factors, are dramatically impacting this funding. Consequently, a new system of funding directly related to actual system usage, as opposed to vehicle fuel consumption, should be phased in to either replace or augment the fuel tax. The following discussion highlights some potential options that should be considered individually or in combination as we look for solutions to address the state's funding challenges.

Federal Highway Trust Fund

The future of the Nation's economy and quality of life depend on an efficient transportation system which is safe and reliable. Transportation investments to preserve the Nation's transportation system have not kept pace with demand. The current method of funding the Highway Trust Fund, through excise taxes, is no longer keeping pace with the cost of maintaining, operating and expanding the Nation's vast transportation network. In real terms, funding has diminished while the demand and the cost to maintain and operate the transportation system have soared. Our failure to adequately invest in transportation system improvements and upkeep jeopardizes the Nation's economy and quality of life.

The Highway Trust Fund is fast approaching a fiscal crisis; with taxes supporting the Highway Trust Fund due to expire on September 30, 2016. The Country's long-term transportation infrastructure funding challenges are exacerbated by the Highway Trust Fund's looming short-term cash flow problem. On July 1, 2014, the U.S. Secretary of Transportation (US DOT) provided notification to all states that, as the Highway Trust Fund approaches insolvency, beginning August 1, 2014, the Federal Highway Administration would implement cash management procedures limiting payments to manage the reduced levels of cash available. In response to this cash flow crisis, President Obama, on August 8, 2014, signed the Highway and Transportation Funding Act of 2014 (H.R. 5021). This Act is a short-term plan to provide temporary cash-flow relief to the Federal Highway Trust Fund and extend federal transportation funding authority through May 31, 2015. The temporary extension plan includes approximately \$11 billion for the Highway Trust Fund to stave off the cash flow shortfall.

The problem with the highway trust fund is not limited to insufficient transportation funding in relation to transportation demand. The overarching and largely ignored issue is that taxes funding transportation investments do not directly charge users a fee proportionate with the cost of using the transportation system. User fees should reflect the full cost of the transportation services provided, and account for externalities such as environmental, health, energy, security, and other benefits. This taxation scheme, if perpetuated, has far reaching consequences. Current federal transportation methods for revenue generation should be replaced with a method that directly charges users commensurate with the cost of using the transportation system.

We recommend that the Legislature and Administration join the Commission in encouraging Congress to enact a national road usage charge to replace or augment the traditional excise taxes. California, along with the states of Oregon and Washington, has taken the first critical step to evaluate the viability of such a system. However, bringing a national focus on this application could encourage innovation and efficiencies, as well as consistent privacy and security protections across state boundaries.

Cap and Trade

California's Cap and Trade Program, administered by the California Air Resources Board (ARB), is intended to help California meet its goal of reducing greenhouse gas (GHG) emissions to 1990 levels by the year 2020 and ultimately achieving an 80% reduction from 1990 levels by 2050. Beginning in 2015, transportation fuels and residential and commercial use of natural gas and propane will be included in the Cap-and-Trade program administered by the ARB. It is likely that compliance costs incurred by oil and others in the transportation fuel sector will raise fuel prices at the pump for consumers to absorb. Senate Bill 862 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2014) created a framework for the use of revenues generated by the Cap and Trade Program. As it relates to the transportation sector, this framework states that, beginning in 2015-16, the Legislature shall appropriate 40 percent of future cap and trade auction proceeds for transit and rail investment. This consists of 25 percent of proceeds for the high-speed rail project and 15 percent for bus and rail operators.

While 25% of the proceeds are directed to high-speed rail, bus and rail operators will receive 15% of the proceeds segregated into the following two programs:

- The Transit and Intercity Rail Capital Program was created to fund capital improvements and operational investments that will reduce greenhouse gas emissions, modernize California's intercity, commuter, and urban rail systems to reduce greenhouse gas emissions, improve ridership, integrate existing rail services with the planned high-speed rail system, and improve safety. CalSTA will develop guidelines and procedures, evaluate applications for funding, and prepare a list of projects recommended for funding. The Commission will award grants pursuant to CalSTA's project list. This program will receive 10 percent of the annual proceeds of the Cap and Trade program.
- The Low Carbon Transit Operations Program was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. Caltrans, in coordination with the ARB, will develop program guidelines and requirements, as well as determine whether proposals meet specified criteria. The State Controller will allocate funds based on population and transit revenue upon a determination by Caltrans that the expenditures proposed by a transit agency meet the program

requirements. This program will receive 5 percent of the future proceeds of the Cap and Trade program.

The Affordable Housing and Sustainable Communities Program, administered by the Strategic Growth Council, provides 20 percent of future cap and trade proceeds intended to reduce greenhouse gas emissions through projects that implement land use, housing, transportation, and agricultural land preservation practices to support infill and compact development, and that support related and coordinated policy objectives. Projects eligible for funding from this program include transit capital projects and programs supporting transit ridership, active transportation projects, and capital projects that implement local complete streets programs. While the Affordable Housing and Sustainable Communities Program may fund projects that improve connectivity, these programs are not likely to comprehensively address the road improvements required for successful transit centers, active transportation networks, and over-all mobility of the traveling public.

The Commission continues to urge the Legislature and the Administration to ensure that Cap and Trade auction proceeds generated from the transportation sector are directed towards funding a comprehensive transportation program supporting strategic investments that provide the greatest benefit to achieving the goals of AB 32 (Nunez, Chapter 488, Statutes of 2006). The Commission believes this can be achieved through a competitive program focused on a multi-modal corridor-based approach to investment decision making.

Gasoline Excise Tax

The most common source of transportation revenue is the fuel excise tax. There are three excise taxes currently imposed on gasoline in California: the state base excise tax of \$0.18 cents per gallon, a state price-based excise tax currently set at \$0.18 per gallon, and the federal excise tax of \$0.184 per gallon. The state base excise tax and the federal excise tax are fixed rates per gallon set in the early 1990's (the state rate was approved by voters in 1990 and the federal rate was approved in 1993). These rates are not indexed to keep pace with inflation.

The state price-based excise tax and its history are more complicated. This tax was put in place in 2010 when the state eliminated the base state sales tax on gasoline. The rate of the price-based excise tax is set annually at a level that generates the same amount of revenue as would have been generated by the base state sales tax. The use of this source of revenue for transportation infrastructure had its genesis in the creation of the Traffic Congestion Relief Program in 2000. However, due to ongoing state general fund budget deficits, revenues were frequently diverted or loaned to the general fund. Upon passage of Proposition 1A in 2006, conditions were implemented to limit diversions of these revenues to the state general fund. After the "fuel tax swap" eliminated the base state sales tax on gasoline and replaced it with the price-based excise tax in 2010, the diversion of funds dedicated to transportation continued with the use of revenue from commercial vehicle registrations (truck weight fees) to pay debt service on transportation related general obligation bonds. Prior to this time, truck weight fees were deposited in the State Highway Account for purposes of funding SHOPP projects.

Revenues from state and federal excise taxes have not kept up with travel demand or inflation. Excise gas taxes have not increased since 1994 and, unlike a sales tax, price has no direct impact to the funds

collected from base excise taxes on gasoline. Unfortunately, higher gas prices and vehicle fuel economy standards impact the volume of gasoline purchased due to changes in consumer behavior. Specifically, gallons of fuel consumed are steadily decreasing and this trend is projected to continue. As corporate average fuel economy (CAFE) standards increase and as the market share of clean air vehicle (hybrid and electric) increase, the relationship between fuel consumption and road usage will continue to deteriorate. This will occur even as the demand for transportation continues to increase as population increases. Therefore, it is critical that we move to augment or replace our method of addressing transportation funding needs based on excise taxes on gasoline with a funding mechanism that directly charges users prices that accurately reflect the costs of individual transportation choices – a road usage charge.

Moving to a road usage charge or other new method of transportation revenue generation is a significant long-term endeavor. In the meantime, however, such revenue source(s) will not alleviate the transportation challenges we are facing today. To address immediate transportation system needs, increasing excise taxes on fuels, and indexing the taxes to inflation is necessary and should be a key policy platform of state and federal policy makers.

Early Loan Repayment

Beginning in 2001 and continuing today, loans were made from transportation funds to the state general fund or special funds (including the High-Speed Passenger Train Bond Fund). Although some loans have been repaid and \$351 million is scheduled to be repaid in 2014-15, the outstanding loan balance exceeds \$2.1 billion. As California's economic recovery is on the upswing, and the state's budget is balanced and reflecting excess revenue, loans from transportation funds should be repaid to the fund from which they were borrowed and used for their original intended purposes.

Truck Weight Fees

In 2010, California voters passed Proposition 22, which amended the California Constitution by significantly restricting the state from using fuel excise tax revenues for General Fund relief, which was previously allowed. In 2011, the passage of AB 105 (Budget Act of 2011, Statutes of 2011) created a "Weight Fee Swap" which allowed the state to use weight fee revenues for General Fund relief rather than fuel excise tax revenues. The bill also authorized transfers of weight fee revenues from the State Highway Account to the General Fund for transportation debt service and loans. To offset this diversion, an equivalent amount from the new price-based excise tax is transferred to the State Highway Account.

While the diversion of the truck weight fees was offset by the increased use of the price-based excise tax on gasoline for highway maintenance and rehabilitation, the diversion of truck weight fee revenue represents a net decrease in funds available for transportation. The Commission recommends that the diversion of truck weight fees from the State Highway Account to the General Fund should cease immediately. In addition, the truck weight fee system should be updated to charge users directly at prices commensurate with the costs of individual transportation choices and usage. As with the excise tax, truck weight fee revenue has not kept pace with the demand on and with the increasing costs to operate and maintain the transportation system. This point is particularly relevant as heavier vehicles cause more wear and tear to our roads and impose greater costs for maintenance and rehabilitation on the system.

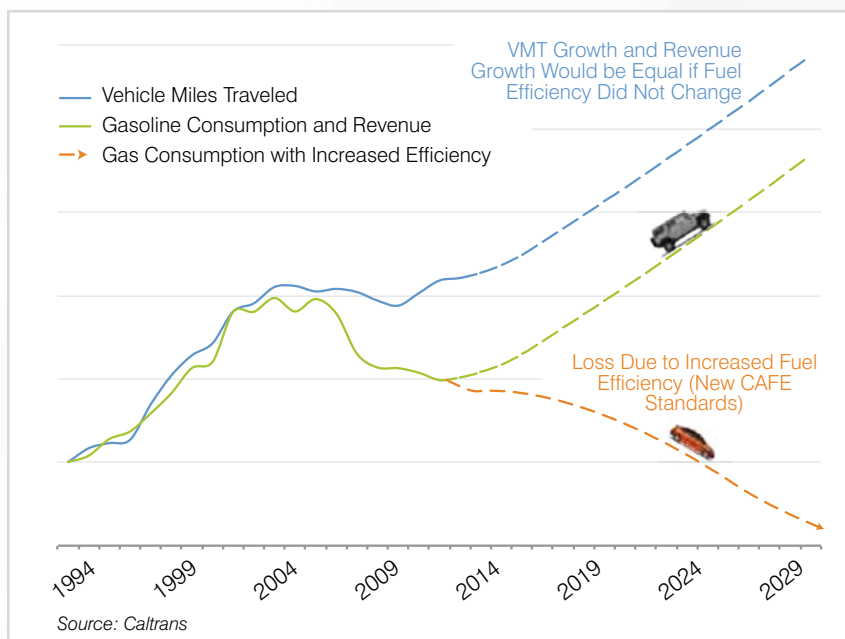
The commercial vehicle registration fee (truck weight fee) is paid by registered commercial motor vehicles based on declared gross vehicle weight. Rates have not increased since 1990, excluding net zero changes pursuant to the Commercial Vehicle Registration Act of 2001 (Chapter 864, Statutes of 2000) which converted California's system of commercial vehicle registration from an unladen weight system to a gross vehicle weight system consistent with the International Registration Plan. A study to quantify the impact of commercial vehicles on the transportation system in terms of both maintenance and congestion should be completed. Based on this study, truck weight fees should be adjusted to accurately pay for associated impacts on the system.

Road Usage Charge

A road usage charge should replace or augment the traditional fuel-based excise taxes by charging drivers directly for the miles driven in addition to or instead of using fuel consumption as a proxy for road usage. In 2013-2014, the Legislature and the Administration moved towards finding a sustainable solution to our declining transportation resources through enactment of SB 1077 calling for the development and implementation of a road usage charge pilot program. Development and implementation of a road usage charge pilot program requires a deliberative and collaborative development and deployment process to address technology, privacy, administrative and other public concerns while ensuring the ultimate success of the program.

A road usage charge, also known as a mileage based user fee or a vehicle miles traveled fee, refers to a fee based on the number of miles a vehicle travels over a given time period. Excise taxes are paid based on fuel consumption, not usage of the transportation system. As fuel consumption continues to decline due to improved and more fuel-efficient vehicles, and as consumers turn to alternative fueled vehicles, the relationship between fuel consumption and costs imposed on the transportation system will continue to deteriorate. A road usage charge would be a more efficient option for funding transportation infrastructure than excise taxes since it directly charges users prices that reflect the full cost of the transportation services provided.

California's Revenue Loss Due to Increases in Fuel Economy



The need for a road usage charge is not new to the Commission. In 2009, the California, Oregon, and Washington Transportation Commissions (Western Tri-State Commissions) jointly recommended that Congress consider encouraging states to develop alternative transportation funding approaches to supplement, and perhaps ultimately replace the gas tax. At that time, a recommendation was made to confirm the feasibility of a vehicle miles traveled-based fee system by mandating the federal government fully explore a transition from the gas tax to a funding system tied more directly to road use and impact on the road system. In 2012, the Western Tri-State Commissions asked Congress to embrace the implementation of a multi-state vehicle miles traveled pilot program. At its January 2014 meeting, the Commission invited representatives from Caltrans, the Oregon Department of Transportation (ODOT) and the Southern California Association of Governments to provide their perspectives related to road usage charge program considerations. In August 2014, the Commission and the Washington State Transportation Commission (WSTC) held a joint meeting to further explore this topic through presentations by representatives from ODOT, WSTC, Caltrans and British Columbia.

In 2001, the state of Oregon created a Road User Fee Taskforce. The Taskforce was created to “develop a revenue collection design funded through user pay methods, acceptable and visible to the public, that ensures a flow of revenue sufficient to annually maintain, preserve and improve Oregon’s state, county and city highway and road system.” The Taskforce researched and investigated more than two-dozen revenue options. The Taskforce determined that a road user charge based on miles driven had the most promise, and conducted a successful pilot project in 2007. In 2012, Oregon began a second road usage charge pilot project which included new technologies to report vehicle miles travelled without the use of Global Positioning System (GPS), assuaging many privacy concerns. The pilot concluded in January 2013, and was the final proof of concept necessary to move forward into formal implementation. In 2013, ODOT was legislatively authorized to set up a mileage reporting system for 5,000 volunteer motorists beginning July 1, 2015. ODOT may assess a charge of 1.5 cents per mile for up to 5,000 volunteer cars and light commercial vehicles and issue a gas tax refund to those participants.

It is likely that the public will have initial concerns with accepting a road usage charge, including concerns related to privacy and the impact on rural and low income drivers. The state of Oregon dealt with privacy issues by providing users multiple options for calculating and reporting mileage, some of which did not require GPS tracking. Oregon’s work to implement a road usage charge pilot project that addresses issues such as privacy and providing consumers with a choice of implementation technologies will be consulted and built upon as the Commission moves forward with the implementation of SB 1077.





2013–14 IN REVIEW

Funding - The stability and solvency of the Federal and State transportation financial future was a major topic in 2013-14. For over the past decade the Commission has raised attention to the looming fiscal crisis with recommendations for policies and funding solutions to address the need. Throughout the year the Commission held public forums to discuss the state's transportation fiscal situation, and to explore innovative solutions for a sustainable funding stream as well as immediate remedies to provide stop-gap funding to protect and improve the state's transportation infrastructure.

State Transportation Improvement Program

The Commission adopted the 2014 STIP for fiscal years 2014-15 through 2018-19. The total adopted program of approximately \$4.71 billion includes \$3.911 billion in highway and road projects, \$630.3 million in rail and transit projects, and \$165 million in bike and pedestrian projects.

The adoption of the 2014 STIP solicited interest from a broad spectrum of stakeholders, commenting on a variety of issues, including the perceived lack of a public process regarding proposed programming in the ITIP and STIP, the prioritization of highway projects versus intercity rail projects in the ITIP, the relatively small number of transit, bicycle and pedestrian projects proposed in the STIP, and the probable demand inducing nature of proposed highway projects. Considering the stakeholder comments, the Commission embarked on a process to solicit input and build consensus on amendments for the 2016 STIP Guidelines to provide for a more comprehensive review of projects reflective of statewide policies and objectives.

Active Transportation Program

The development and implementation of the ATP during 2013-14 was a major accomplishment achieved in a very condensed timeframe. Within a nine month time period, guidelines were developed with extensive stakeholder consultation, considered by the Joint Legislative Budget Committee, and adopted by the Commission. Following a call for projects, the Commission, assisted by Caltrans and a team of volunteers representing government agencies (state, regional, and local) and active transportation stakeholder organizations with expertise in pedestrian and bicycle issues, including safe routes to schools, evaluated 771 applications requesting over \$1 billion in ATP funding. The sheer number and value of project requests received is a clear indication of the overwhelming need for ATP projects and project funding. As the Commission prepares to begin the process for the next phase, consideration will be given to the lessons learned during this initial phase of the ATP program development in order to deliver projects that provide the greatest benefit to the public.

Sustainability

The Commission is committed to the achievement of California's sustainability goals and objectives through the development of policies that shape the transportation system of California. However, a one size fits all approach does not address the diverse nature of the state. An equitable approach to delivering sustainability benefits by providing opportunities for all regions to implement strategies that contribute to the overall statewide goals and objectives must be employed. A delicate balance struck between sustainability and the economy must be maintained. While the virtues of implementing sustainable strategies are immeasurable, a comprehensive long-range cost/benefit analysis must be performed as investment decisions are made. Such an analysis will increase assurance that actions to meet specified sustainability objectives are not at the cost of economic growth and other critical statewide objectives.

Goods Movement

In 2013-14 Goods Movement was a topic of great interest at the federal and state level; with the issuance of the draft National Primary Freight Network released by the United States Department of Transportation, and the preparation of the California Freight Mobility Plan. Goods Movement plays a critical role in the State's economy; however there currently is not a coordinated statewide effort to ensure a comprehensive long-term vision for freight in the state. Moving forward the Commission will

continue to work with the Administration and Legislature to encourage a unified statewide approach to Goods Movement.

State Highway Operation and Protection Program

The Commission approved the 2014 SHOPP consisting of a four-year program of projects from 2014-15 through 2017-18 totaling \$9.66 billion for capital outlay and capital outlay support for the four-year period. This funding level is consistent with the adopted 2014 STIP Fund Estimate which forecasts an average \$2.3 billion of annual SHOPP program capacity.

Proposition 1B

With the majority of Proposition 1B funds allocated and projects under construction, the Commission continues to monitor the progress of on-going projects while transitioning into 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 were achieved. During 2013-14 additional Proposition 1B program savings were realized and the Commission redirected \$255.8 million in project savings to new projects that met program criteria.

Environmental Considerations

The Commission, as a responsible agency under California Environmental Quality Act (CEQA), allocates funds to projects for design, right-of-way or construction after the final environmental document is complete and the Commission has approved the project for consideration of future funding. During 2013–14, the Commission received final environment documents for 71 projects. Of those documents, 54 were completed by Caltrans as the CEQA Lead Agency, and 17 were completed by local agencies as the CEQA Lead Agency. Seventy projects were approved for future consideration of funding. In addition, the Commission provided comments on three Draft Environmental Impact Reports (EIRs) and three Notices of Preparation (NOP) prepared by Caltrans. The Commission also provided comments on one NOP and three Draft EIRs prepared by local agencies.





2013-14 Accomplishments

State & Regional Planning Sustainability Goals and Objectives

During 2013-14, the Commission continued its efforts to incorporate sustainability goals and objectives into Commission programs and policies. The Commission also worked with Caltrans, the California Air Resources Board, the Department of Housing and Community Development, and others to leverage ideas and strategies for furthering the achievement of state and regional sustainability goals in its transportation programs and policies.

Regional Transportation Plan Guidelines

Regional Transportation Plans (RTP) provide the foundation for regional long range planning, which informs the preparation of the RTIPs prepared by each MPO and RTPA. RTIPs form the basis for funding requests in the STIP.

The current RTP guidelines were last updated and adopted by the Commission in 2010. The 2010 update incorporated statewide transportation and land use objectives encapsulated in the Sustainable Communities and Climate Protection Act of 2008 (Steinberg, Chapter 728, Statutes of 2008). By the conclusion of 2014 the first round of RTPs with a SCS will have been completed by the majority of the eighteen MPOs, and the majority of the RTPAs will have adopted their respective RTPs by mid-2015.

The Commission is cognizant of the synergy and direct policy connection between the timing for the next update of the RTP guidelines and the activities as described below that, once concluded, are likely to impact the guidelines. When the next update is prepared, the Commission will ensure guidance is included to further a multi-modal corridor-based approach to identify funding priorities for inclusion in RTPs. In the meantime, the Commission is closely monitoring the following activities for potential impacts that would be addressed in the guidelines update:

- During 2014, the Commission requested Caltrans to conduct an evaluation of adopted RTPs to measure the effectiveness of the 2010 RTP guidelines. Caltrans is performing the evaluation in two phases: Phase I will be complete in early 2015 and includes the evaluation of the RTP/SCS adopted by the majority of the eighteen MPOs. Phase II will examine the adopted RTPs of the non-MPO RTPAs and is scheduled for completion in mid-2015.
- The Strategic Growth Council (SGC) has commissioned and administered a Self-Assessment by the 18 MPOs, examining their experiences in preparing their first round of SCS. Preliminary findings of the Self-Assessment were presented to the SGC in March 2014 and the final report is scheduled for release in late 2014.
- The Federal Highway Administration (FHWA) issued a notice of proposed rule-making in response to MAP-21 requiring changes to regulations and performance measures related to planning on June 2, 2014. Regulations and performance measures for planning are expected to be adopted in 2015.
- Senate Bill 743 (Steinberg, Chapter 386, Statutes of 2013) created a process to change the analysis of transportation impacts under CEQA. The Governor's Office of Planning and Research (OPR) was tasked with amending the CEQA guidelines to provide an alternative to "Level of Service" for evaluating transportation impacts particularly within areas served by transit. These alternative criteria must promote GHG reductions, the development of multimodal networks, and a mixture of land uses. It is anticipated that the Secretary of the Natural Resources Agency will certify the guidelines in early 2015 with voluntary opt-in through 2015 and full implementation in 2016.
- Pursuant to AB 441 (Monning, Chapter 365, Statutes of 2012), a summary of the policies, practices or projects employed by MPOs to promote health and health equity in the regional transportation planning process will be included in the next RTP Guidelines update.

Programming and Performance Measurement

During 2013-14, the Commission incorporated state sustainability goals in its programming and performance measurement efforts. This is clearly demonstrated in the Commission's guideline development and programming efforts for the State Transportation Improvement and the Active Transportation Programs.

State Transportation Improvement Program

In programming the 2014 STIP, the Commission sought information from Metropolitan Planning Organizations and Regional Transportation Planning Agencies regarding projects submitted for funding and their relationship with adopted sustainable communities strategies and statewide sustainability goals. The STIP Guidelines required that each region with an adopted sustainable communities strategy include a quantitative or qualitative assessment of how the regional transportation improvement program facilitates implementation of the policies and projects in the sustainable communities strategy including identification of any challenges the region is facing in implementation. With submission of the RTIPs, each affected County reported to the Commission on adherence to the goals and objectives of their respective sustainable communities strategy. Some represented adherence in broad general terms while others presented more detailed project level assessments.

The Commission continues to work with interested stakeholders to update the STIP Guidelines for the 2016 STIP programming cycle. Project performance measures and reporting requirements will be simplified and strengthened to communicate the nexus with statewide and regional goals and objectives. Regions and Caltrans will be encouraged to utilize improved cost effectiveness determinations as one criterion for including projects in the proposed RTIPs and/or the ITIP. Regions and Caltrans will also be encouraged to demonstrate how a proposed STIP project will contribute to the overall efficiency of the affected transportation corridor. The Commission will also work with Caltrans to allow for public vetting of the ITIP prior to final transmittal to the Commission for STIP programming consideration.

Active Transportation Program

The Active Transportation Program embodies statewide sustainable transportation goals and objectives, by providing safe active alternatives to automobile travel. During 2014, the Commission established and consulted with a workgroup to develop guidelines for the programming of infrastructure and non-infrastructure projects to increase the safety and mobility of non-motorized system users, reduce greenhouse gas emissions, enhance public health, provide for safe routes to schools, assist disadvantaged communities, and achieve additional sustainability benefits. The workgroup included representatives of government agencies (state, regional, and local) and active transportation stakeholder organizations with expertise in pedestrian and bicycle issues, including safe routes to schools programs. The guidelines stipulate that as a condition of project allocation, the Commission expects each implementing agency to submit semi-annual reports, and, within one year of each project becoming operable, a final delivery report that includes performance outcomes derived from the project as compared to those described in the project application, including before and after pedestrian and/or bicycle counts, and other performance factors. With the first programming cycle complete during 2014, the Commission programmed 148 projects for a total of \$220.848 million of Active Transportation Program funds and a total estimated cost of \$431.378 million. The MPO component of the program, totaling an additional \$147.2 million, is scheduled for adoption on November 12, 2014.

Statewide Planning

During 2013-14, the Commission participated in the following statewide transportation planning efforts:

California Transportation Plan 2040

As a member of the Caltrans led Policy Advisory Committee, the Commission continued its involvement in the development of the California Transportation Plan 2040, designed to move the state forward in achieving its overall statewide transportation mobility, safety, and sustainability goals. The Policy Advisory Committee was established by Caltrans to assist in defining a policy framework that achieves the collective vision for California's transportation system, and identifies the statewide integrated multimodal transportation system required to reach maximum feasible greenhouse gas emission reductions.

Specifically, the California Transportation Plan 2040, currently under development, is required to address how the state will achieve maximum feasible emission reductions in order to attain a statewide reduction of greenhouse gas emissions to 1990 levels by 2020 and 80% below 1990 levels by 2050. Pursuant to Senate Bill 391 (Liu, Chapter 858, Statutes of 2009) Caltrans is required to prepare the California Transportation Plan 2040 by December 31, 2015, and provide an update every 5 years thereafter.

The California Transportation Plan 2040 will incorporate regional transportation plans as well as statewide rail, freight, transit, aviation, and other plans. When complete, the California Transportation Plan 2040 is expected to provide a common policy framework and identify the statewide integrated multimodal transportation system needed to achieve the greenhouse gas emission reductions consistent with California's climate change goals.

California Freight Mobility Plan and the California Freight Advisory Committee

AB 14 (Lowenthal, Chapter 223, Statutes of 2013) requires CalSTA to prepare a state freight plan in compliance with the relevant provisions of MAP-21 by December 31, 2014, with updates prepared every 5 years thereafter. The state freight plan will provide a comprehensive plan to govern the immediate and long-range planning activities and capital investments of the state with respect to goods movement.

To address statewide goods movement, AB 14 recognized that California must have a focused approach at the state level. This legislation required CalSTA to establish a California Freight Advisory Committee representing a cross-section of public and private sector freight stakeholders, including representatives of ports, shippers, carriers, freight-related associations, the freight industry workforce, the Commission, Caltrans, the Public Utilities Commission, the State Lands Commission, the California Air Resources Board, regional and local governments, and environmental, safety, and community organizations. The California Freight Advisory Committee serves as a forum for discussion of freight-related issues, helps coordinate regional freight priorities with other organizations, and advises Caltrans on key freight-related decisions, priorities, issues, projects, and funding needs from statewide and regional perspectives.

Caltrans, on behalf of CalSTA, assumed the responsibility for producing a freight plan referred to as the "California Freight Mobility Plan" and forming and facilitating the California Freight Advisory Committee. The California Freight Mobility Plan targeted for completion by the end of 2014, serves as an update to California's 2007 Goods Movement Action Plan (GMAP) by addressing current freight conditions, identifying important trends, and responding to major issues in goods movement across all modes and regions of California.



As a member of the California Freight Advisory Committee, the Commission has taken an ardent interest in the outcomes of this effort and will continue to participate and monitor the implementation of this plan and future updates.

National Primary Freight Network

Pursuant to MAP-21, the U.S. Department of Transportation (USDOT) Secretary established a National Primary Freight Network to assist States in strategically directing resources toward improved system performance for efficient movement of freight on highways, including the national highway system, freight intermodal connectors and aerotropolis transportation systems. In late 2013, the USDOT published in the Federal Register the draft initial designation of the initial highway Primary Freight Network (PFN) request for comments.

During 2014, the Commission submitted comments to the USDOT on the highway PFN, recommending inclusion of all freight modes, expanding the proposed network to close gaps and missing segments, and the creation of a national freight funding program.

State and Regional Collaboration

State Agency Coordination

Senate Bill 1039 (Steinberg, Chapter 147, Statutes of 2012) requires that “Notwithstanding the transfer of the department [Department of Housing and Community Development] from the Business, Transportation, and Housing Agency to the Business, Consumer Services, and Housing Agency, the Department of Housing and Community Development, the Department of Transportation, and the California Transportation Commission shall coordinate state housing and transportation policies and programs to help achieve state and regional planning priorities and to maximize co-benefits of infrastructure investments.”

During 2014, CalSTA and the Business, Consumer Services, and Housing Agency (BCSH) assumed the leadership role for compliance with SB 1039, establishing a Steering Committee consisting of the CalSTA Secretary, the BCSH Secretary, the Caltrans Director, the Commission’s Executive Director, the California Housing Finance Agency Executive Director, and the Housing and Community Development Director. The Steering Committee Charter includes several key objectives: institutionalizing ongoing connections; sharing data and information to facilitate better-informed decisions; enhancing integrated planning and investment, and facilitating Ad Hoc coordination.

During 2013-14, the Steering Committee met quarterly to provide direction and input to its staff level workgroup. Commission staff participated in monthly workgroup meetings in support of the Steering Committee. The workgroup focused on the coordination of pending legislation, collection of data, and informational updates of individual departmental activities.

MPO – State Agency SB 375 Implementation Working Group

In 2009, the MPO – SB 375 Implementation Working Group was formed to facilitate the implementation of SB 375. The Working Group consists of representatives from the 18 Metropolitan Planning Organizations, the California Air Resources Board, Caltrans, the Commission, the Department of Housing and Community Development, the Strategic Growth Council, the Governor's Office of Planning & Research, and the Department of Public Health. During 2013-14, the Working Group met on a bi-monthly basis to discuss regional transportation plan and sustainable communities strategy development and related state agency developments. The Working Group directed its attention to implementation of SB 375, the preparation of statewide policy documents, such as the Governor's Office of Planning and Research CEQA reform efforts, the Department of Housing and Community Development's Regional Housing Needs Assessment process, and the California Air Resources Board's preparation of the Sustainable Freight Plan.





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. The 2014 STIP was adopted March 20, 2014.

STIP funding comes primarily from State Highway Account and Federal Surface Transportation Program funds. To a limited degree, Public Transportation Account funds are also directed to the STIP.

Moving Ahead for Progress in the 21st Century Act (MAP 21) (P.L. 112-141), signed by the President on July 6, 2012, eliminated the Transportation Enhancement program and replaced it with the Transportation Alternatives program – a competitive program separate from the STIP. Therefore, Transportation Enhancement projects programmed in earlier STIP cycles must be eligible for other STIP funding or removed from the STIP.

The STIP allocation capacity for 2013-14 was \$620 million. The Commission allocated \$631.4 million for STIP projects (including projects with allocation extensions expiring in 2013-14 and projects advanced from 2014-15 and later). Caltrans committed to fund all STIP allocation requests by utilizing Advanced Construction (AC) when capacity was not sufficient.

It is estimated that the STIP allocation capacity for 2014-15 of \$643 million will be sufficient for all 2014-15 programmed projects and projects that were delayed to 2014-15.

2014 STIP Fund Estimate

The 2014 STIP Fund Estimate methodology and assumptions were approved by the Commission on June 11, 2013. The 2014 STIP Fund Estimate, covering the five-year period of 2014-15 through 2018-19 was adopted at the Commission's August 6, 2013 meeting and updated at the October 8, 2013 meeting. The RTIP and the ITIP were submitted to the Commission by December 15, 2013.

The Fund Estimate forecasted additional funding capacity of \$1.262 billion for the five-year period, all of which is available only in the last two years of the period. This capacity is made up of State Highway Account (SHA) funds, federal funds, and a small amount of Public Transportation Account (PTA) funds. As reflected below, PTA funds were limited to \$65 million over the five year STIP period, thus limiting the number of transit projects that would be included in the program.

The following table reflects an estimated STIP capacity of \$4.194 billion over the six-year period including 2013-14.

SUMMARY OF 2014 STIP FE - STIP CAPACITY BY YEAR (dollars in millions)

| | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | Total |
|-----------------------|---------|---------|---------|---------|---------|---------|---------|
| Transit (PTA)* | \$25 | \$65 | \$0 | \$0 | \$0 | \$0 | \$90 |
| Roads (SHA, Federal)* | \$714 | \$690 | \$680 | \$675 | \$675 | \$670 | \$4,104 |
| Total | \$739 | \$755 | \$680 | \$675 | \$675 | \$670 | \$4,194 |

2014 STIP Guidelines

The 2014 STIP guidelines were adopted by the Commission on August 6, 2013. Several updates to the guidelines were made based on changes to existing law. The most notable updates are as follows:

- Clarified the timing for allocation requests. Allocations for Plans, Specifications & Estimates (PS&E) should not be requested until CEQA and (National Environmental Policy Act (NEPA) are complete. Construction allocations should not be requested until the project is ready to advertise (all right-of-way is acquired, and permits/agreements such as railroad and utility agreements are complete).
- Revised Section 19 – Criteria for Measuring Performance and Cost Effectiveness. Revisions included a change in the requirement for project level evaluations. Project level evaluations are now required if a project is proposed for construction funding and the proposed funding is greater than 50% of the county's target, or when the existing and proposed STIP funding for the project is \$15 million or greater. The existing requirement for an evaluation of a project with a total cost equal to or greater than \$50 million remained.
- Added requirements for each region with an adopted Sustainable Communities Strategy. Specifically, affected regions must include a discussion of how the RTIP relates to its Sustainable Communities Strategy.
- Revised performance measures to include a vehicle miles traveled (VMT) measure, and other factors.

2014 STIP

The 2014 STIP was adopted on March 20, 2014, with additional technical changes approved by the Commission on May 21, 2014. A total of \$1.253 billion in additional projects were programmed for the Regional Transportation Planning Agencies and Caltrans. Of that total, \$237.7 million, or almost 19%, was programmed to rail and transit projects.

The Commission adopted the 2014 STIP for fiscal years 2014-15 through 2018-19. The total adopted program of approximately \$4.71 billion includes \$3.911 billion in highway and road projects, \$630.3 million in rail and transit projects, and \$165 million in bike and pedestrian projects.

At the time of the 2014 STIP adoption, \$4.71 billion in STIP funding supported almost \$17 billion in total project costs, leveraging an additional \$12.5 billion in transportation funding.

2016 STIP Guidelines

The 2016 STIP guidelines will not be adopted until August 2015. However, the process to revise the guidelines for the 2016 STIP began immediately after the 2014 STIP was adopted.

The 2016 STIP guidelines will continue to emphasize coordination and consistency with adopted regional transportation plans, the Interregional Transportation Strategic Plan, and investment strategies and decisions consistent with state and federal laws. Areas of focus for possible revision include, but are not limited to, methods to (1) determine, evaluate, and communicate cost effectiveness of regional transportation improvement programs and the interregional transportation improvement program; (2) promote greater public participation and enhanced transparency; and (3) evaluate and communicate the regional and statewide benefits of projects programmed in the adopted STIP.

2014 Report on County and Interregional Share Balances

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

On August 1, 2014, the Commission released its Seventeenth Annual Report of STIP Balances, County and Interregional Shares. The report included the 2014 STIP adopted on March 20, 2014, including allocations and other actions approved through June 2014. The balances in the report are based on the capacity identified through 2018-19 in the 2014 STIP Fund Estimate, adopted in August 2013.

The 2014 STIP Balances, County and Interregional Shares Report can be found at <http://www.catc.ca.gov/programs/stip.htm>.

STIP Project Delivery

The Commission tracks project allocations as scheduled in the STIP. For Caltrans projects, the Commission allocates project funding only for construction capital outlay and, beginning in January 2013, for construction capital support on a per project basis. The Commission also allocates right-of-way capital outlay funds to Caltrans on an annual lump sum basis, for further sub-allocation by Caltrans to specific project activities. The Commission does not allocate funds for Caltrans pre-construction activities (environmental and design work) or right-of-way support on a per project basis.

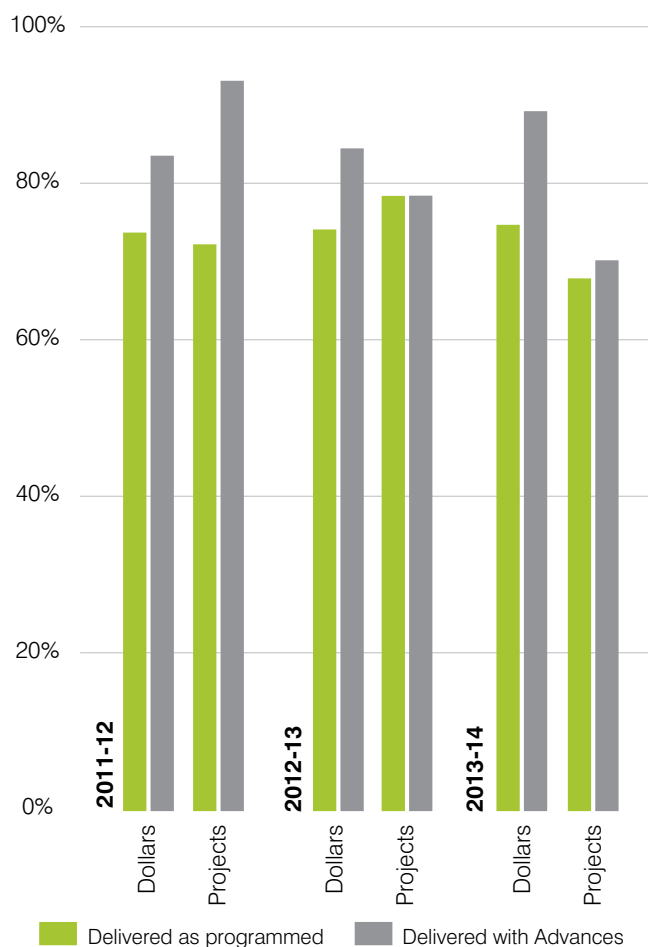
Caltrans achieved a 67 percent project delivery rate by delivering 24 of the 37 originally scheduled projects for 2013-14. In 2013-14, the Commission allocated \$274.03 million to these STIP projects, including AB 608 (Dickerson, Chapter 815, Statutes of 2001) adjustments to decrease the allocation due to cost savings greater than 20 percent at contract award. In addition, \$5.89 million in supplemental funds were allocated to 5 previously allocated projects.

The following compares Caltrans STIP delivery for 2011-12, 2012-13 and 2013-14:

CALTRANS STIP DELIVERY (dollars in millions)

| | 2011-12 | | 2012-13 | | 2013-14 | |
|---------------------------------|-----------|----------|-----------|----------|-----------|----------|
| | Dollars | Projects | Dollars | Projects | Dollars | Projects |
| Programmed | \$346.787 | 29 | \$212.727 | 27 | \$366.081 | 37 |
| Extensions | -\$92.066 | -7 | -\$47.716 | -4 | -\$73.379 | -7 |
| Lapsed | -\$0.077 | -1 | -\$7.750 | -2 | -\$18.673 | -6 |
| Delivered as programmed | \$254.644 | 21 | \$157.261 | 21 | \$274.029 | 24 |
| Percent delivered as programmed | 73% | 72% | 74% | 78% | 75% | 67% |
| Advanced | \$32.559 | 6 | \$0 | 0 | \$52.661 | 2 |
| Delivered with advances | \$287.203 | 27 | \$157.261 | 21 | \$326.690 | 26 |
| Percent delivered with advances | 83% | 93% | 84% | 78% | 89% | 70% |
| Prior-year extensions delivered | \$177.599 | 6 | \$16.430 | 3 | \$97.755 | 9 |
| Total delivered | \$464.802 | 33 | \$173.691 | 24 | \$424.445 | 35 |
| Funded by allocation | \$464.802 | 33 | \$173.691 | 24 | \$424.445 | 35 |

Caltrans STIP Delivery



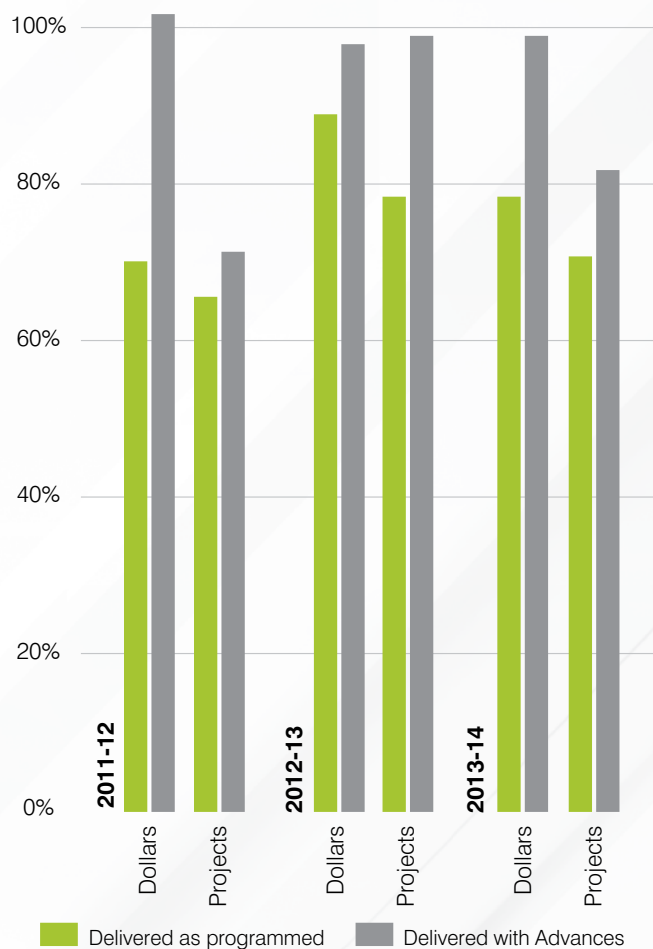
For local agency projects, unlike Caltrans projects, the Commission allocates all programmed STIP funds and tracks each individual programming component (environmental, design, right-of-way, and construction) as a separate project. The local agencies achieved a 71 percent project delivery rate by delivering 108 of the 153 originally scheduled projects for 2013-14. In addition, local agencies delivered 16 projects extended from prior years, and 17 projects in advance of their programmed year. In 2013-14, the Commission allocated \$206.9 million to local agency STIP projects. Of the 45 undelivered local projects, the Commission granted delivery deadline extensions for 15 projects valued at \$10.27 million. Thirty projects valued at \$29.09 million were allowed to lapse by local agencies. The lapsed funds reverted to county share balances to be available for programming in the next county share period (beginning in 2016).

The following compares local STIP delivery for 2011-12, 2012-13 and 2013-14:

LOCAL STIP DELIVERY (dollars in millions)

| | 2011-12 | | 2012-13 | | 2013-14 | |
|---------------------------------|-----------|----------|----------|----------|-----------|----------|
| | Dollars | Projects | Dollars | Projects | Dollars | Projects |
| Programmed | \$258.853 | 178 | \$224.06 | 192 | \$179.40 | 153 |
| Extensions | -\$40.049 | -27 | -\$21.93 | -20 | -\$10,271 | -15 |
| Lapsed | -\$38.149 | -35 | -\$7.52 | -23 | -\$29.086 | -30 |
| Delivered as programmed | \$180.655 | 116 | \$194.61 | 149 | \$140.043 | 108 |
| Percent delivered as programmed | 70% | 65% | 87% | 78% | 78% | 71% |
| Advanced | \$90.865 | 12 | \$22.09 | 39 | \$36.296 | 17 |
| Delivered with advances | \$271.520 | 128 | \$216.70 | 188 | \$176.339 | 125 |
| Percent delivered with advances | 105% | 72% | 97% | 98% | 98% | 82% |
| Prior-year extensions delivered | \$36.096 | 22 | \$71.15 | 22 | \$30.597 | 16 |
| Total delivered | \$307.616 | 150 | \$287.85 | 210 | \$206.936 | 141 |
| Funded by allocation | \$307.616 | 150 | \$287.85 | 210 | \$206.936 | 141 |
| Funded through AB 3090 | \$0 | 0 | \$0 | 0 | \$0 | 0 |

LOCAL STIP Delivery





State Highway Operation and Protection Program

Caltrans is responsible for maintaining and operating the state highway system. The California state highway system includes nearly 50,000 lane miles of pavement, 12,924 bridges, 205,000 culverts and drainage facilities, 87 roadside rest areas, 29,830 acres of roadside landscaping, and 440 support facilities, including maintenance stations, equipment shops, transportation materials laboratories, and testing facilities, much of it built in the 1950s, 1960s, and early 1970s.

The state highway system condition and performance is monitored through inspections, traffic studies, and system analysis. Caltrans uses information obtained through these activities to prepare the Ten-Year SHOPP Plan, required under Streets and Highways Code Section 164.6. State law requires the Commission to transmit the Ten-Year SHOPP Plan to the Governor and the Legislature by May 1 of each odd-numbered year, identifying rehabilitation and reconstruction needs on the state highway system to achieve quantifiable accomplishments and specific milestones, such as miles of highways to be repaved and number of bridges to be retrofit. The 2013 Ten-Year SHOPP Plan identifies goal-constrained and financially constrained needs for the ten-year period of 2014-15 through 2023-24. The goal-constrained escalated estimate to address ten year needs totals \$82 billion, an average annual cost of \$8.2 billion.

In accordance with Government Code Section 14526.5, Streets and Highways Code Section 164.6 and the strategies outlined in Caltrans' Policy for Management of the SHOPP, Caltrans biennially prepares the SHOPP. To meet the biennial reporting requirement, the 2014 SHOPP, consisting of a four-year program of projects from 2014-15 through 2017-18, was considered by the Commission on January 10, 2014 and approved by the Commission on March 20, 2014. The approved 2014 SHOPP utilizes \$9.1 billion for capital outlay and capital outlay support over the four-year period. This funding level is consistent with the adopted 2014 STIP Fund Estimate which forecasts an average \$2.3 billion of annual SHOPP program capacity.

Programming projects in the SHOPP is performed by Caltrans and is not based on county shares, historical percentages, or a predetermined formula. Caltrans reported to the Commission that the new projects selected for programming in the 2014 SHOPP are based on the highest priority statewide needs.

As described in the 2013 Ten-Year SHOPP Plan, the estimated goal-constrained need for the rehabilitation and reconstruction of the aging state highway system is \$8.2 billion per year. This leaves a projected annual shortfall of approximately \$6 billion. According to Caltrans, the potential impacts of this shortfall may include delays of needed rehabilitation and reconstruction projects on the state highway system that cannot be funded, an inability to fix new and ongoing deterioration of the highways, and cost increases when needed rehabilitation work is ultimately undertaken.

Subsequent to the Commission's approval of the 2014 SHOPP, the 2014 SHOPP Fund Estimate was revised in June 2014 to increase programming capacity by \$277 million as a result of early loan repayments and project delivery savings. The additional revenues will enable delivery of more SHOPP projects in the first two years of the 2014 SHOPP.



Active Transportation Program

On September 26, 2013, the Governor signed legislation creating the Active Transportation Program (Senate Bill 99, Chapter 359, Budget Act of 2013, and AB 101, Chapter 354, Budget Act of 2013). The goals of the Active Transportation Program are to:

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

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

The Active Transportation Program funds are distributed through three competitive programs. At a minimum, twenty-five percent of funding within each of these competitive programs must be directed to projects that benefit disadvantaged communities. These competitive programs are as follows:

1. Metropolitan Planning Organization Competitive Program - Forty percent to MPOs with urban areas with populations greater than 200,000. The funds programmed and allocated must be selected through a competitive process by the MPOs in accordance with Commission guidelines.
2. Small Urban/Rural Competitive Program - Ten percent to small urban and rural areas with populations of 200,000 or less, with projects competitively awarded by the Commission to projects in those regions. Federal law segregates a portion of the funds flowing into the Active Transportation Program (the Federal Transportation Alternative Program) into separate small urban and rural competitions based upon their relative share of the state population.
3. Statewide Competitive Program - Fifty percent to projects competitively awarded by the Commission on a statewide basis. A minimum of \$24 million per year must fund projects that provide safe routes to schools, and at least \$7.2 million must be directed to non-infrastructure grants, including funding for a state technical assistance resource center.



On December 11, 2013, the Commission adopted a Fund Estimate for the Active Transportation Program which estimated a total of \$359 million available for programming projects for fiscal years 2014-15 and 2015-16. An additional \$9 million in state funds was made available to the program in the 2014-15 budget approved by the Legislature and signed by the Governor on June 20, 2014. A revised Fund Estimate to include those funds (for a new total of \$368 million) was adopted by the Commission on August 20, 2014.

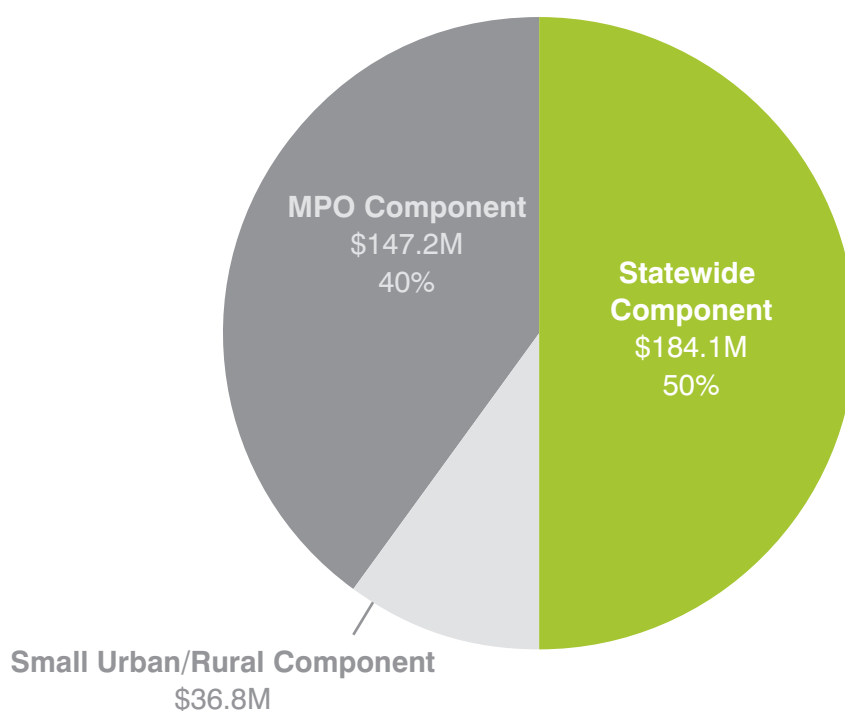
Commission staff engaged a diverse workgroup of stakeholders, including representatives of government agencies, active transportation organizations and others with expertise in pedestrian and bicycle issues, including Safe Routes to Schools programs in the development of the Active Transportation Guidelines. Given the complexity of preparing guidelines for the program, the Commission also formed subgroups from the workgroup to inform specific areas of the guidelines and report back to the larger workgroup. From October 2013 through January 2014, Commission staff facilitated fourteen workgroup meetings and eight subgroup sessions at various locations to develop program guidelines.

The Commission held two public hearings, one in Southern California and one in Northern California, and, pursuant to statute, submitted the guidelines to the Joint Legislative Budget Committee for review on February 3, 2014. On March 17, 2014, the Joint Legislative Budget Committee recommended that the Commission adopt the guidelines with no further changes to ensure transparency of the guidelines development process. On March 20, 2014, the Commission adopted guidelines for the 2014 Active Transportation Program.

SB 99 provided for the Commission, at the request of an MPO, to adopt separate guidelines for an MPO to use in administering their portion of the MPO Competitive Program. As a result, upon request, the Commission adopted guideline amendments for the Metropolitan Transportation Commission, the Sacramento Area Council of Governments, the San Diego Association of Governments, the Southern California Association of Governments, the Fresno Council of Governments, the San Joaquin Council of Governments, and the Tulare County Association of Governments.

On March 21, 2014 the Commission issued a call for projects for the statewide and small urban/rural competitive program. The Commission received 771 project applications requesting an estimated \$1 billion in Active Transportation Funds by the May 21, 2014 deadline.

2014 Active Transportation Program Fund Estimate



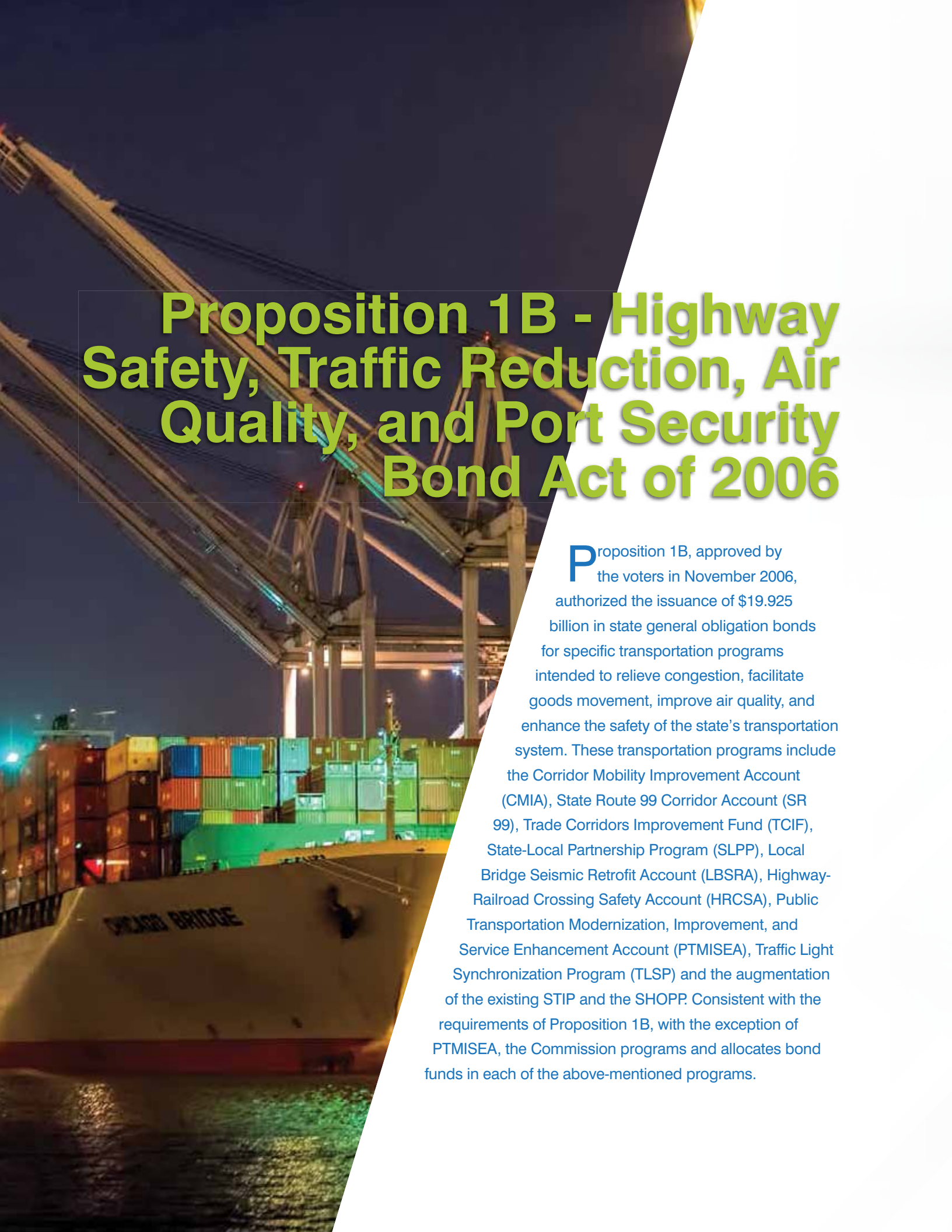
In accordance with SB 99, to assist in evaluating project applications, the Commission formed a multidisciplinary advisory group made up of representatives with expertise in bicycling and pedestrian transportation, including safe routes to schools projects, and projects benefiting disadvantaged communities. Volunteers were assigned to one of eight teams to provide for geographical representation by large MPOs, Regional Transportation Planning Agencies, small urban, rural areas, and non-governmental agencies. Caltrans performed a key role in coordinating the advisory group efforts, compiling the application ratings, and providing recommendations for programming.

Commission staff developed and released recommendations for project programming on August 8, 2014. On August 20, 2014 the Commission adopted the 2014 Active Transportation Statewide and Small Urban/Rural Competitive Programs. The 2014 statewide competitive program totaling \$183.84 million includes 126 projects valued at \$353.31 million. The small urban/rural competitive program totals \$37 million and includes 22 projects valued at \$78.07 million.

Projects that were not programmed in either the statewide or small urban/rural programs on August 20, 2014 were distributed to the MPOs for consideration in the MPO competitive program. MPOs submitted programming recommendations to the Commission on September 30, 2014 and the Commission adopted the 2014 Active Transportation MPO Competitive Program in November 2014.

Detailed information regarding the projects programmed in the 2014 Active Transportation Program can be found at www.catc.ca.gov





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

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 include the Corridor Mobility Improvement Account (CMIA), State Route 99 Corridor Account (SR 99), Trade Corridors Improvement Fund (TCIF), State-Local Partnership Program (SLPP), Local Bridge Seismic Retrofit Account (LBSRA), Highway-Railroad Crossing Safety Account (HRCSA), Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA), Traffic Light Synchronization Program (TLSP) and the augmentation of the existing STIP and the SHOPP. Consistent with the requirements of Proposition 1B, with the exception of PTMISEA, the Commission programs and allocates bond funds in each of the above-mentioned programs.

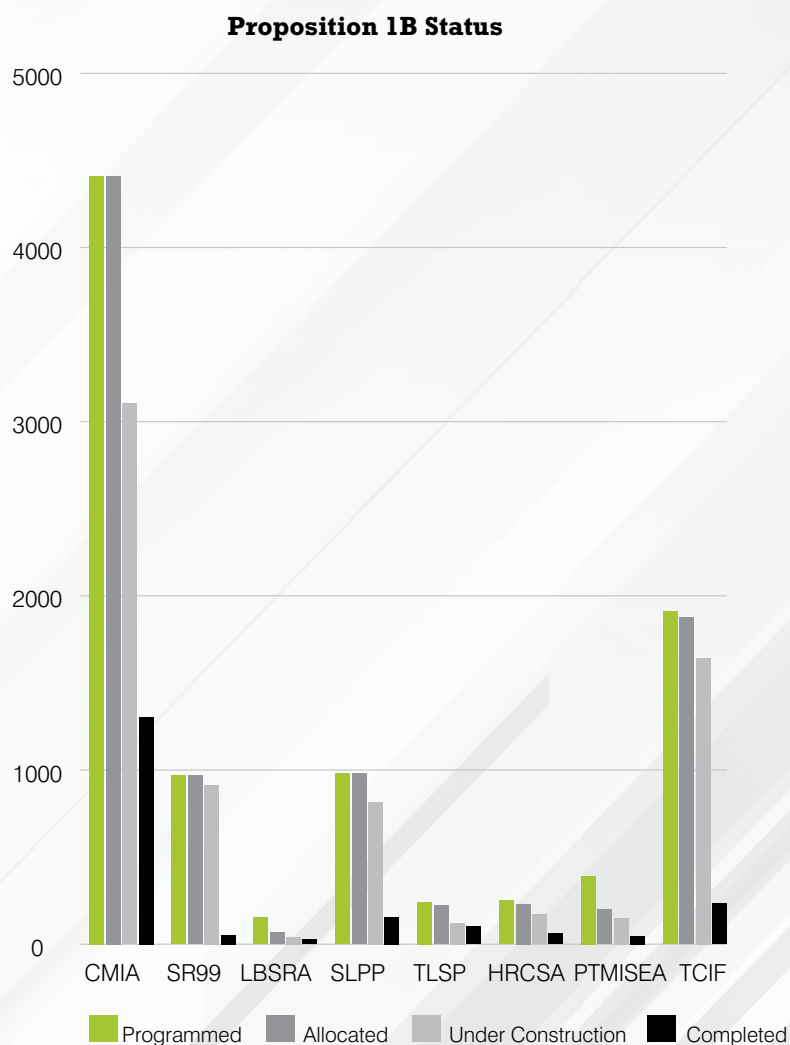
As of June 2014, the Commission allocated \$11.2 billion in Proposition 1B funds of the \$11.6 billion programmed under its purview. The economic downturn that began in 2009 resulted in lower construction bids, significantly benefiting the Proposition 1B program. This trend continued in Fiscal Year 2013-14, however at a slightly reduced rate. Caltrans received an average 6 bids per advertised contract, consistent with the prior fiscal year. The low bid for construction contracts was on average 8.6% below the Engineer's Estimate for Fiscal Year 2013-14 versus 9.3% below the Engineer's Estimate for Fiscal Year 2012-13. Since the inception of the Proposition 1B program through the 2013-14 fiscal year, the Commission has reinvested over \$2.0 billion in savings to enable the delivery of additional transportation improvements throughout the state.

As of June 2014, the Commission allocated \$11.2 billion in Proposition 1B funds of the \$11.6 billion under its purview. Since the inception of the Proposition 1B program the Commission has reinvested over \$2 billion in savings to enable the delivery of additional transportation improvements throughout the state.

Now that the majority of Proposition 1B funds are allocated and bond funded projects are under construction, the Commission continues to monitor the progress of on-going bond funded projects while transitioning into 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 were achieved. The Commission realizes that for many projects, the benefits will not be immediately identifiable. For these projects, the Commission will continue to monitor and require that the project sponsor report the benefits achieved over time. In addition, the Commission has and will continue to consult with Caltrans for purposes of ensuring that Caltrans' annual audit plan of service encompasses audits of completed bond funded projects.

Corridor Mobility Improvement Account Program

Proposition 1B authorized \$4.5 billion in general obligation bond proceeds to be deposited in the 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 these high-congestion travel corridors.

When the CMIA program was adopted in February 2007, the Commission programmed 54 projects for \$4.5 billion, leveraging another \$4.6 billion in federal, state and local funds. The Commission was successful in delivering the CMIA program within the statutory deadline and also by capitalizing on cost savings realized at construction contract award. This success is evidenced by results showing that the CMIA program grew from 54 corridor projects valued at \$9.1 to 90 projects valued at \$11.88 billion. Due to complexity, timing and construction phasing, some corridor projects were constructed in stages, resulting in 129 construction contracts to deliver the over-all program.

The investments made through the CMIA program are expected to improve mobility through better connectivity, widened corridors, high occupancy vehicle lanes, auxiliary lanes, traffic system management and operations, and improved alignments for access control, including the conversion of conventional highways to expressways or expressways to freeways. As of June 30, 2014, 51 construction contracts were completed with 27 of these having submitted Final Delivery Reports to the Commission. Benefits of the completed projects include hours of daily travel time savings and minutes of peak period travel time savings. The status of individual projects in the CMIA program is reported to the Commission on a quarterly basis. Specific project information for the CMIA projects, including total project cost, CMIA contribution, and schedule, can be found at <http://www.bondaccountability.ca.gov/>.

State Route 99 Corridor Program

Proposition 1B authorized \$1 billion in general obligation bond proceeds to be deposited in the SR 99 Account. Funds in the SR 99 Account may be used for safety, operational enhancements, rehabilitation, or capacity improvements to improve the SR 99 Corridor, traversing approximately 400 miles of the central valley of the state. There are a total of 23 corridor projects in the program (some corridor projects were constructed in stages, resulting in 27 construction contracts) valued at more than \$1.3 billion. During 2013-14, the Commission allocated a total of \$50.8 million in SR 99 bond funds to projects ready to commence construction.

As of June 30, 2014, five projects completed construction with two of these submitting Final Delivery Reports to the Commission. Benefits of the completed projects include hours of delay savings and minutes of daily peak duration savings. These benefits were achieved by making safety, operational or capacity improvements on the State Route 99 corridor. Specific project information for the SR 99 projects, including total project cost, SR 99 contribution, and the planned construction start and completion dates, can be found at <http://www.bondaccountability.ca.gov/>.

Trade Corridors Improvement Fund

Proposition 1B authorized \$2 billion of state general obligation bonds for the TCIF. Funds in the TCIF are available to the Commission, upon appropriation by the Legislature, for allocation for infrastructure improvements along federally designated "Trade Corridors of National Significance" in the state or along other corridors within the state that have a high volume of freight movement. Proposition 1B provides for highway capacity and operational improvements to more efficiently accommodate the movement

of freight, for improvements in the freight rail system's ability to move goods from seaports, land ports of entry and airports to warehousing and distribution centers throughout California; truck corridor improvements, including dedicated truck facilities or truck toll facilities; border access improvements to enhance goods movement between California and Mexico; and surface transportation improvements to facilitate the flow of goods to and from the state's airports. Proposition 1B requires that the Commission allocate funds for trade infrastructure improvements in a manner that places an emphasis on projects that improve trade corridor mobility while reducing diesel particulate and other pollutant emissions.

As of June 2014, the Commission programmed 78 projects in the TCIF program valued at \$6.9 billion. Of the 78 projects, 10 projects are complete (7 have completed a Final Delivery Report), 64 are either under construction or about to start construction and 4 remain unallocated.

Benefits of the completed projects include, but are not limited to, reduction of train versus auto/truck collisions; increased freight velocity and throughput; reduction of daily vehicle hours of delay and daily vehicle queue length; reduction of greenhouse gas emissions and particulate matter; and accessibility to distribution centers and border crossings.

During 2013-14, the Commission redirected \$205 million in project savings recognized at construction contract award to new projects that met the TCIF criteria including delivery by December 2014. To address concerns of many agencies challenged by the limited number of shelf-ready projects eligible for the TCIF program, in March 2014, the Commission approved a guideline amendment extending the start of construction date from December 2014 to December 2016. The two-year extension provides agencies additional time to develop the most critical and beneficial goods movement projects for funding in the TCIF.

During 2013-14, the Commission allocated a total of \$343 million in TCIF funds to projects ready to commence construction. Specific project information for the TCIF projects, including total project cost, TCIF contribution, and the planned construction start and completion dates, can be found at <http://www.bondaccountability.ca.gov/>.

Traffic Light Synchronization Program

Proposition 1B authorized \$250 million for the TLSP. The TLSP is subject to the provisions of the Government Code and includes \$250 million under Section 8879.23(k) (2) for Caltrans to develop a program for traffic light synchronization projects or other technology-based improvements to safety, operations and the effective capacity of local streets and roads.

Government Code Section 8879.64(b), added by 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 programming funds and authorized to adopt guidelines for the TLSP program.

On May 28, 2008, the Commission adopted the TLSP, 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 agencies other than the City of Los Angeles.

As of June 2013, the Commission has allocated bond funds to all projects programmed except for 5 projects in the City of Los Angeles. Of the 81 projects included in the TLSP, 55 have completed construction with 38 submitting Final Delivery Reports to the Commission. Projects completed are expected to result in reduced collisions, improved travel time and reduced greenhouse gas emissions and particulate matter.

During 2013-14, the Commission allocated a total of \$11.8 million in TLSP funds to 3 projects ready to commence construction. Specific project information for the TLSP projects, including total project cost, TLSP contribution, and the planned construction start and completion dates, can be found at <http://www.bondaccountability.ca.gov/>.

Highway-Railroad Crossing Safety Account

Proposition 1B authorized \$250 million for the HRCSA program to fund the completion of high-priority grade separation and railroad crossing safety improvements. The HRCSA funds are available, upon appropriation by the Legislature, to Caltrans, as programmed and allocated by the Commission.

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

Part 1 - Government Code Section 8879.23(j)(1) provides \$150 million for projects on the priority list established by the Public Utilities Commission (PUC) pursuant to the process established in Chapter 10 (commencing with Section 2450) of Division 3 of the Streets and Highways Code.

Part 2 - Government Code Section 8879.23(j)(2) provides \$100 million for high-priority railroad crossing improvements that are not part of the PUC priority list process.

The HRCSA program concluded its third two-year cycle in June 2014. At its March 2014 meeting, the Commission approved an update to the HRCSA guidelines to establish the schedule for the 2014 HRCSA programming process. A total of \$16.8 million in program savings was available for programming in the 2014 HRCSA Program. This amount includes funds not allocated to previously programmed HRCSA projects by June 2014. Applications were due on July 1, 2014 and the 2014 HRCSA Program was adopted by the Commission at its October 2014 meeting.

During 2013-14, the Commission allocated a total of \$25.34 million in HRCSA dollars to projects that were ready to commence construction. As of June 2014, 11 projects completed construction and have submitted Final Delivery Reports to the Commission. Projects completed are expected to result in reduced vehicle waiting times, decreased vehicle/train collisions, elimination of community barriers to safety and emergency vehicles and improved air quality.

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

Public Transportation Modernization, Improvement, and Service Enhancement Account

Proposition 1B authorized \$4 billion of state general obligation bonds for funding the PTMISEA. Funds in the account are available, upon appropriation by the Legislature, to Caltrans for intercity rail projects and to 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 rapid transit improvements, or 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 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 Caltrans for intercity rail improvements. The Commission programmed \$392,050,000 to 16 projects, including \$150 million for the procurement of intercity railcars and locomotives. As of June 30, 2014, the Commission had allocated \$199.1 million to fourteen projects, with \$42 million of this amount for the procurement of intercity railcars and locomotives. To date, five of these projects have been completed.

AB 268 (Budget Committee, Chapter 756, Statutes of 2008) requires Caltrans to report to the Commission annually on the administration and status of the PTMISEA program. Caltrans' 2013-14 report, and specific project information, including total project cost, contribution, and planned construction start and completion dates, can be found at <http://www.bondaccountability.ca.gov/>.



Local Bridge Seismic Retrofit Account

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

In April 2007, Caltrans identified 479 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 LBSRP funded with Federal Highway Bridge Funds programmed and allocated by the Commission. Subsequently, Caltrans and local agencies revised the list of eligible bridges to 385.

The Commission allocates LBSRA funds to Caltrans for sub-allocation to Local Agencies. As of June 2014, the Commission allocated more than \$67.2 million LBSRA funds to Caltrans with \$41.1 million of these funds sub-allocated during fiscal year 2013-14 to Local Agencies.

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

The status of individual projects in the LBSRA program is reported to the Commission on a quarterly basis. As of June 30, 2014, of the 385 local bridges eligible to receive LBSRA funds, 78 were in the design stage, 82 were under construction, 225 were seismically retrofitted.

Specific information on LBSRA eligible projects, including total cost, LBSRA contribution, and planned construction start and completion dates, can be found at <http://www.bondaccountability.ca.gov/>.

State-Local Partnership Program Account

Proposition 1B authorized \$1 billion to be deposited in the 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.

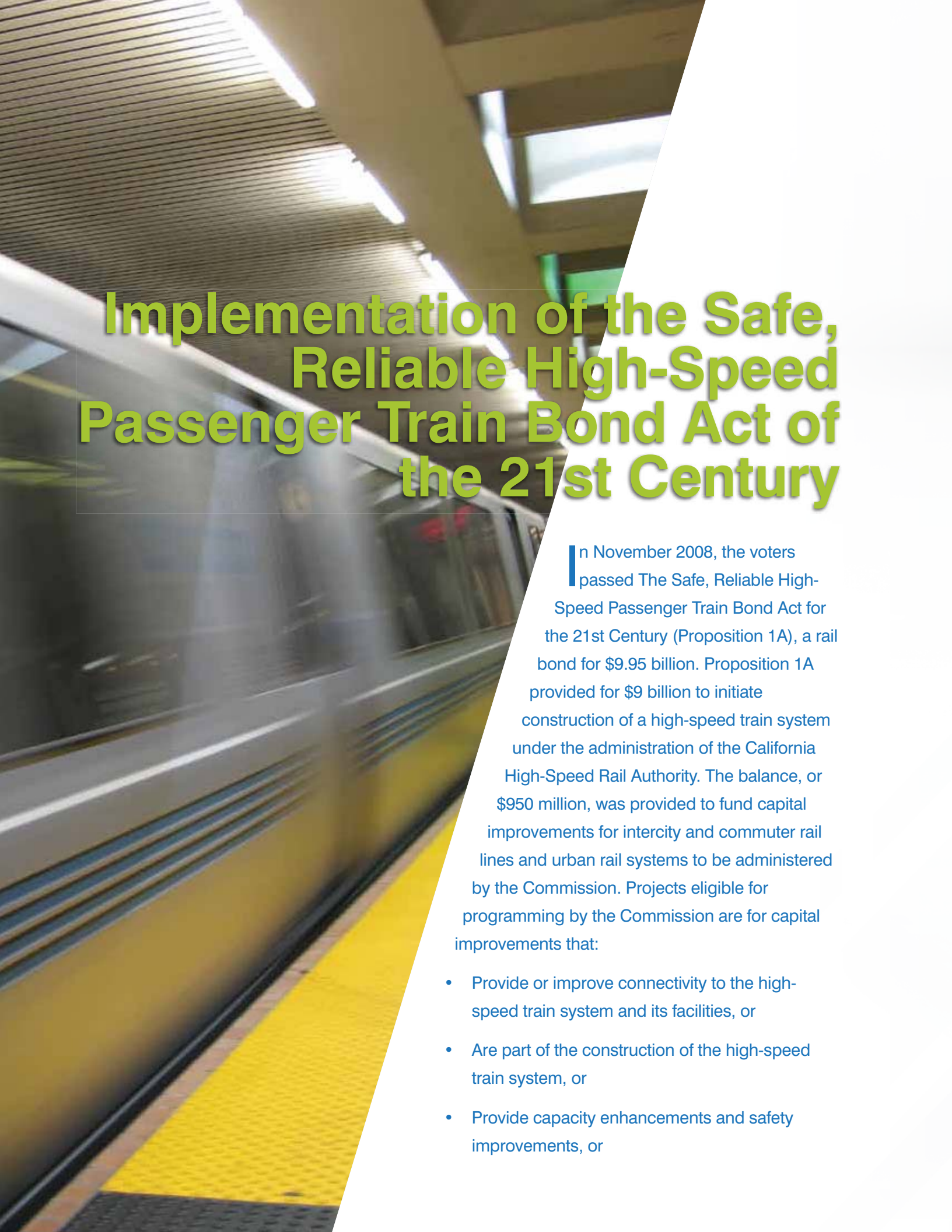
In 2008, the Legislature enacted implementing legislation (AB 268, Chapter 756, Statutes of 2008) to add Article 11 (commencing with Section 8879.66) to Chapter 12.491 of Division 1 of Title 2 of the Government Code. This statute defined the program, eligibility of applicants, projects and matching funds. 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).

The first projects were programmed in April 2009 (for the first fiscal year of 2008-09), and the last programming amendment was approved in June 2013. A total of \$980.992 million was programmed and allocated throughout the five-year program ending June 30, 2013. During the final fiscal year 2012-13, the Commission allocated a net \$475.73 million. With the end of the program, the Commission's role is now directed to project delivery and accountability. No further allocations will be made from the SLPP Account.

The status of individual projects in the SLPP program is reported to the Commission on a quarterly basis. The most recent report, through June 30, 2014, shows that 138 projects (98 formula and 40 competitive) have completed construction, although not all have submitted a Final Delivery Report to the Commission.

Specific project information for the SLPP projects, including total project cost, SLPP contribution, and planned construction start and completion dates, can be found at <http://www.bondaccountability.ca.gov/>.





Implementation of the Safe, Reliable High-Speed Passenger Train Bond Act of the 21st Century

In November 2008, the voters passed The Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Proposition 1A), a rail bond for \$9.95 billion. Proposition 1A provided for \$9 billion to initiate construction of a high-speed train system under the administration of the California High-Speed Rail Authority. The balance, or \$950 million, was provided to fund capital improvements for intercity and commuter rail lines and urban rail systems to be administered by the Commission. Projects eligible for programming by the Commission are for capital improvements that:

- Provide or improve connectivity to the high-speed train system and its facilities, or
- Are part of the construction of the high-speed train system, or
- Provide capacity enhancements and safety improvements, or

- Provide for the rehabilitation or modernization of, or safety improvements to, tracks utilized for passenger rail service, signals, structures, facilities, and rolling stock

Under Proposition 1A, the Commission, in consultation with the High-Speed Rail Authority, developed guidelines for programming projects requested by eligible commuter and urban rail operators and Caltrans. The Commission adopted its Proposition 1A High-Speed Passenger Train Bond guidelines in February 2010. Expectations for eligible projects, program amendments and allocation requests were included in the guidelines.

Proposition 1A requires that specified commuter and urban rail agencies are eligible for 80 percent (\$760 million) of the \$950 million. The remaining 20 percent (\$190 million) is eligible to Caltrans for projects on the Capitol, Pacific Surfliner, and San Joaquin intercity rail corridors with each intercity rail corridor receiving one-fourth and the remaining one-fourth available for programming on a competitive basis in all three corridors.

In April 2012, the High-Speed Rail Authority released its revised Business Plan that incorporated a blended approach to high-speed rail project delivery. Recognizing the importance of the 2012 Business Plan, the Commission, in consultation with the Administration and the High-Speed Rail Authority, requested local agencies and Caltrans to re-apply for Proposition 1A funds for projects consistent with the 2012 Business Plan. An updated program of projects was presented to the High-Speed Rail Authority for their review and input, and was subsequently adopted by the Commission in June 2012. In April 2014, the High-Speed Rail Authority published an updated Business Plan. The 2014 Business Plan reaffirmed the phased and blended implementation strategy presented in the 2012 Business Plan.

To date, the Commission's \$931 million investment (\$950 million less 2% administrative costs) has leveraged nearly \$4.7 billion for high-speed rail connectivity projects. Of the \$931 million available for Proposition 1A projects, allocations totaling \$738 million were made to 15 projects through June 2014 and another \$184 million was programmed to 5 projects. Only the Altamont Commuter Express and the Sacramento Regional Transit District have yet to request that the Commission program all of their remaining funds.

The Commission has approved several project amendments since June 2012, with the latest approved in May 2014. The current program of projects is posted online at: http://www.catc.ca.gov/programs/HSR/High_Speed_Rail_Connectivity_Program_052114.pdf

A photograph of an Amtrak locomotive, number 90250, traveling on a track. The locomotive is white with blue and maroon accents. The number '90250' is visible on the front. The word 'Amtrak' is written on the front. The locomotive is moving towards the viewer. The background shows a cloudy sky and some greenery on the left.

State-Supported Intercity Passenger Rail Service

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

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

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

Institutional Changes

- Effective July 1, 2013, CalSTA was created and has jurisdiction over Caltrans, the High-Speed Rail Authority, and other transportation-related departments in State government.
- Legislation enacted in 2012 transferred administrative responsibility for the Pacific Surfliner and the San Joaquin intercity passenger rail services from Caltrans to joint powers authorities. Specifically, Senate Bill 1225 (Padilla, Chapter 802, Statutes of 2012) transferred administrative responsibility for the Pacific Surfliner Route from Caltrans to the Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency (LOSSAN) Joint Powers Authority (Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency), and AB 1779 (Galgiani, Chapter 801, Statutes of 2012) transferred responsibility for the San Joaquin Route to the San Joaquin Valley Rail Committee.
- The Secretary of Transportation remains responsible for the overall planning, coordination, and budgeting of intercity passenger rail service and the state will continue funding service operations, administration and marketing. Additionally, Caltrans remains responsible for the coordination and integration between the three state-supported intercity passenger rail services. Transfer of Caltrans' administrative responsibility to the joint powers authorities must occur during 2014-15, and only if the Secretary determines that administrative or operating cost reductions will be realized.



For years, operating subsidies for the intercity rail services remained stable at \$90.3 million annually. Historically, these subsidies provided 100% of the operating support for the San Joaquin and Capitol Corridor routes and 70% of the operating costs for the Pacific Surfliner route. Amtrak provided \$13 million annually from federal funds to support the 30% of Pacific Surfliner service not state-supported. However, with the provisions of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) Section 209, effective October 1, 2013, the State must now pay 100% of the operating costs for the Pacific Surfliner. Therefore, all operating costs for Amtrak service (estimated to increase from about \$99 million in 2013-14 to \$129.5 million in 2018-19) must be funded by state revenues. In addition to these operating costs, additional revenues are required for new service, equipment overhaul and blended system operations related to high-speed rail.

Securing revenues to address the increase in overall state support required for the intercity passenger rail program is of concern. The PTA is the principal source of funding for the Intercity Passenger Rail and Feeder Bus Operations, various transportation planning, administrative and research activities

of Caltrans, the Commission, the Public Utilities Commission and the State Transit Assistance (STA) Program. In addition, these funds are used to fund capital projects ineligible for State Highway Account funds, such as rail rolling stock and transit bus purchases.

Pursuant to the Fuel Tax Swap of 2010 (AB 105), sales tax revenues on diesel fuel are deposited in the PTA and split between the PTA and STA Fund. The STA received 64 percent of the sales tax revenues in 2013-14 and will receive approximately 63 percent per year beginning in 2014-15.

California's intercity rail routes are some of the most heavily traveled intercity rail corridors in the country. The Pacific Surfliner Route is the second most heavily traveled corridor, only surpassed by the Washington-Boston Northeast Corridor. The Capitol Corridor and the San Joaquin Route rank number three and five respectively. Similar to other transportation modes, the intercity capital rail program has suffered from unreliable infrastructure funding that now threatens its ability to meet increased passenger demand. While intercity rail operations funding can be considered stable, the same cannot be said for infrastructure funding. This uncertainty makes it difficult for Caltrans and others to develop long-range service plans that are dependent upon new equipment and capital projects.

Electronic-ticketing (e-ticketing) is now universally used on California intercity passenger rail trains. This enables Amtrak to accurately count passengers, and for the first time, track the actual use of multi-ride tickets. Prior to e-ticketing, Amtrak estimated how many times multi-ride tickets were used. After one year of e-ticketing, Amtrak discovered that the previous method over-counted the actual utilization of multi-ride tickets. The combination of all three routes does show a ridership decline, however some of this decline is attributed to the over-count of prior years. The impact was relatively minor on the Pacific Surfliner and the San Joaquin routes, but significant on the Capitol Corridor due to the large use of multi-ride passes.

Consequently, the reported intercity rail ridership decreased 4 percent in 2013-14. This trend is continuing, as demonstrated by the 4th quarter ridership report showing a 5.1 percent decrease when compared to the fourth quarter of 2012-13. Revenues on the overall state passenger rail system increased 3.8 percent from \$135.2 million in 2012-13 to \$140.3 million in 2013-14. The on time performance for the three corridors, a measure of the train's reliability in maintaining its schedule, decreased from 87.2 percent in 2012-13 to 85.6 percent in 2013-14.

In 2013-14, two intercity rail projects received allocations through the STIP totaling \$27.1 million, including \$20.5 million for the Stockton to Escalon Doubletrack Segment 3; and \$6.6 million for the Northern California Maintenance Facility project.



A blurred photograph of a busy city street. In the foreground, a woman with long dark hair, wearing a black jacket and jeans, is walking across a crosswalk. Behind her, a man in a dark suit is riding a bicycle, carrying a child in a green jacket. The background shows other vehicles and buildings, all blurred to convey a sense of motion.

Local Assistance

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

The RSTP was established by California State Statute utilizing Surface Transportation Program (STP) Funds identified in Section 133 of Title 23 of the United States Code. In accordance with Section 133 (f), approximately 76% of the state's RSTP funds must be obligated on projects which are located within the 11 urbanized areas of California with populations greater than 200,000 people. The apportionment and distribution for such obligation is calculated based on relative population. The RSTP provides flexible funding for projects to preserve and improve the conditions and performance on any public road except those functionally classified as local roads or rural minor collectors. These roads are collectively referred to as federal-aid highways. Projects can include improvements on any Federal-aid highway, bridge and tunnel projects on any public road, pedestrian and bicycle infrastructure, and transit capital projects, including intercity bus terminals. MAP 21 modified the activities eligible for these funds including the preservation of highways and congestion pricing projects and strategies.

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

Since RSTP and CMAQ funds are designated for distribution based on statutorily mandated funding formulas, the Commission annually allocates funds in excess of \$1.5 billion through a lump sum to Caltrans for sub-allocation to local agencies. Funds allocated by the Commission to Caltrans for local assistance purposes are used primarily for local capital projects off the state highway system, mass transit capital improvements, and bridge improvements. Caltrans is responsible for ensuring that project applications are processed and that programs are consistent with Federal and State social, economic, and environmental goals. Caltrans also monitors the obligation of federal funds apportioned to each region, reports the status of those apportionments to the Commission quarterly, and provides written notice to the regional agencies one year in advance of an apportionment reaching its three year limit



for expenditure of funds. A local agency with an apportionment within one year of the limit is required to develop and implement a plan to obligate its balance before the three year limit is reached. The Commission considers a project delivered once funds are obligated.

Caltrans reported that RSTP funds totaling \$179 million were allocated to Local Agencies funding 159 projects during Fiscal Year 2013-14. Caltrans also reported that CMAQ funds totaling \$122 million were allocated to Local Agencies funding 175 projects during Fiscal Year 2013-14.

RSTP and CMAQ – AB 1012

AB 1012 (Torlakson, Chapter 783, Statutes of 1999) was enacted with a goal of improving the delivery of transportation projects. The AB 1012 “use-it-or-lose-it” provision states that regional agency RSTP and CMAQ funds not obligated within the first three years of federal eligibility are subject to reprogramming by the Commission in the fourth year. During 2013-14, Caltrans reported that two agencies did not meet the deadline to obligate all of their 2010-11 funds. Madera County requested a waiver (an extension of 6 months) of the deadline to obligate CMAQ funds totaling \$417,454. The waiver was approved in December 2013 and the funds were obligated within the extended deadline. Mariposa County Local Transportation Commission informed the Commission that they would not obligate CMAQ funds totaling \$232,430, and in January 2014 the Commission redirected those funds to the San Joaquin Council of Governments (SJCOG). The funds were obligated shortly thereafter by SJCOG.

Regional agencies have dedicated considerable effort toward improving the delivery of RSTP and CMAQ projects. The 2013-14 RSTP and CMAQ appropriations are in their first year of availability and will continue for the next two years. Caltrans released its AB 1012 “use-it-or-lose-it” notices for the 2011-12 federal apportionments in November 2013. As of June 30, 2014, the AB 1012 balance report shows approximately \$1.4 million of CMAQ funds in Madera (\$1.23 million), Amador (\$24.7 thousand) and Mariposa Counties (\$170 thousand) may be subject to reprogramming. Those funds are to be fully obligated by the local agencies prior to the end of the federal fiscal year (September 30, 2014). No RSTP funds are subject to reprogramming.

The following table also shows how the Commission’s 2013-14 Local Assistance allocations (including RSTP and CMAQ totaling \$1.08 billion) were used by regional agencies in the first year of availability (as of June 30, 2014) and provides a comparison with the usage of prior first year availability:

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

| Category | 2011-12 | | 2012-13 | | 2013-14 | |
|---------------------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|
| | Allocation | Use | Allocation | Use | Allocation | Use |
| RSTP | \$431,486 | \$179,708 | \$503,559 | \$115,126 | \$556,717 | \$179,144 |
| RSTP match & exchange | \$57,849 | \$45,639 | \$57,849 | \$52,039 | \$57,849 | \$56,532 |
| CMAQ | \$445,969 | \$143,079 | \$471,547 | \$58,630 | \$467,328 | \$121,715 |
| FTA Transfers | \$0 | \$148,118 | \$0 | \$267,366 | \$0 | \$175,398 |
| Subtotal, RSTP/CMAQ | \$935,304 | \$516,544 | \$1,032,955 | \$493,161 | \$1,081,894 | \$357,391 |
| Br. Inspection & Match | \$3,375 | \$2,439 | \$735 | \$0 | \$735 | \$0 |
| Br. Rehab & Replacement | \$127,878 | \$164,039 | \$302,909 | \$101,600 | \$229,922 | \$183,164 |
| RR Grade Crossing | | | | | | |
| Maintenance | \$2,000 | \$0 | \$2,000 | \$2,000 | \$2,000 | \$0 |
| Grade Separations | \$15,000 | \$0 | \$15,000 | \$5,141 | \$15,000 | \$0 |
| Hazard Elimination/Safety | \$50,552 | \$26,546 | \$74,000 | \$40,564 | \$74,000 | \$50,742 |
| Freeway Service Patrol | \$25,479 | \$25,479 | \$25,479 | \$25,479 | \$25,479 | \$17,276 |
| High Priority Projects | \$208,170 | \$111,937 | \$171,251 | \$169,807 | \$252,832 | \$213,097 |
| Miscellaneous | \$4,700 | \$0 | \$3,000 | \$0 | \$3,250 | \$1,778 |
| Total | \$1,607,249 | \$925,962 | \$1,672,659 | \$865,682 | \$1,685,112 | \$823,448 |

For the RSTP and CMAQ programs, allocations applied to transit projects are transferred to the Federal Transit Administration (FTA). Those transfers are displayed separately on the table above and are included in the “use of allocation” figures for RSTP and CMAQ.



Traffic Congestion Relief Program

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

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

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

- The Transportation Financing Plan, AB 438 (Chapter 113, Statutes of 2001) authorized a series of loans to the General Fund including a \$482 million loan from the TCRF. This loan is now slated to be repaid with tribal gaming revenues.
- AB 438 also postponed scheduled TIF transfers to the TCRF by two years, from the original 2001-02 through 2005-06, to 2003-04 through 2007-08.
- Proposition 42 (Traffic Congestion Improvement Act of 2002) suspended the transfers of sales taxes on gasoline and diesel fuel from the TIF to the TCRF, with partial suspension in 2003-04 (\$389 million) and full suspension in 2004-05 (\$678 million). Only transfers to reimburse prior TCRP allocations were made from the TIF. As a result, transfers totaling \$1.1 billion from the TIF to the TCRF were suspended and loaned to the General Fund.
- Proposition 1A (Transportation Funding Protection Act of 2006) required the suspended transfers from the TIF to the TCRF to be repaid no later than June 30, 2016.

While partial repayments have materialized, as of June 30, 2014, the TCRF is due \$649 million. The outstanding balance consists of the following:

- \$167 million from sales taxes on gasoline and diesel fuel. This amount represents suspended TIF transfers to the TCRF loaned to the General Fund by Proposition 42 and due for repayment by Proposition 1A. The outstanding balance is to be repaid by the end of 2015-16.
- \$482 million loaned from the TCRF to the General Fund in 2001-02 to be repaid from Tribal Gaming revenues. In 2004-05, the Governor negotiated Tribal Gaming compacts to repay the \$482 million loan through bonds, but the bonds have not materialized due to legal challenges. In 2005-06, Tribal Gaming revenues were dedicated to annual loan payments pursuant to Government Code 63048.65. However, the 2011-12 Governor's Budget suspended Tribal Gaming repayments. The latest projection for repayment to begin is no earlier than 2016-17, with the SHA as the first fund to be repaid.

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

The Commission approved \$4.58 billion in applications through June 30, 2014, including full or partial applications for each of the 141 designated projects. Application approval, equivalent to project programming, defines the scope, cost, and schedule of a project or project phase, and generally includes expenditures projected for future years. The Commission allocated a total of \$78.1 million for TCRP projects in 2013-14. As of June 30, 2014, approximately \$4.26 billion was allocated to TCRP projects, of which about \$3.95 billion was expended for ongoing TCRP projects.

The Commission reiterates the recommendation to the Legislature contained in our 2013 Annual Report, that due to the continuing instability of TCRP funding, and the unlikely improvement in the foreseeable future for funding to become available for Tier 2 projects, the Commission suggested that this program should either be funded in the immediate future or repealed without delay. This can be accomplished by legislative action to either (1) dedicate a revenue source to timely fund all programmed projects including Tier 2 Projects, or (2) repeal the remainder of the program, by deleting, at a minimum, the Tier 2 projects. Although no funding has yet been identified, in May 2014, Caltrans conducted a survey of implementing agencies to determine the status of Tier 2 projects. This study identified TCRP programmed projects 1) delivered with other funds; 2) with expenditures eligible for TCRP reimbursement; and 3) undelivered and unfunded. Information related to this study including TCRP expenditures as of June 30, 2014, can be found at: http://www.ctc.ca.gov/programs/tcrp/TCRP_Expenditures_063014.pdf.



A photograph of the Golden Gate Bridge in San Francisco, taken from a low angle looking up the bridge towards the towers. The bridge is silhouetted against a bright orange and yellow sunset sky. The bridge deck is filled with cars, and the suspension cables are visible. A large white diagonal shape cuts across the right side of the image, serving as a background for the text.

Seismic Safety Retrofit Program/SFOBB

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 SB 36X (Chapter 18X, Statutes of 1989) established the Seismic Safety Retrofit Program (SSRP). The SSRP consists of two components, a state highway system component where Caltrans is the seismic retrofit project delivery agent, and a local streets and roads component where local agencies or state agencies other than Caltrans are the seismic retrofit project delivery agent.

State Highway System – State Bridge Seismic Retrofit Program

The state highway system component is subdivided into three seismic retrofit subprograms that, in total, amount to \$12 billion. These subprograms are as follows:

- **Phase 1 Seismic Retrofit Program – \$1.1 billion**

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

- **Phase 2 Seismic Retrofit Program – \$1.8 billion**

The Phase 2 Program, initiated after the 1994 Northridge earthquake, focused on 1,151 bridges identified as needing seismic retrofit. As of June 30, 2014, 1,150 of the bridges were successfully retrofitted. Only one bridge remains under construction, the Schuyler Heim Bridge in Los Angeles. The Schuyler Heim Bridge retrofit strategy is complete replacement by constructing a new bridge. The new Schuyler Heim Bridge construction is approximately 40 percent complete with an estimated completion date of March 2017.

A total of \$1.35 billion was dedicated for the Phase 2 Program from the Seismic Retrofit Bond Act of 1996 (Proposition 192). To date, \$1.325 billion has been allocated to the Phase 2 Program leaving a reserve of \$25 million for possible supplemental fund requests and arbitration settlements on completed bridges. An additional \$485.5 million in SHOPP funds was allocated to the Phase 2 Program, where it was determined to be more cost effective to replace a bridge than to retrofit it. In total, \$1.8 billion has been allocated to the Phase 2 Program through June 30, 2014.

- **Toll Bridge Seismic Retrofit Program - \$9.1 billion**

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

One significant issue remains on the SFOBB related to the disposition of high strength rods. In March 2013, some of the high strength anchor rods on the new self-anchored suspension (SAS) span of the SFOBB failed. Caltrans is performing extensive testing of the remaining rods, of similar type to the failed rods, to determine if there is a potential for long-term stress corrosion cracking. The Toll Bridge Program Oversight Committee is expected to decide on the disposition of the rods later in the year.

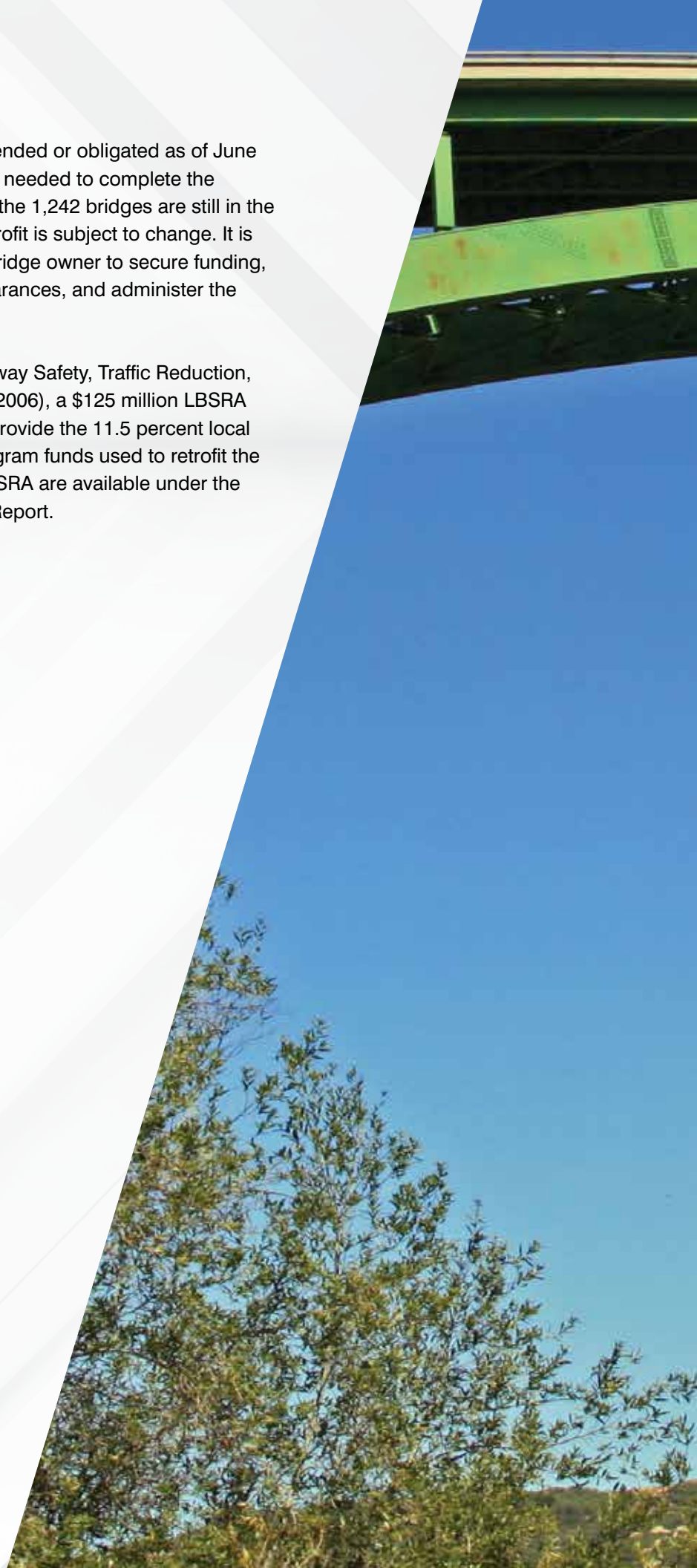


Local Streets and Roads - Local Bridge Seismic Retrofit Program

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. As of June 30, 2014, the 1,242 bridges have completed the retrofit strategy development stage, 83 are in the design stage, 84 are under construction, and 1,059 are either completed or were judged not to require seismic retrofitting. The total cost of the local bridge seismic retrofit program is estimated at \$2.068 billion.

Approximately \$987 million has been expended or obligated as of June 30, 2014, leaving an estimated \$1.1 billion needed to complete the remainder of the retrofit work. Since 83 of the 1,242 bridges are still in the design stage, the cost to complete the retrofit is subject to change. It is the responsibility of each public agency bridge owner to secure funding, environmental approvals, right-of-way clearances, and administer the construction contract.

With the passage of Proposition 1B (Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006), a \$125 million 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. Additional details on the LBSRA are available under the Proposition 1B discussion of this Annual Report.





High Occupancy Toll Lanes

A B 1467 (Nunez, Chapter 32, Statutes of 2006) authorized that, until January 1, 2012, regional transportation agencies, in cooperation with Caltrans, could apply to the Commission to develop and operate HOT lanes, including the administration and operation of a value pricing program and exclusive or preferential lane facilities for public transit, as specified. The number of projects that could be approved was limited to four: two in Northern California and two in Southern California.

The Commission's role in implementing this legislation included establishing eligibility criteria, determining whether each HOT lane application was eligible, and holding public hearings in both Northern California and Southern California for each application. Under AB 1467, the Commission determined the eligibility of the HOT lanes application. The actual approval of an eligible application remained within the purview of the Legislature through enactment of statute. Subsequently, AB 798 (Nava, Chapter 474, Statutes of 2009) eliminated the need for the Legislature to approve HOT lanes applications, but did not charge an alternate agency with that responsibility.

For the Commission to determine whether a HOT lanes project was eligible under AB 1467, a nominating agency was required to submit an application in accordance with Commission guidelines and provide evidence that the project was consistent with Streets and Highways Code Sections 149 through 149.7; that there was cooperation with Caltrans and consistency with state highway system requirements; that the project was technically and financially feasible; that the project was consistent with the Regional Transportation Plan; and that there were performance measures established for project monitoring and tracking.

Under AB 1467, the Commission found three HOT lanes projects to be eligible:

- Riverside County Interstate 15 Express Lanes Project, submitted by the Riverside County Transportation Commission (RCTC). The Commission found this project to be eligible in April 2008.
- Los Angeles Region ExpressLanes Project, submitted by the Los Angeles County Metropolitan Transportation Authority (LA Metro). The Commission found this project to be eligible in July 2008.
- Metropolitan Transportation Commission Regional Express Lane Network. The Commission found this project to be eligible in October 2011.

Riverside County Interstate 15 Express Lanes Project

The RCTC project proposes to add two tolled express lanes on Interstate 15 in each direction from SR-60 to Cajalco Road in Corona. Subsequent to the Commission's finding of eligibility, RCTC entered into an agreement with the FHWA making the project part of FHWA's Value Pricing Pilot Program. This agreement, executed July 2009, provided the federal authority to operate two HOT lanes in each direction within the I-15 corridor.

RCTC will utilize the design-build method of project delivery. The project is currently advancing through the preliminary engineering and environmental phase with an expected completion date of late 2015. RCTC has initiated a cooperative agreement with Caltrans and is developing a request for qualifications (RFQ) for project and construction management services. RCTC's I-15 Express Lanes are scheduled to start construction in 2018 with a projected opening of tolled express lanes in 2020.

Los Angeles Region ExpressLanes Project

The LA Metro ExpressLanes Project proposed to convert existing high occupancy vehicle (HOV) lanes on I-110, I-10, I-210 and State Route 60 to HOT lanes to facilitate greater throughput of rapid buses, vanpools, and HOVs with three or more passengers. At LA Metro's request, the scope of the project was subsequently revised to include only I-110 and I-10. Following the Commission's finding of eligibility, LA Metro obtained legislative approval of the project under SB 1422 (Ridley-Thomas, Chapter 547, Statutes of 2008). SB 1422 imposed additional requirements on the ExpressLanes Project, including the

development of a public outreach and communications plan; an assessment of the impact to low income commuters; and a performance monitoring report from Caltrans and LA Metro at the completion of the demonstration period.

The I-110 HOT lanes opened on November 10, 2012 and the I-10 HOT lanes opened on February 23, 2013. During 2013-14, LA Metro completed the federal demonstration period for the ExpressLanes corridors. The report issued by the Federal Highway Administration states that the HOT lanes are accomplishing many of their goals and objectives. Drivers that changed their commute behavior are saving time during peak periods on the HOT lanes: Average time savings for the morning commute on the I-110 HOT lanes is 12.8 minutes and on the I-10 HOT lanes is 17.11 minutes; Average time savings for the evening commute on the I-110 HOT lanes is 7.81 minutes and on the I-10 HOT lanes is 13.86 minutes. These time savings were achieved with no adverse impact to the general purpose lanes. Further, more than one-third of new transit riders state that the conversion from HOV lanes to HOT lanes has influenced their increased transit ridership (37% of new transit riders on the I-110 and 34% of new transit riders on the I-10).

From the initial opening of the I-110 HOT lanes in November 2012 and subsequent opening of the I-10 HOT lanes in February 2013 these projects have generated a net toll revenue of approximately \$26 million as of February 2014. Per State law, the net toll revenues will be reinvested in the corridor where the revenues were generated for transportation improvements. Approximately 5,000 Los Angeles County households have enrolled in the Equity Plan which provides low income commuters with a one-time \$25 toll credit and waives the monthly account maintenance fee. Given the positive performance of the HOT lanes during the demonstration period, the Metro Board unanimously supported continuing the program at its April Board meeting. In addition, SB 1298 (Hernandez) was enacted during the 2014 legislative session removing the tolling authority sunset date of January 2015.

Metropolitan Transportation Commission Regional Express Lane Network

The Metropolitan Transportation Commission (MTC) Regional Express Lane Network proposed to implement 270 miles of express lanes on five freeway routes: I-80 in Alameda, Contra Costa and Solano Counties; I-880 in Alameda County; I-680 in Solano and Contra Costa Counties; State Route 84 in Alameda County; and State Route 92 in Alameda County. The project will include conversion of approximately 150 miles of existing HOV lanes to express lanes. The remainder of the network would involve adding new travel lanes to close gaps in the existing HOV system.

MTC's initial projects include conversion of 90 miles of existing HOV lanes into express lanes on: (1) I-680 Southern Segment in Contra Costa County; (2) I-880 in Alameda County, and the westbound San Mateo-Hayward Bridge and Dumbarton Bridge approaches (SR-92 and SR-84); and (3) I-80 in Solano County. These express lanes are scheduled to open sequentially, with the first in 2016 and the others in 2017.

Accomplishments in Fiscal Year 2013-14 include:

- Procurement of a toll system integrator. The contract scope includes design, implementation and maintenance of the toll system for the initial express lanes listed above.
- Progress on delivery of the initial express lane projects listed above. Project approvals and environmental documents for these projects are scheduled for completion in Fiscal Year 2014-15.

Preliminary engineering is underway on the Southern Segment of I-680 in Contra Costa County, and construction is scheduled to start in mid-2015.

- Advancement of future express lanes. The environmental document for conversion of HOV lanes on the Northern Segment of I-680 in Contra Costa County was initiated. Work continued on the environmental document for new express lanes on I-80 in Solano County from Fairfield to Vacaville.
- Design of a fiber backhaul network to support Express Lanes data communications needs. MTC will implement the network for express lanes, and MTC and Caltrans will leverage the network in the future to support other transportation system management strategies.





Public Private Partnership

Section 143 of the Streets and Highways Code, as amended by SB 4 (SBX2 4, Cogdill, Chapter 2, Statutes of 2009), authorizes Caltrans and regional transportation planning agencies to, until January 1, 2017, enter into an unlimited number of comprehensive lease agreements with public or private entities to develop transportation projects, commonly known as public private partnership (P3) projects. Section 143 provides that P3 projects and associated lease agreements proposed by Caltrans or a regional transportation planning agency shall be submitted to the Commission, and the Commission shall select and approve the projects before Caltrans or a regional transportation planning agency begins a public review process leading to a final lease agreement.

Since the Commission's adoption of its Public Private Partnership Policy Guidance in October 2009, only one P3 project has been received by the Commission for approval. At its May 2010 meeting, the Commission approved the joint request by Caltrans and the San Francisco County Transportation Authority for Caltrans to enter into an agreement with a private entity to develop the Phase 2 (Presidio Parkway) portion of the Doyle Drive Replacement Project. At the time of approval, the project budget was \$1.402 billion. Based on a number of changes that occurred between the initial Commission approval and Financial Close (June 2012), the Commission, on June 11, 2013, approved a revised funding plan totaling \$1.08 billion, including a risk reserve of \$36.84 million.

On May 21, 2014, the Commission approved an allocation of \$13.8 million from the project's risk reserve. This allocation provided \$1.8 million for additional work resulting from differing site conditions and \$12 million for additional oversight by Caltrans staff. According to Caltrans, costs for additional oversight work resulted from:

1. Longer Construction Schedule: As-bid construction schedule estimated 33 months for construction and was the basis of the original support costs. The contractor's, Golden Link Concessionaire's (GLC), proposal identified a 39 month construction schedule. Therefore, since Caltrans' oversight increased by 6 months, additional costs of \$2.54 million were incurred.
2. Third-Party Management and Coordination: Caltrans assumed a greater involvement in overseeing GLC's management including consultation with third-parties for the project, specifically with the Presidio Trust. This expanded oversight and consultative role caused an additional cost of \$1,320,000.
3. Caltrans Submittal Reviews: Caltrans' effort to review GLC's submittals (including design packages, project management plans for design, construction, and operations/maintenance) increased due to the factors identified below. This additional cost totaled \$8,140,000.
 - a. Document control workload was more than expected due to volumes of documentation and correspondence. Initially, Caltrans anticipated reviews of 8 reiterations of design packages. Caltrans received and reviewed nearly 24 design packages at various stages for review and comment. This increased workload amounted to approximately \$1.5 million.
 - b. GLC's quality management system resulted in Caltrans reviewing a greater than anticipated number of submittals and resubmissions of documents as part of the comment resolution process. The number, timing and sequencing of design package submissions resulted in a greater than anticipated level of effort on the part of Caltrans to provide the oversight on the design review process. This increased workload totaled approximately \$5.84 million.
 - c. GLC's implementation of its Quality Control and Quality Assurance (QC/QA) program resulted in additional Caltrans construction staff support for inspection work. This increased workload totaled approximately \$0.8 million.

Previously, the Commission approved allocations from the risk reserve of \$6 million for the costs of the Owner Controlled Insurance Program (September 2012) and \$0.6 million to provide a Resident Engineer office trailer (June 2013).



Design-Build Demonstration Program

The Design-Build Demonstration Program was established by SB 4 X2 (Cogdill, Chapter 2, Statutes of 2009). The legislation allowed Caltrans and local transportation entities to use the design-build procurement method to deliver projects on a demonstration basis if authorized by the Commission through January 1, 2014. Caltrans was allowed up to ten design-build 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. Meanwhile, the RCTC received a project-specific authorization through AB 2098 (Miller, Chapter 250, Statutes of 2010) for the SR 91 Express Lanes Project. Prior to January 1, 2014, the Commission authorized ten projects for design-build procurement at the request of Caltrans.


All the design-build projects have completed the Design-Build procurement processes. Three projects have finished construction and are operational: LA-10/110 ExpressLane Project, SM-101 Ramp Metering, and Mad-99 Pavement Rehabilitation. The remaining eight design-build projects are in the implementation phase: Fre-180 Braided Ramps, LA-10/605 Direct Connectors, SD-805 HOV/BRT Lanes, LA-710 Gerald Desmond Bridge Replacement, SBd-15/215 Devore Interchange, SBd-15 Cajon Pass Rehabilitation, Sac/Yolo-50/5 Bridge Rehabilitation and SR 91 Express Lanes. None of the five available local slots were utilized.

Caltrans Design-Build Demonstration Program Projects Authorized by the Commission:

| Project Description | Location (North/South) Award Method | Design-Build Entity | Cost at Award (\$1,000) | Actual Award Date |
|---|--|--|------------------------------------|------------------------------|
| San Mateo 101 – Install Ramp Metering System | North Best Value | Republic ITS, Inc. | \$10,552 | 12/22/2011 |
| Madera 99 – Rehabilitation Roadway | North Low Bid | Granite Construction, Inc. | \$22,582 | 6/28/2011 |
| Fresno 180 – Construct Braided Ramps | North Low Bid | R&L Brosamer, Inc. | \$40,677 | 1/12/2012 |
| LA 10/110 – HOV to HOT Lanes | South Best Value | Atkinson Contractors, LP | \$72,364 | 12/16/2010 |
| LA 10/605 – Construction Connector | South Best Value | MCM Construction, Inc. | \$46,190 | 2/15/2012 |
| San Diego 805 – HOV/BRT (North) | South Low Bid | Skanska | \$71,885 | 3/16/2012 |
| LA-710 – Replace Gerald Desmond Bridge | South Best Value | Shimmick Construction Company Inc., FCC Construction S.A. and Impregilo S.p.A. a Joint Venture (SFI) | \$649,150 | 7/27/2012 |
| San Bernardino 15/215 – Devore Interchange Improvements | South Best Value | Atkinson Contractors, LP | \$208,150 | 11/26/2012 |
| San Bernardino 15 – Cajon Pass Rehabilitation | South Low Bid | Coffman/Parsons Joint Venture | \$113,845 | 10/17/2013 |
| Sacramento/Yolo 50/5 – Bridge Deck Rehabilitation | North Low Bid | Myers and Sons/RL Wadsworth Joint Venture | \$17,782 | 12/20/2013 |

Riverside County Transportation Commission Design-Build Demonstration Program Project:

| Project Description | Location (North/South) Award Method | Design-Build Entity | Cost at Award (\$1,000) | Actual Award Date |
|----------------------------|--|------------------------------|------------------------------------|------------------------------|
| SR 91 Express Lanes | South Best Value | Atkinson-Walsh Joint Venture | \$632,572 | 5/8/13 |



California Transportation Financing Authority: Toll Facilities

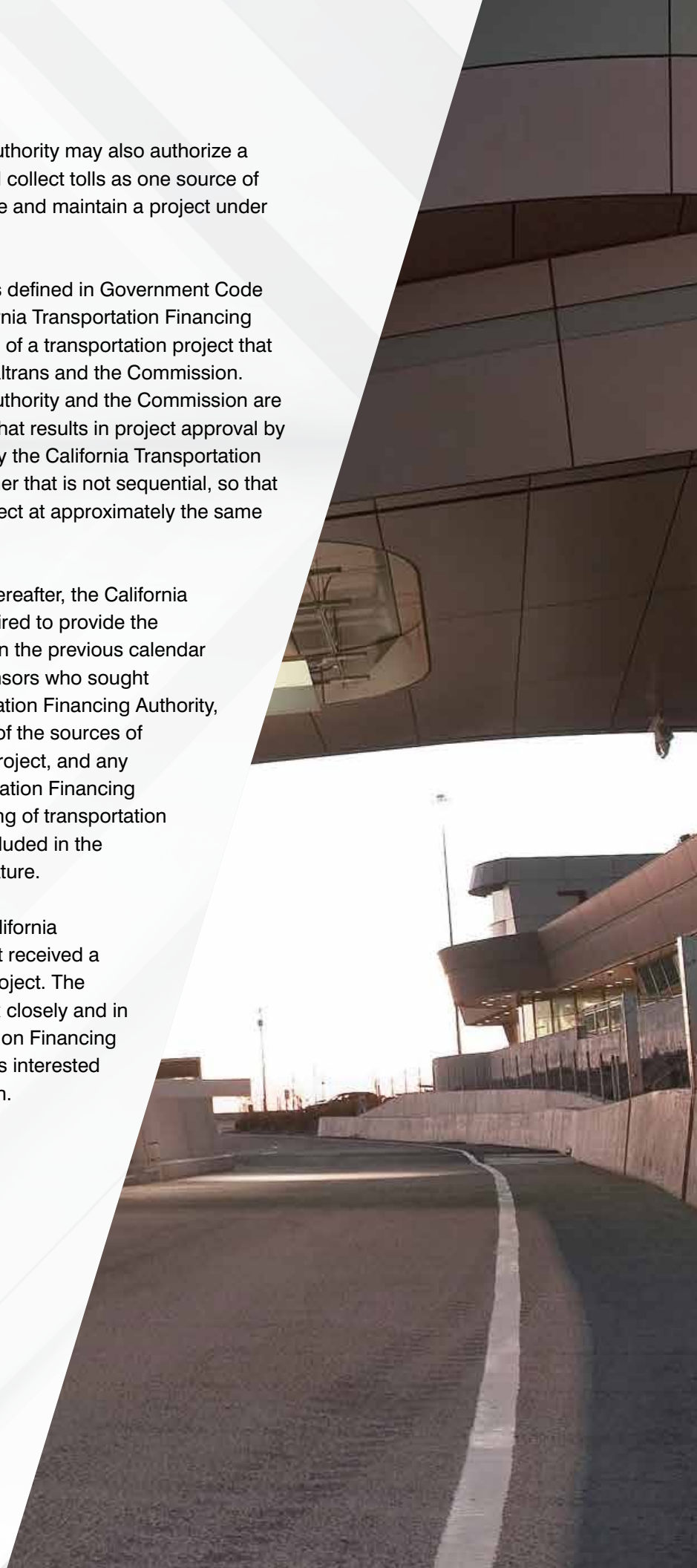
With the enactment of AB 798 (Nava, Chapter 474, Statutes of 2009), creating the California Transportation Financing Authority, the Legislature and the Administration provided a new innovative financing mechanism for use in addressing the state's critical infrastructure needs. Specifically, the California Transportation Financing Authority was established for purposes of increasing the construction of new capacity or improvements for the state transportation system in a manner that is consistent with and will help meet the state's greenhouse gas reduction, air quality improvement, and natural resource conservation goals through the issuance of, or the approval of the issuance of, bonds backed in whole or in part by specified revenue streams.

The California Transportation Financing Authority may also authorize a project sponsor or Caltrans to impose and collect tolls as one source of revenue to pay debt service and to operate and maintain a project under certain conditions.

AB 798 provides that a project sponsor, as defined in Government Code Section 64102(g), may apply to the California Transportation Financing Authority for bond financing or refinancing of a transportation project that has been approved for construction by Caltrans and the Commission. The California Transportation Financing Authority and the Commission are required to develop an approval process that results in project approval by the Commission and financing approval by the California Transportation Financing Authority 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 California Transportation Financing Authority is required to provide the Commission a summary of actions taken in the previous calendar year, including the number of project sponsors who sought financing through the California Transportation Financing Authority, a description of each project, a summary of the sources of funding used to finance or refinance the project, and any recommendations the California Transportation Financing Authority 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 California Transportation Financing Authority has not received a formal request to finance or refinance a project. The Commission has and will continue to work closely and in partnership with the California Transportation Financing Authority to develop guidance for agencies interested in seeking approval through this legislation.





GARVEE Bond Financing

Federal Grant Anticipation
Revenue (GARVEE) Bond

Financing is used in the STIP and the SHOPP to finance large rehabilitation and reconstruction projects that would otherwise not be afforded by available 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 STIP projects). The Series 2004A Bonds are structured with serial maturities from 2005 through 2015. On October 16, 2008, the state issued a second set of GARVEE Bonds (Series 2008A Bonds) totaling \$97.6 million for SHOPP projects. The Series 2008A Bonds are structured with serial maturities from 2009 through 2020.

On March 27, 2014, 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 2013 calendar year. The debt service outstanding as of December 31, 2013 was \$220.6 million (\$142.4 from Series 2004A, \$78.2 million from Series 2008A).

Pursuant to Government Code Section 14553(b) the Commission prepared, in conjunction with the State Treasurer's Office, the annual analysis of California's capacity for issuing GARVEE bonds. This year's analysis was presented to the Commission at its June 25, 2014 meeting.

Government Code Section 14553.4 states that the State Treasurer may not authorize the issuance of additional bonds if the annual debt service on all outstanding GARVEE obligations would exceed 15% of the total amount of federal funds deposited in the SHA for any consecutive 12-month period within the preceding 24 months. Other factors, such as maturity structures, interest rates, and policy decisions, also affect bonding capacity.

The State Treasurer determined that, based on the consecutive 12-month period with the highest deposits (\$3.921 billion) over the 24 month period ending December 2013, the 15% limitation on GARVEE debt is \$588.2 million. After taking into account the current maximum annual debt service of the Series 2004A Bonds and Series 2008A Bonds (\$84.3 million in 2014-15), the remaining annual debt service capacity is \$503.9 million. The base case scenario, assuming a 12-year final maturity and 2.67% interest rate for the issuance, provides the highest bonding capacity of approximately \$5.12 billion.

The State Treasurer's analysis of GARVEE bonding capacity is calculated as prescribed in statute; however, basing a review of the federal deposits into the SHA ignores the fact that not all federal funds are available to fund Caltrans-administered projects. Therefore, Commission staff recommended that the Commission assume a more programmatic and forward-looking approach by applying a GARVEE capacity based on 15% of the federal funds estimated to be available annually for SHOPP projects in the 2014 Fund Estimate (approximately \$2.3 billion). This level of federal funding, assuming a 12 year maturity and 2.67% interest rate, yields a \$3.503 billion SHOPP GARVEE bond capacity.



Aeronautics Program

The state, through its Aeronautics Account, provides funding to support eligible California general aviation airports as follows:

- Annual grants or “credits” of \$10,000 for 149 of the State’s general aviation airports
- Matching grants (approximately one-half of an airport sponsor’s matching requirement) for Federal Aviation Administration (FAA) Airport Improvement Program (AIP) funds
- Acquisition and Development (A&D) grants for 90 percent of eligible airport capital projects
- Local Airport Loans for projects that benefit an airport and/or improve its self-sufficiency

Revenue sources for the Aeronautics Account include an 18-cent per gallon fuel excise tax on general aviation gasoline and a two-cent per gallon excise tax on general aviation jet fuel. Aeronautics Account revenues must first fund Caltrans' Division of Aeronautics operations and the annual grant or credit program. The remaining funds are available to first fund the local match for Federal AIP grants and then fund A&D grants for projects in the Aeronautics Program as adopted by the Commission.

Government Code Section 14506.5 requires the Commission's Chairman to appoint a Technical Advisory Committee on Aeronautics (TACA), after consultation with members of the aviation industry, airport operators, pilots, and other aviation interest groups and experts, as appropriate. The TACA exists to provide technical advice to the Commission's Committee on Aeronautics on the full range of aviation issues to be considered by the Commission.

In January 2014, the Commission adopted updated guidance for its policies and procedures, similar to other programs, to be followed for the Aeronautics Grant programs under the Commission's purview. In addition, during 2013-14, the Commission allocated to the Caltrans Division of Aeronautics a lump-sum amount of \$550,000 for the AIP Grant Program. Caltrans sub-allocated these funds to 29 projects for a total of \$516,285. There were no funds allocated to A&D projects.

At its June 2014 meeting, the Commission disencumbered approximately \$811,000 from projects delivered with savings or that did not proceed to construction from the A&D program. These funds reverted back to the Aeronautics Account for allocation in FY 2014-15. In addition, the 2014-15 Budget transferred \$4 million to the Aeronautics Account from the Local Airport Loan Account for use by the Commission in programming funds for the AIP and A&D programs. Caltrans Division of Aeronautics presented to the Commission an Allocation Plan listing the priorities to be funded with the additional funds. On August 20, 2014, the Commission reviewed and approved the allocation plan for the FY 2014/15 A&D program.





Proposition 116 Program

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

- \$1.852 billion for the preservation, acquisition, construction, or improvement of rail rights-of-way, rail terminals and stations, rolling stock acquisition, grade separations, rail maintenance facilities and other capital expenditures for rail purposes.
- \$73 million for 28 nonurban counties without rail projects, apportioned on a per capita basis, for the purchase of paratransit vehicles and other capital facilities for public transportation.

- \$20 million for a competitive bicycle program for capital outlay for bicycle improvement projects that improve safety and convenience for bicycle commuters.
- \$30 million to a water-borne ferry program (\$20 million competitive and \$10 million to the City of Vallejo) for the construction, improvement, acquisition, and other capital expenditures associated with water-borne ferry operations for the transportation of passengers or vehicles, or both.

The funds authorized under Proposition 116 are made available under a two-step process analogous to the process used for STIP funding. First, the Commission programs funds for projects eligible under the original authorization by approving project applications that define the project scope, schedule, and funding. Then the Commission allocates funds when the project is ready to proceed.

In 2013-14, the Commission approved only one Proposition 116 programming action changing amounts previously allocated for the Rail Extension to Monterey County.

As of June 30, 2014, \$349,257 in savings from completed projects remains to be programmed. Of the amounts programmed by the Commission to date, over \$9.1 million remains unallocated, of which nearly \$3.5 million is for the State Museum of Railroad Technology and over \$4.9 million is for the recently de-allocated Rail Extension to Monterey County project, as reflected in the following table.

With the de-allocation of the Rail Extension to Monterey County project in 2013-14 the unallocated balance grew substantially, as recommended in previous years, the Commission urges the Legislature to enact legislation to sunset the Prop 116 program and reallocate the remaining funds to another passenger rail project(s).

PROPOSITION 116 AUTHORIZATIONS WITH UNALLOCATED AMOUNTS

| County | Agency, Project | PUC Section | Authorization | Balance Unallocated |
|--------------------|----------------------------------|-------------|---------------|---------------------|
| El Dorado | Lake Tahoe, Intermodal Station | 99647 | \$7,000,000 | \$9,206 |
| Humboldt/Mendocino | North Coast Railroad Authority | 99625/26 | \$10,000,000 | \$72,285 |
| Los Angeles | Caltrans, Alameda Corridor | 99624 | \$80,000,000 | \$17,437 |
| Los Angeles | Los Angeles County MTA, rail | 99630 | \$229,000,000 | \$62,083 |
| Nonurban Counties | Counties, transit capital | 99628 | \$73,000,000 | \$11,780 |
| Monterey | TAMC, Rail Extension to County | 99638 | \$17,000,000 | \$4,917,837 |
| Sacramento | Sac. Regional Transit, rail | 99643 | \$100,000,000 | \$4,931 |
| San Diego | MTDB/NCTD, rail | 99642 | \$77,000,000 | \$60 |
| San Joaquin | SJCOG, Altamont Corridor | 99644 | \$14,000,000 | \$65,130 |
| San Joaquin | Caltrans, San Joaquin Corridor | 99622(a) | \$140,000,000 | \$352 |
| Sacramento | State Parks, Rail Museum | 99648 | \$5,000,000 | \$3,454,600 |
| Statewide | Competitive, water-borne ferry | 99651 | \$20,000,000 | \$29,350 |
| Statewide | Caltrans, rail cars, locomotives | 99649 | \$100,000,000 | \$85,913 |
| | | | Total | \$9,124,711 |

A man with glasses, wearing a white shirt and dark pants, is seated in a wheelchair. He is reaching out with his right hand to press a blue circular button on a control panel. The panel is part of a vehicle, likely a bus or van, and features a blue circular icon with a white wheelchair symbol and a green diamond-shaped sign with the letters 'GNC' in white. The background shows the interior of the vehicle, including a steering wheel and a red emergency stop button. The title 'Elderly and Disabled Specialized Transit Program' is overlaid in large, bold, green letters.

Elderly and Disabled Specialized Transit Program

In 1975, Congress established the Transportation for Elderly Persons and Persons with Disabilities Program (Section 5310) to provide financial assistance for nonprofit organizations to purchase transit capital equipment to meet the specialized needs of elderly and disabled individuals for whom mass transportation services are unavailable, insufficient, or inappropriate. Congress later extended program eligibility to public bodies that certify to the Governor that no nonprofit organizations are readily available in their area to provide the specialized service.

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

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

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

The 1975 Federal implementing legislation designated the state Governor as program administrator. In California, Caltrans was delegated this authority and has administered this federal program since its inception. In early 2014, the Federal Transit Administration issued Circular 9070.1G addressing significant changes made by MAP-21 to the Section 5310 Program. Under MAP-21, now MPOs, RTPAs and large urbanized areas are eligible to act as the designated recipients in place of the Governor for administering Section 5310 funding. This essentially allows specified agencies to select and administer Section 5310 projects, with or without Commission oversight and Caltrans administration. Since MAP-21 changes the manner in which the Section 5310 program is developed and administered, during 2014-15 the Commission and Caltrans will work with the State Review Committee to establish procedures for implementing these new requirements.

During 2013-14, Section 5310 Program actions brought to the Commission were for the Federal Fiscal Year 2011-12 (FFY 2012) funding cycle. The FFY 2012 funding capacity was \$13.6 million. Eligible agencies submitted 93 applications to RTPAs for 417 projects requesting \$22.4 million in 5310 Program funds. Applications were scored by the RTPAs using 5310 Program procedures adopted by the Commission. The applications, with regional scores, were then submitted to Caltrans. The State Review Committee was convened to review and, in some cases, modify the regional scores for projects, again using Commission-adopted criteria. Projects with different regional and State Review Committee scores were discussed with the appropriate RTPA.

On September 4, 2013, Commission staff and the State Review Committee conducted the required appeals meeting to provide all stakeholders an opportunity to discuss the revised project list and to hear any appeals on technical issues that affected the scoring. One written appeal was received. The agency made an oral presentation during the staff-level conference, and after careful consideration, the State Review Committee denied the agency's appeal.

A statewide-priority list was subsequently assembled and presented at a public hearing held during the Commission's October 8, 2013 meeting. Following the hearing, the Commission adopted the FFY 2012 FTA Section 5310 Program Statewide Prioritized Project list. This list is available for review at (<http://www.dot.ca.gov/hq/MassTrans/Docs-Pdfs/5310/ctc.letter.g13-10-ffy12pop.pdf>).



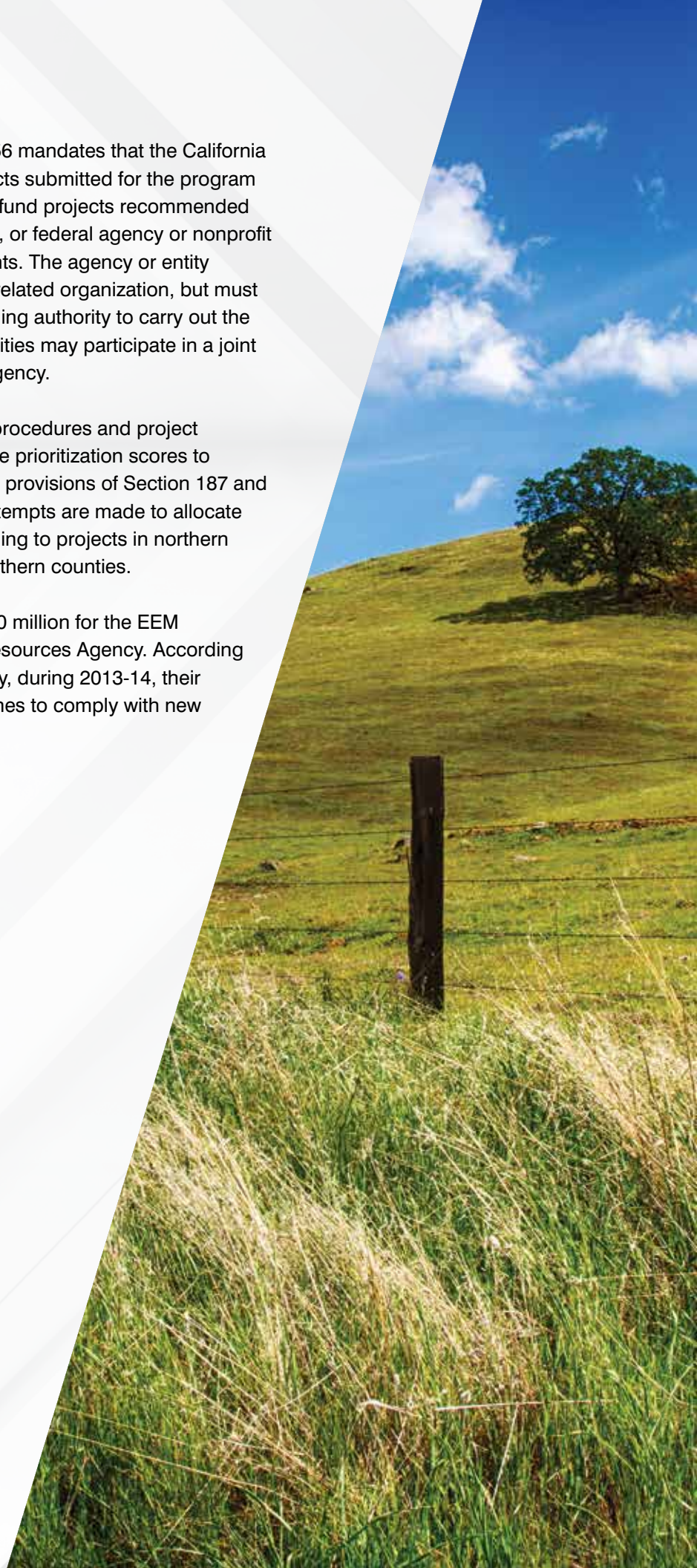
Environmental Enhancement and Mitigation Program

The Environmental Enhancement and Mitigation (EEM) Program was established by the Legislature in 1989 to fund environmental enhancement and mitigation projects directly or indirectly related to transportation projects. Funding has historically been provided by a \$10 million annual transfer to the EEM Fund from the SHA. Projects programmed in the EEM Program must fall within one of three categories: highway landscape and urban forestry; resource lands; or roadside recreation. Projects funded under this program must provide environmental enhancement and mitigation over and above that otherwise called for under the CEQA.

Streets and Highways Code Section 164.56 mandates that the California Natural Resources Agency evaluate projects submitted for the program and that the Commission award grants to fund projects recommended by the Resources Agency. Any local, state, or federal agency or nonprofit entity may apply for and receive EEM grants. The agency or entity need not be a transportation- or highway-related organization, but must demonstrate an adequate charter or enabling authority to carry out the type of project proposed. Two or more entities may participate in a joint project with one designated as the lead agency.

The Resources Agency adopted specific procedures and project evaluation criteria for assigning quantitative prioritization scores to individual projects. In accordance with the provisions of Section 187 and 188 of the Streets and Highways Code, attempts are made to allocate 40 percent of the total recommended funding to projects in northern counties and 60 percent to projects in southern counties.

Although the 2013-14 Budget included \$10 million for the EEM Program, no awards were made by the Resources Agency. According to the California Natural Resources Agency, during 2013-14, their attention was directed to updating guidelines to comply with new legislation.



Glossary of Acronyms

| | |
|-------------------|--|
| A&D | Acquisition and Development |
| AB | Assembly Bill |
| AIP | Airport Improvement Program |
| Amtrak | National Passenger Rail Corporation |
| ARB | California Air Resources Board |
| ATP | Active Transportation Program |
| BCSH | Business Consumer Services and Housing Agency |
| BRT | Bus Rapid Transit |
| CAFE | Corporate Average Fuel Economy |
| CalSTA | California State Transportation Agency |
| 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 |
| EEM | Environmental Enhancement and Mitigation |
| EIR | Environmental Impact Report |
| FAA | Federal Aviation Administration |
| FTA | Federal Transit Administration |
| FHWA | Federal Highway Administration |
| GARVEE | Federal Grant Anticipation Revenue |
| GHG | Greenhouse Gas |
| GLC | Golden Link Concessionaire |
| GMAP | Goods Movement Action Plan |
| GPS | Global Positioning System |
| 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 | Los Angeles |
| 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 |
| MPO | Metropolitan Planning Organization |
| MTC | Metropolitan Transportation Commission |
| NEPA | National Environmental Policy Act |
| NAAQS | National Ambient Air Quality Standards |
| NOP | Notice of Preparation |
| ODOT | Oregon Department of Transportation |
| OPR | Office of Planning and Research |
| P3 | Public Private Partnership |
| PFN | Primary Freight Network |
| PRIIA | Passenger Rail Investment and Improvement Act of 2008 |
| PS&E | Plans, Specifications & Estimates |
| PTA | Public Transportation Account |
| PTMISEA | Public Transportation Modernization, Improvement and Service Enhancement Account |
| PUC | Public Utilities Commission |
| RCTC | Riverside County Transportation Commission |
| Riv | Riverside |
| RSTP | Regional Surface Transportation Program |
| RTIP | Regional Transportation Improvement Program |
| RTP | Regional Transportation Plan |
| RTPA | Regional Transportation Planning Agency |
| SB | Senate Bill |
| SAS | Self-Anchored Suspension |
| SCS | Sustainable Communities Strategies |
| SD | San Diego |
| 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 |
| TBSRP | Toll Bridge Seismic Retrofit Program |
| TCIF | Trade Corridors Improvement Fund |
| TCRF | Traffic Congestion Relief Fund |



| | |
|--------------|--|
| TCRP | Traffic Congestion Relief Program |
| TIF | Transportation Investment Fund |
| TLSP | Traffic Light Synchronization Program |
| USDOT | United States Department of Transportation |
| VMT | Vehicle Miles Traveled |
| WSTC | Washington State Transportation Commission |

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