

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 03/29/2012  
POSITION: Oppose

BILL NUMBER: AB 1780  
AUTHOR: Bonilla, Susan

**BILL SUMMARY: Transportation: Project Study Reports**

This bill would require the Department of Transportation (Caltrans) to pay for the costs of its own oversight for project study reports (PSRs) or equivalent planning documents that are prepared by other entities for projects that are in an adopted Regional Transportation Plan (RTP), a voter-approved county sales tax measure expenditure plan, or other voter approved transportation program. For non-adopted or voter approved projects the review and approval costs would be reimbursable from the entity preparing the PSR.

**FISCAL SUMMARY**

This bill would require the review and approval of Project Initiation Documents (PIDs) to be funded by the state, resulting in a cost of \$7 million to \$12 million in State Highway Account (SHA) funds annually starting in 2013-14.

**COMMENTS**

The Department of Finance is opposed to this bill because it would result in additional costs to the state by statutorily restricting Caltrans' ability to receive reimbursement for PIDs related work. Given the limited resources available in the SHA, it is appropriate for locals to support the costs of local projects. In addition, PIDs are a minor component of a project's cost. Historically, local agencies have requested many more PIDs than will ever be funded primarily because they do not incur any of the project initiation cost. This results in unnecessary state expenses to develop, review, and approve these documents for projects.

Finance also notes the following:

- Since a PSR is a type of PID, the term "PID" should be used instead of "PSR."
- According to Caltrans, the term "equivalent planning document" is undefined in statute and could result in local agencies seeking to develop documents that would not meet the Department's requirements.
- By not limiting this bill to the review and approval of PSRs developed for state highway projects in a financially-constrained RTP, there is not only the potential to substantially expand the use of state resources on projects that are unlikely to be funded in the near term, but also many projects would likely have to be updated multiple times between the time the PSR is developed and the time it is eventually funded.
- Caltrans does not review or develop PIDs for projects not included in a voter approved transportation plan or RTP.

|                                    |      |   |   |
|------------------------------------|------|---|---|
| Analyst/Principal<br>(0752) M.Almy | Date | Program Budget Manager<br>Kristin Shelton | Date  |
| Department Deputy Director         |      | Date                                      |   |
| Governor's Office:                 | By:  | Date:                                     | Position Approved _____<br>Position Disapproved _____ |
| BILL ANALYSIS                      |      |   | Form DF-43 (Rev 03/95 Buff)                           |

Bonilla, Susan

03/29/2012

AB 1780

**ANALYSIS**

## 1. Programmatic Analysis

A PID is the initial planning document produced to develop a solution for a specific transportation deficiency. The PID is an engineering or technical report document that provides the scope, cost, and schedule for a transportation project.

**Current law** authorizes Caltrans, to the extent that it does not jeopardize the delivery of projects in the adopted State Transportation Improvement Program (STIP), to prepare a PSR for capacity-increasing state highway projects. A local entity may request that Caltrans prepare a PSR for a capacity-increasing state highway project that is being proposed for inclusion in a future STIP; however, this is limited to Caltrans' available resources. If resources are not available, the local entity may develop the PSR internally or by contracting out. Current law requires Caltrans to review and approve PSRs developed by another agency.

**This bill** would assign responsibilities, including cost-sharing, for the development, review, and approval of PSRs. More specifically, this bill would:

- Require that, for projects on the state highway system that are in an adopted RTP, a voter-approved county sales tax measure, or other voter-approved transportation program, Caltrans is to review and approve the PSR at the state's expense. For other projects, the review and approval of the PSR are to be paid by the local entity performing the work.
- Provide that if Caltrans is unable to complete a PSR on behalf of a local agency for a state highway project proposed for inclusion in a future STIP or for funding from a regional or local funding source, the requesting entity may prepare the report at its own expense.
- Require that during the development of PSRs for projects on the state highway system there is to be open and continuous communication between Caltrans, the agency requesting the PSR, and the regional transportation agency or county transportation commission.

**Discussion:** In 2009-10, the Legislative Analyst's Office (LAO) conducted a review of Caltrans' PID Program, which concluded that there was a significant over-production of PIDs and that staffing levels were substantially higher than the workload required. The LAO also recommended that PIDs for locally-funded projects on the state highway system be funded with local reimbursement, which was intended to free up state transportation resources to fund state transportation projects, and provide a mechanism to self-regulate the volume of PIDs requested by locals. The state would still be responsible for developing and funding PIDs for STIP and State Highway Operation and Preservation Program (SHOPP) projects. Historically, local agencies have requested many more PIDs than will ever be funded primarily because they do not incur any of the project initiation cost. By shifting the PID costs to locals, a local agency would have to make a financial investment in a proposed project.

This bill specifies that Caltrans is responsible for funding the review and approval of PSRs developed by other agencies for state highway projects identified in an adopted RTP, a voter-approved county sales tax measure, or other voter-approved transportation program. However, this bill allows for county residents to approve projects to be the financial responsibility of the state. Caltrans has made significant efforts in recent years to prioritize workload to only those projects that have been identified in the financially-constrained element of a plan such as a RTP or the 10-Year SHOPP and have a reasonable opportunity to be funded. This bill could result in Caltrans being required to review and approve PSRs that are included in an unconstrained plan that may need to be updated multiple times before a realistic funding source is identified. Resourcing the PID Program to work on projects in both

Bonilla, Susan

03/29/2012

AB 1780

**ANALYSIS** (continued)

constrained and unconstrained plans had led to the creation of a large "shelf" of unfunded projects in the past and led to an eventual downsizing of the program.

The author's office has indicated that the intent of this bill is to streamline and provide statewide standards for Caltrans' PIDs program. It indicates that the PID has grown into a very detailed, time consuming, and costly report. While Caltrans has worked closely with local agencies and Self-Help Counties to develop guidelines to streamline the PID process, this bill would require that these guidelines be adopted and enforced statewide. In addition, the author's office contends that the cooperative agreement process is delaying and ultimately impacting the state highway system. In order for Caltrans to be reimbursed for oversight of locally-completed PIDs work, both parties have to enter into a cooperative agreement. According to the author's office this process can take up to six months. However, according to Caltrans, when a local agency embraces the cooperative agreement process, the amount of time to execute an agreement is approximately two weeks.

## 2. Fiscal Analysis

Beginning in 2010-11, the prior and current Administrations have proposed that the development of PIDs be funded from reimbursements from local agencies. Each year, the Legislature has rejected the proposal and instead provided funding from the SHA. Both the former and current Governor has either vetoed, or partially vetoed, the SHA appropriation. This bill would require that the state provide funding for the development of PIDs, which is inconsistent with the Administration's prior budget proposals.

The workload associated with the review and development of PIDs for local agencies ranges from \$7 million to \$12 million annually. The 2012-13 Governor's Budget proposed 53 positions and \$8.7 million for PID development and review on locally-funded state highway projects to be reimbursed by local agencies. Of this amount, 45 positions and \$7.2 million was related to oversight and 6 positions and \$1.2 million was related to PID development. Two positions and \$265,000 is for work on toll bridges within the Bay Area Toll Authority's jurisdiction.

As mentioned above, the Legislature converted \$8.4 million of reimbursement authority to SHA funding, reducing funding for state highway maintenance and repairs by a like amount. The 2012 Budget Act provides \$3.9 million SHA, after the Governor vetoed \$4.5 million.

This bill would require the review and approval of PIDs to be funded by the state, resulting in a cost to the state of \$7 million to \$12 million annually starting in 2013-14.

| Code/Department<br>Agency or Revenue<br>Type | SO           | (Fiscal Impact by Fiscal Year) |    |           |    |              |    | Fund<br>Code |
|--|--------------|--------------------------------|----|-----------|----|--------------|----|--------------|
|  | LA           | (Dollars in Thousands)         |    |           |    |              |    |              |
|  | CO           | PROP                           |    |           |    |              |    |              |
|  | RV           | 98                             | FC | 2012-2013 | FC | 2013-2014    | FC | 2014-2015    |
| 2660/Caltrans                                | SO           | No                             | A  | --        | C  | 7,000-12,000 | C  | 7,000-12,000 |
| <u>Fund Code</u><br>0042                     | <u>Title</u> | Highway Account, State, STF    |    |           |    |              |    |              |