

COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

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Executive Director

REVIEW OF THE
DEPARTMENT OF TRANSPORTATION'S
HIGHWAY PLANNING
AND
DEVELOPMENT PROCESS

JUNE 1983

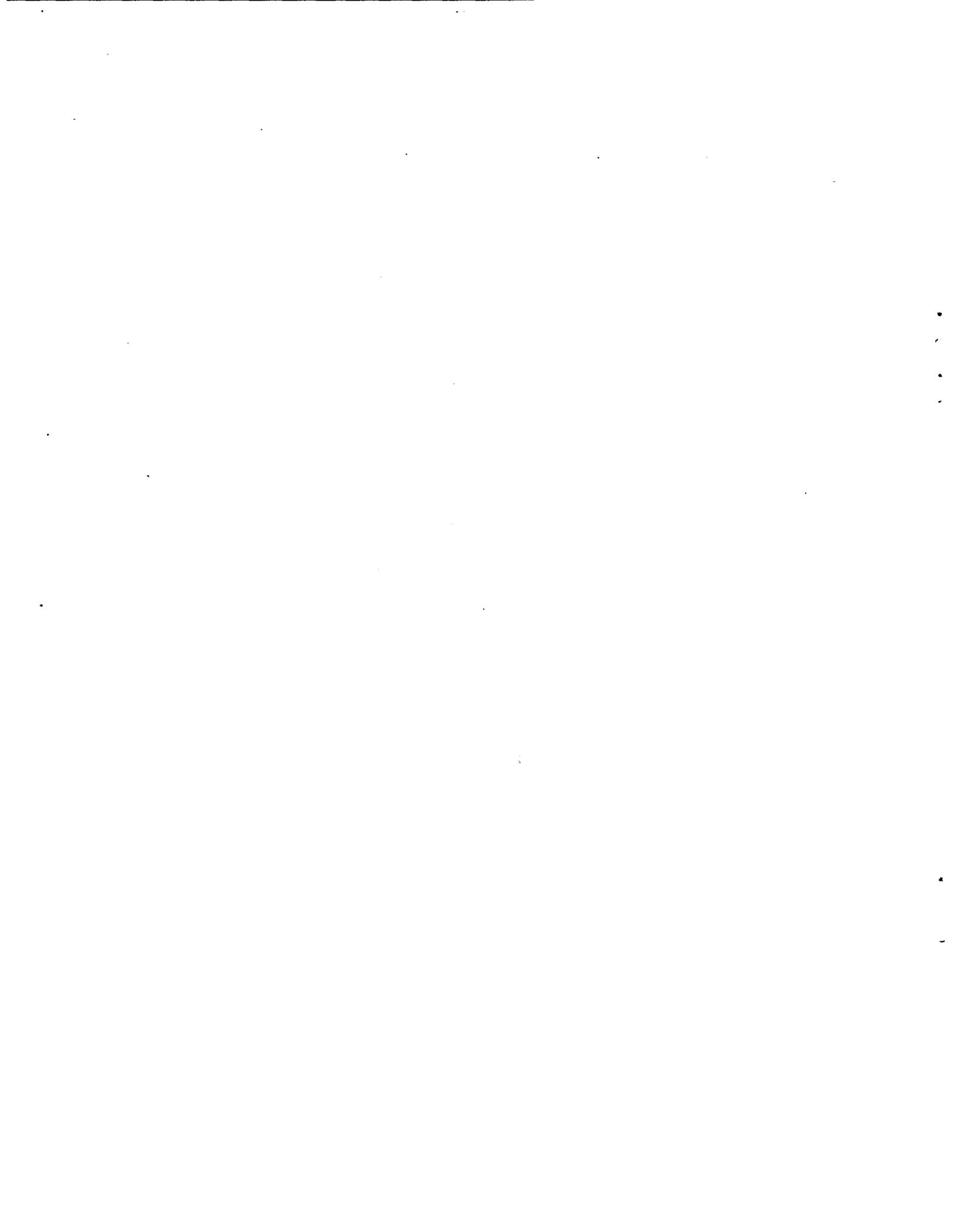
**REVIEW OF THE DEPARTMENT OF TRANSPORTATION'S
HIGHWAY PLANNING AND DEVELOPMENT PROCESS**

A study by the

COMMISSION ON CALIFORNIA STATE GOVERNMENT

ORGANIZATION AND ECONOMY

June 1983



COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

11th & L BUILDING, SUITE 550, (916) 445-2125
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June 16, 1983

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Executive Director

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Governor of California

Honorable David A. Roberti
President pro Tempore of the Senate
and Members of the Senate

Honorable Willie L. Brown, Jr.
Speaker of the Assembly
and Members of the Assembly

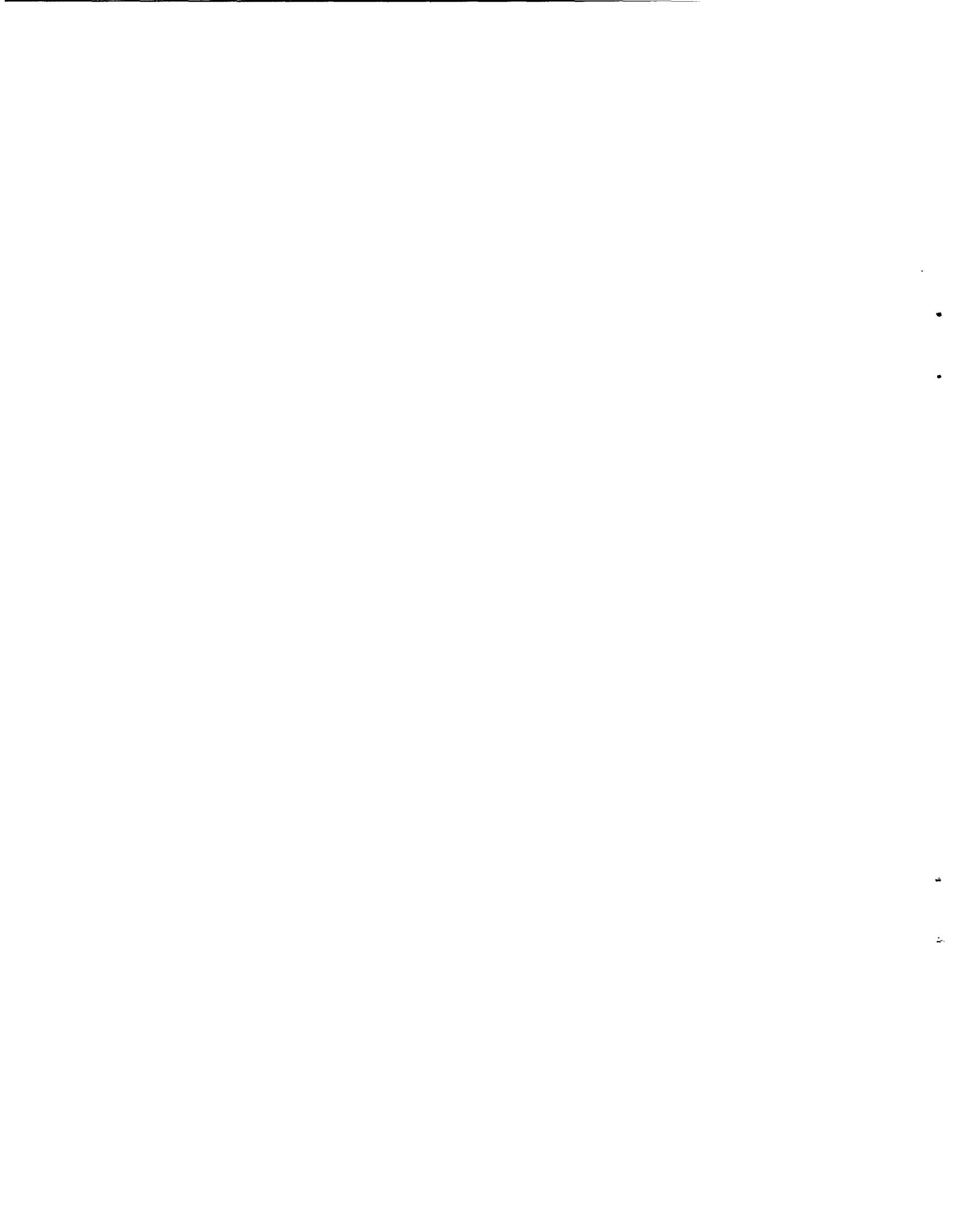
Dear Governor and Members of the Legislature:

Our Commission prepared the attached report entitled "Review of the Department of Transportation's Highway Planning and Development Process" as a result of concern expressed by legislators, local governments, and others that the State process for developing highway construction projects is inadequate and the Department of Transportation (Caltrans) has been unable to produce expected projects as originally conceived and scheduled. These delays have historically affected local transportation needs that depend on State highway projects, as well as potentially resulting in increased construction cost due to inflation.

This study is particularly timely because recent highway funding legislation (Chapter 541, Statutes of 1981) is expected to produce nearly \$2 billion through 1985 while the new Federal highway revenue bill will provide California an additional \$350 million in the first year and substantial amounts in future years. The rapid expansion of California highway projects, if successful, would also result in the creation of essential new construction jobs.

Our study examined State highway financing, the planning of State highway improvements, and the scheduling and budgeting of State highway projects through the State Transportation Improvement Program. Attention was also given to highway maintenance which protects the public's investment in the 15,200-mile State highway system. Although highways comprise only 8.5 percent of our State's 178,706 miles of public roads, they carry 56 percent of the travel or about 87 billion vehicle miles annually. Moreover, our highways represent a capital investment of several billions of dollars.

We gathered information through interviews, review of documents, and a public hearing in Santa Ana on November 17, 1982. Testimony was taken from officials with the Department of Transportation, the Chairman of the California Transportation Commission, the Chairman of the Orange County Transportation Commission, the Imperial County Public Works Director, a representative of the Route 86 Improvement Committee, and the Automobile Club of Southern California.



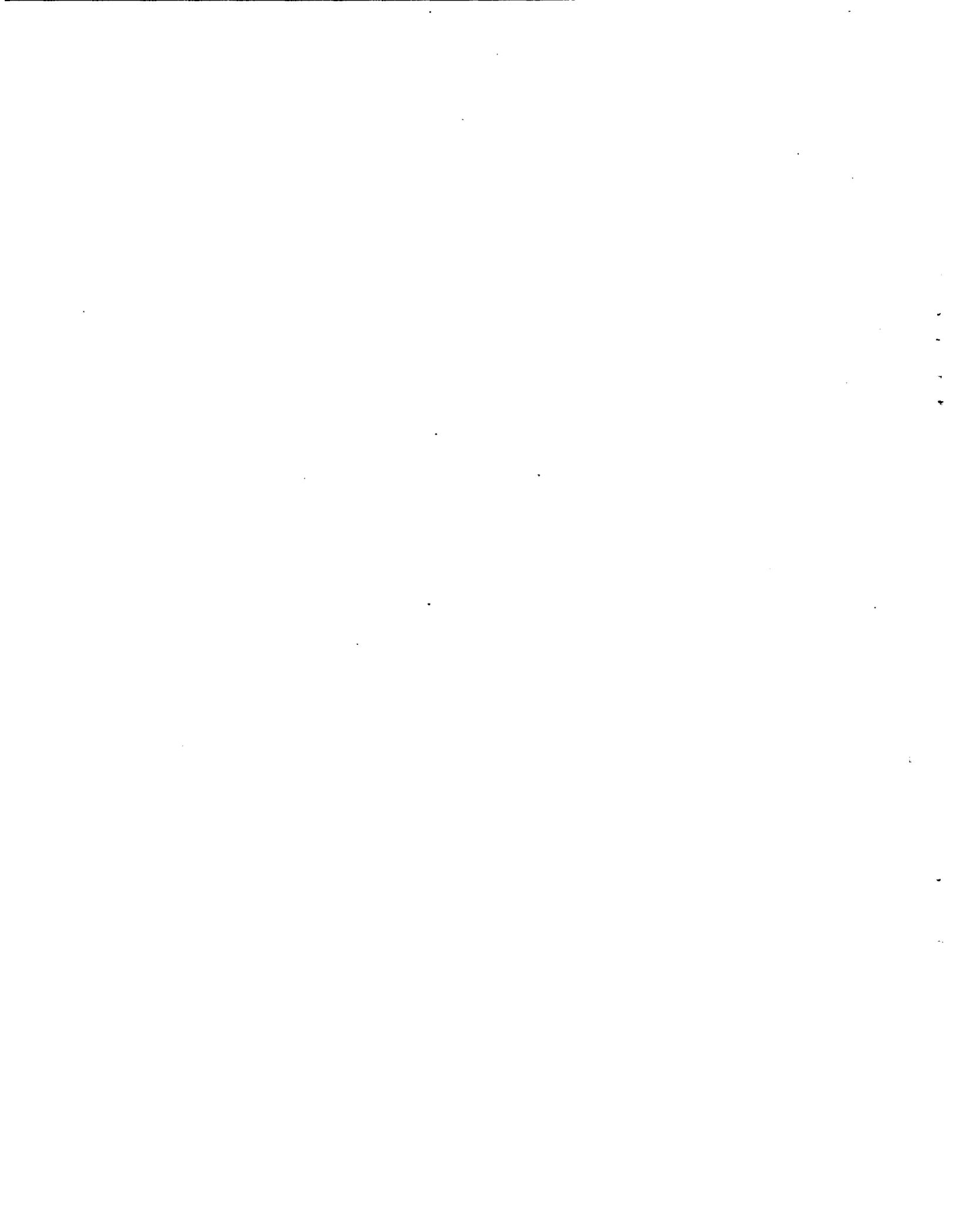
We concluded that State laws and administrative decisions have left California without a sufficiently coordinated program for highway development and maintenance. The statutorily defined process for establishing annually a five-year schedule of highway and other transportation investments, and past administrative opposition to revenue increases, have not emphasized systematic, long-term project planning.

Our findings include the following points:

- The lack of a State highway systems plan results in attention being focused on individual projects -- often due to pressure from special interests -- rather than on the priority needs of the system as a whole. There is no plan against which the merits of the various projects can be measured on a statewide basis.
- Caltrans has no inventory of approved projects that can be quickly substituted for projects that have been seriously delayed, or that can be implemented in response to changes in revenues or public policies.
- When highway system improvements are made, there is no estimate of the cost of future maintenance and rehabilitation needs that will result.
- The integrity of portions of our highway system is in immediate jeopardy because one-seventh of all highway lane-miles now require major pavement repair. Moreover, the State currently has a backlog of \$598 million of highway pavement rehabilitation needs.
- The process for establishing pavement rehabilitation priorities may not reflect the real needs of protecting the public's investment in highways. Specifically, Caltrans has assigned \$307 million of needed repairs for highways with major structural problems to a lower service priority than repairs for highways with minor or negligible structural problems.
- The backlog of needed repairs for highways with major structural problems, but comfortable rides, is increasing by approximately \$80 million annually. On the average, only about \$10 million is being spent to repair these deficiencies. (These repairs are undertaken only coincidentally with repairs to highway segments which are deteriorating and have poor rides.)

We recommend the following actions to improve State highway planning and finance:

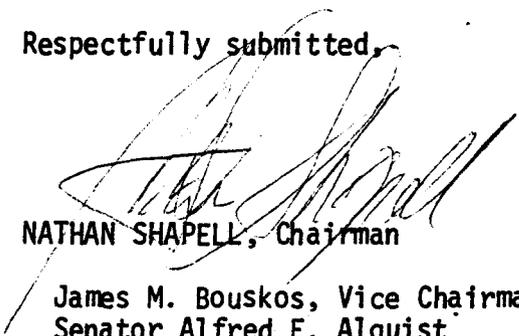
- Caltrans, in cooperation with local and regional agencies and the California Transportation Commission, should develop a 10-year highway systems plan that identifies investment priorities based on revenue assumptions provided by the California Transportation Commission instead of on allocation formulas. It should be updated every five years.
- The Legislature should request that Caltrans develop a proposal for having an appropriate number of standby projects ready to go to bid in case there are major delays in projects underway, or changes in policies or revenues. The request should seek to identify the staffing requirements to produce this inventory, the cost, the impact on the regular highway program if resources are committed to this concept, and the extent to which private sector engineering firms might be used.



- Caltrans should examine the feasibility of introducing estimates of life cycle cost of highway improvements whenever a decision is made for a new highway or improvement to an existing highway.
- The Legislature, Caltrans, and the California Transportation Commission should develop broader user- and beneficiary-based highway financing mechanisms in order to meet priority needs despite fluctuating highway construction costs, gallonage tax revenues which are not commensurate with increases in highway travel, and restrictive criteria for Federal funding.

Further findings and specific recommendations to address these problems are discussed within the attached report.

Respectfully submitted,



NATHAN SHAPELL, Chairman

James M. Bouskos, Vice Chairman
Senator Alfred E. Alquist
Mary Anne Chalker
Albert Gersten, Jr.
Michael E. Kassan
Brooke Knapp
Senator Milton Marks
Mark Nathanson
Richard S. Trugman
Jean Kindy Walker
Assemblyman Phillip D. Wyman
Assemblyman Bruce Young

Attachment

cc: Kirk West, Secretary
Business, Transportation and Housing
Claude Fernandez, Chairman
California Transportation Commission
Leo J. Trombatore, Director
Department of Transportation

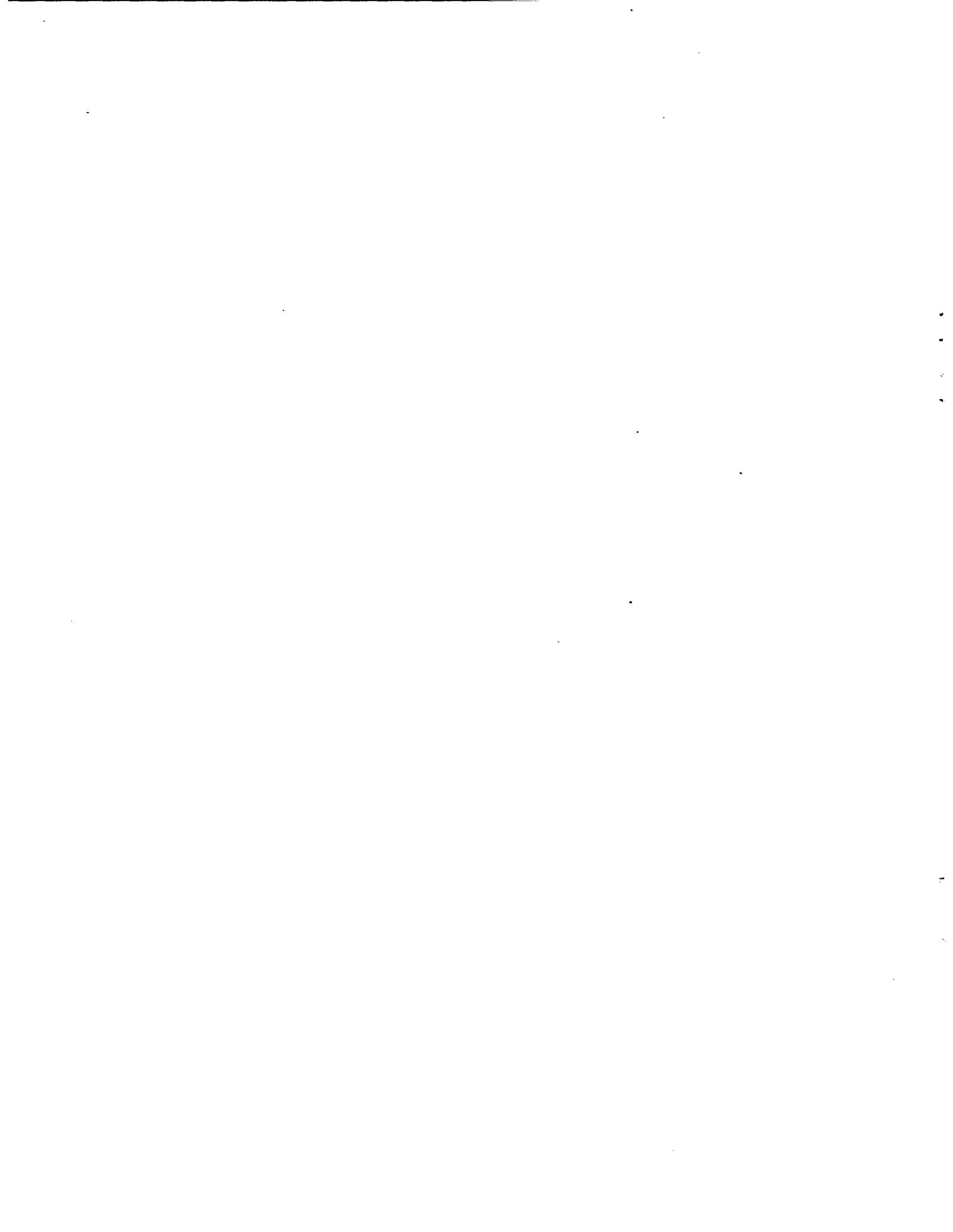
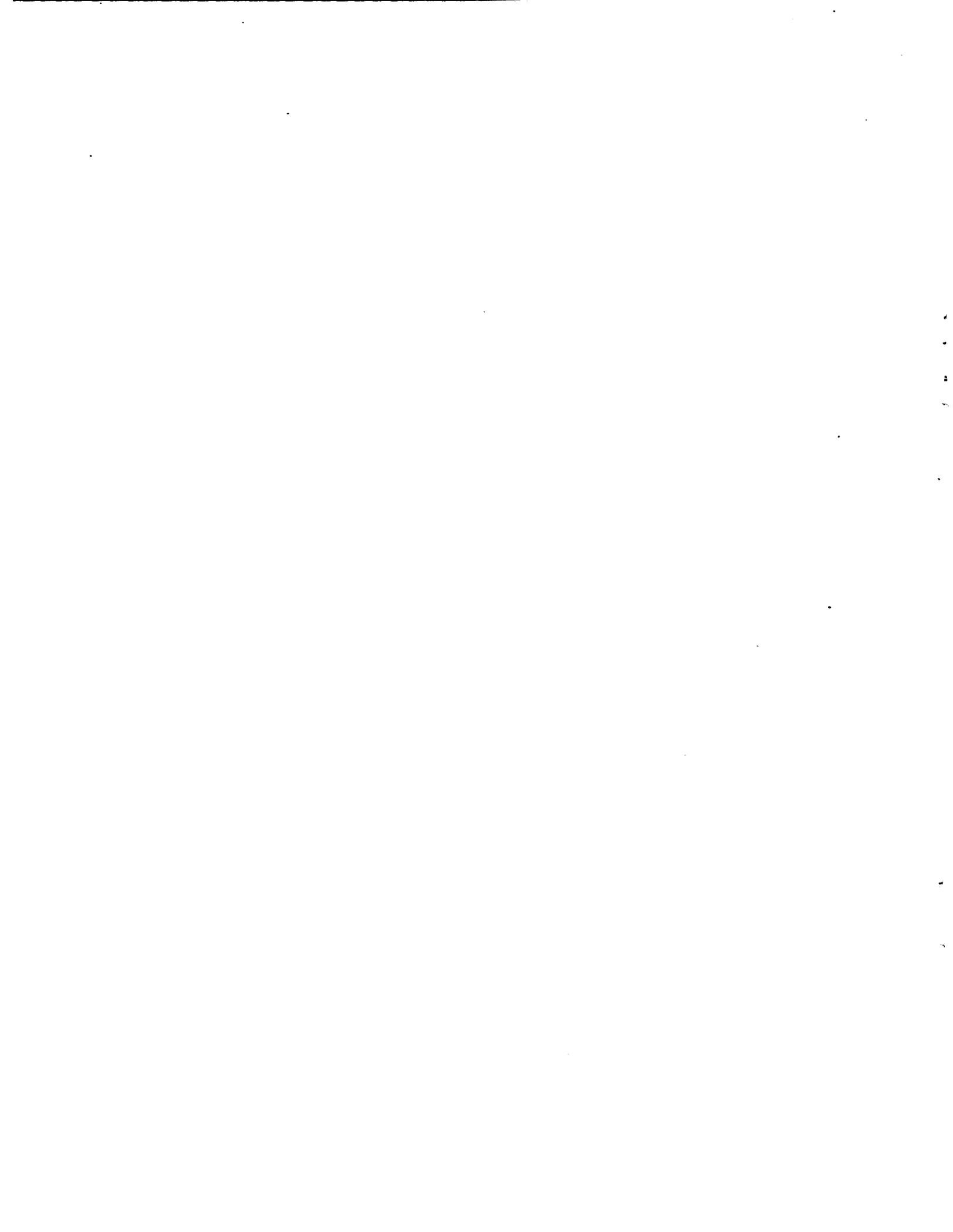


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SUMMARY

California has over 178,000 miles of public roads. Although state highways comprise less than ten percent of the road mileage, they carry 56 percent of the travel. The Department of Transportation (CalTrans) and the California Transportation Commission are the agencies primarily responsible for controlling highway construction projects in California.

This study examined highway financing and planning, the Caltrans project development process, and the state's program for maintaining highways. This analysis led to the overall finding that state laws and administrative decisions have left California without a rational, coordinated program for highway development and maintenance. The specific findings are:

1. The state law requiring that 70 percent of the funds in the State Highway Account be distributed among the state's 58 counties according to population and highway miles often prevents highway funding on the basis of need.
2. Proper investment priorities for the state highway system are hampered by Federal funding criteria.
3. California's tax structure for financing highways is not responsive to inflation or decreasing fuel consumption.
4. Since 1981 \$66.8 million of revenues available for transportation purposes have been appropriated for General Fund purposes.
5. The lack of a state highway systems plan results in attention being focused on individual projects -- often due to pressure from special interests -- rather than on the priority needs of the system as a whole.
6. The State Transportation Improvement Program discourages long-range highway planning.

7. Reorganizing the project development process in order to accelerate highway projects may be of limited success.
8. There is no statutory requirement in either Federal or State Law that the environmental review of highway projects be completed within a specified period of time.
9. Caltrans has no inventory of approved projects that can be quickly substituted for projects that have been seriously delayed, or that can be implemented in response to changes in revenues or public policies.
10. When highway system improvements are made, there is no estimate of the cost of future maintenance and rehabilitation needs that will result.
11. The process for establishing pavement rehabilitation priorities may not reflect the real needs of protecting the public's investment in highways.

RECOMMENDATIONS

1. The Legislature, Caltrans, and the California Transportation Commission should find an alternative to the "county minimum" requirement in order to allocate highway revenues with consideration to both geographic equity and need.
2. The Legislature, Caltrans, and the California Transportation Commission should develop a broader user and beneficiary based highway financing mechanism in order to meet priority needs despite fluctuating highway construction costs, gallonage tax revenues which are not commensurate with increases in highway travel, and restrictive criteria for federal funding. Among user/beneficiary related sources of revenue that are worthy of examination are weight-distance fees for commercial trucks and contributions from local sources for improvements to state highways which are a benefit to a specific community.
3. The Legislature should be consistent with existing statutory provisions and refrain from appropriating gasoline sales tax revenues identified for transportation purposes to the General Fund.
4. Caltrans, in cooperation with local and regional agencies and the California Transportation Commission, should develop a 10-year highway systems plan that identifies investment priorities based on revenue assumptions provided by the California Transportation Commission instead of on allocation formulas. It should be updated every five years. In implementing this recommendation the Legislature should carefully identify the role of Caltrans and the California Transportation Commission in the development of the plan's guidelines and the extent of participation by regional transportation planning agencies.
5. The Legislature and the administration should seek federal legislation that would sanction, on a demonstration basis, the state environmental review process as equivalent to the federal process, and thereby acceptable in lieu of the federal process. This could be facilitated by amending state regulations to accommodate federal requirements.

6. Amend the California Environmental Quality Act to require the environmental review of highway projects funded solely with State revenues be completed within two years of initiating the design of highway projects.
7. The National Environmental Quality Act should be amended to require environmental review of highway projects funded with Federal revenues be completed within two years of initiating the design of a highway project.
8. The Legislature should request the Legislative Analyst in cooperation with outside consultant services to develop a proposal for having an appropriate number of standby projects ready to go to bid in case there are major delays in projects underway, or changes in policies or revenues. The request should seek to identify the staffing requirements to produce this inventory, the cost, the impact on the regular highway program if resources are committed to this concept, and the extent to which private sector engineering firms might be used. In making this recommendation we recognize that there are legal issues associated with the use of private engineering firms which must be examined before such a decision could be made.
9. Caltrans should examine the feasibility of introducing estimates of life cycle cost of highway improvements whenever a decision is made for a new highway or improvement to an existing highway.
10. Caltrans should review the adequacy of its system for prioritizing maintenance needs to ensure that major problems are addressed on a timely basis.

CHAPTER 1 INTRODUCTION

Background of the study

The Commission on California State Government Organization and Economy (the Little Hoover Commission) undertook this analysis as a result of concern expressed by Legislators, local governments, and others over what they see as inadequacies in the state process for developing highway construction projects. Although project development is only one of several activities managed by the Department of Transportation (Caltrans), the highway improvements that result from this process significantly influence the economic well-being of California.

Local governments complain that the inability of Caltrans to produce expected projects as originally conceived and scheduled has delayed local development plans. This has led to charges that Caltrans is unresponsive to local transportation needs that depend on state highway projects.

Legislators and several highway interests also question whether Caltrans is able to produce the highway projects that the Legislature and others expect to be constructed as a result of recent funding legislation, Senate Bill 215 (Chapter 541, Statutes of 1981). This legislation has been particularly significant because it was the first gas tax increase since 1963 and came at a time when there was insufficient revenue to complete what was considered to be a modest five-year highway construction program adopted by the California Transportation Commission in 1980. Additionally, the bill enacted a new formula for distributing highway construction revenues among the state's 58 counties. Finally, it provided authority to counties to raise the gas tax for local streets and roads, provided two-thirds of the voters approved.

At the time of enactment, this legislation was expected to produce \$1.8 billion between 1981 and 1985 for state highways. Total highway funds were increased further when Congress in December 1982 enacted a major federal highway revenue bill which provides California an additional \$350 million the first year and substantial amounts in future years. One public justification for the added taxes necessary to generate the new federal revenue was that rapid construction of high-

way projects would result in the creation of jobs. In California, the burden for fulfilling that expectation falls on Caltrans.

Scope and Methodology

The objective of this study was to evaluate the effectiveness of Caltrans' process for developing highway projects. This process involves complex trade-offs among engineering, environmental, and financial factors. The study examined state highway financing, the planning of state highway improvements, and the scheduling and budgeting of state highway projects through the State Transportation Improvement Program (STIP). Attention was also given to highway maintenance which protects the public's investment in the highway system.

Information was gathered through interviews, review of documents, and a public hearing in Santa Ana on November 17, 1982. Testimony was taken from the Chairman of the California Transportation Commission, a representative of Caltrans, the Chairman of the Orange County Transportation Commission, the Imperial County Public Works Director, a representative of the Route 86 Improvement Committee, and the Automobile Club of Southern California.

The State Highway System

California has 178,706 miles of public roads. Of these, 71,259 miles are county roads, 50,967 miles are city streets, 41,280 miles are public domain roads (forest service and national park roads) and 15,200 are state highways.

Although state highways comprise only 8.5 percent of the total mileage, they carry 56 percent of the travel. There are two elements to the state highway system: conventional highways and the Freeway and Expressway System (F&E System) established by law in 1959. The F&E System includes 11,916 miles of freeways or expressways, although only 5,539 miles have been constructed. The system of conventional highways is composed of 9,665 miles. Of the 87 billion miles traveled annually on the state highway system, 70 percent is in urban areas and 30 percent is in rural areas.

The legislation creating the F&E System identified specific routes and the major points to be included on a route. The California Highway Commission (the California Transportation Commission's predecessor) was responsible for adopting specific alignments and overseeing the actual construction. When the legislation was enacted, the Federal Interstate Highway System had been recently established by Congress. The Interstate program is extremely beneficial to state government since it provides for the federal government to pay 90 percent of the cost of an interstate freeway while requiring the state to pay only 10 percent. At the time, the national and state objectives for highway development enjoyed the support of a broad political consensus.

However, by the late 1960's, several important actions began to curtail the highway program. In Washington, Congress enacted the National Environmental Protection Act (NEPA); in Sacramento, the legislature enacted the California Environmental Quality Act (CEQA). Both acts altered the context in which highway design was to be conducted. In general, they required that before a construction project may proceed, its effect on the natural environment must be assessed and, where feasible, efforts should be made to mitigate any negative effects. In addition, any negative effects on the social or economic fabric of a community must be identified and attempts made to mitigate them when feasible. Finally, the laws generally require that environmental impact statements must be circulated among interested agencies and private groups. This has resulted in a large increase in the number of participants in highway investment decisions, not all of whom may share a common belief that a project is desirable or necessary. Interpreting and accommodating the requirements of this body of law has been and continues to be difficult.

Another obstacle to highway development was the lack of adequate revenues to build the F&E System. By 1972 -- 13 years after creation of the System -- there was a backlog of \$10 billion in projects; the projections had increased to a \$20 billion backlog by 1980. The gap between revenues and cost grew throughout the 1970's. To deal with this shortfall, Caltrans in 1974 began encouraging the design of low cost improvements in order to have more funds available for needed expenditures throughout on the system. The projects were redesigned into low cost projects or not considered viable any longer. Since there is no long-term list of projects to which Caltrans is committed, there is no idea of the long-

term investment requirements for the highway system.

Finally, the ten-year approach to highway development was curtailed. In 1977, the Legislature initiated new reforms when it enacted the Alquist-Ingalls Act (Chapter 1100, Statutes of 1977). It created the State Transportation Improvement Program (STIP), a process for establishing annually a five-year schedule of highway and other transportation investments. Concurrently, an administrative policy was developed to constrain highway development by opposing revenue increases. This policy and the STIP have de-emphasized systematic, long-term highway planning.

State Responsibilities in Highway Development

Caltrans and the California Transportation Commission (CTC) are the agencies primarily responsible for controlling highway construction projects in California. To fulfill its responsibilities, Caltrans administers four programs: Highway Transportation, Mass Transportation, Transportation Planning, and Aeronautics. In fiscal year 1982-83, Caltrans' estimated staffing was over 15,000 personnel; its estimated expenditures exceeded \$1.8 billion. Caltrans is organized into four functional areas: Planning and Programming, Project Development and Construction, Maintenance and Operations, and Administration and Finance. These functional areas are administered by deputy directors who provide direction and support to the 11 district offices in the State.

There is often tension between headquarters and the district offices over the issue of centralizing various functions. In recent years, there has been a trend towards more centralization.

Chart 1 illustrates the organizational structure of Caltrans. Table 1 identifies the major program elements of the department and identifies the revenue sources. Disregarding "Local Assistance" (revenue spent on city and county facilities), 50 percent of the highway program budget is for new facilities and maintenance.

The CTC was established in 1978 by Chapter 1106, Statutes of 1977 (Assembly Bill 402), to provide a unified state transportation policy. This Commission

CALTRANS

DIRECTOR OF
TRANSPORTATION

STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION

ASSISTANT DIRECTOR,
LEGISLATIVE
AFFAIRS

OFFICE OF
AFFIRMATIVE ACTION

CHIEF COUNSEL
LEGAL DIVISION

ASSISTANT DIRECTOR,
COMMUNITY AFFAIRS

DIRECTOR'S
CHIEF ASSISTANT

DEPUTY DIRECTOR,
PLANNING &
PROGRAMMING

DEPUTY DIRECTOR,
PROJECT
DEVELOPMENT

DEPUTY DIRECTOR,
HIGHWAY
MAINTENANCE &
TRANSPORTATION
OPERATIONS

DEPUTY DIRECTOR,
ADMINISTRATION
& FINANCE

DIVISION OF
TRANSPORTATION
PLANNING

DIVISION OF
MASS
TRANSPORTATION

DIVISION OF
PROJECT
DEVELOPMENT

DIVISION OF
RIGHT OF WAY

DIVISION OF
HIGHWAY
MAINTENANCE

DIVISION OF
TRAFFIC ENGINEERING

DIVISION OF
ADMINISTRATIVE
SERVICES

DIVISION OF
BUDGET DEV. &
ADMINISTRATION

DIVISION OF
HIGHWAYS &
PROGRAMMING

DIVISION OF
AERONAUTICS

DIVISION OF
FACILITIES
CONSTRUCTION

DIVISION OF
ENGINEERING
SERVICES

DIVISION OF
EQUIPMENT MAINTENANCE
& DEVELOPMENT

DIVISION OF
TRANSPORTATION
OPERATIONS

DIVISION OF
FINANCIAL
OPER. & CONTROL

DIVISION OF
PERSONNEL
MANAGEMENT

DIVISION OF
CENTURY FREEWAY

SACRAMENTO TRANSIT
DEVELOPMENT AGENCY

CHIEF
PUBLIC AFFAIRS

DISTRICT 01
Eureka

DISTRICT 02
Redding

DISTRICT 03
Marysville

DISTRICT 04
San Francisco

DISTRICT 05
San
Luis Obispo

DISTRICT 06
Fresno

DISTRICT 07
Los Angeles

DISTRICT 08
San
Bernardino

DISTRICT 09
Bishop

DISTRICT 10
Stockton

DISTRICT 11
San Diego

SAN DIEGO LIGHT
RAIL SYSTEM

8-2
CHART 1



replaced and assumed the responsibilities of four independent bodies: the California Highway Commission, the State Transportation Board, the State Aeronautics Board, and the California Toll Bridge Authority. The Commission consists of nine members appointed by the Governor and two ex-officio members of the Legislature. The Commission has a professional staff of seven persons. One of the CTC's major responsibilities each year is adoption of the State Transportation Improvement Program, the five-year expenditure program for State-funded transportation projects.

TABLE 1
DEPARTMENT OF TRANSPORTATION 1982/1983 BUDGET

PROGRAM ELEMENT	Dollars in Thousands				Percentage Distribution		
	STATE FUNDS	FEDERAL FUNDS	REIMBURSEMENTS ¹	TOTAL	% STATE FUNDS	% FEDERAL FUNDS	% REIMBURSEMENTS ¹
<u>Highways</u>							
Rehabilitation	\$ 84,888	\$ 88,178	\$ 9,000	\$ 182,066	47 %	48 %	5 %
Oper. Improvements	\$ 108,719	\$ 98,252	\$ 17,000	\$ 223,971	49 %	43 %	8 %
Local Assistance	\$ 33,202	\$ 182,100	\$ 27,125	\$ 242,427	14 %	75 %	11 %
Program Development	\$ 3,497	\$ 10,524	\$ -0-	\$ 14,021	25 %	75 %	-0-
New Facilities	\$ 151,411	\$ 322,447	\$ 31,461	\$ 505,319	30 %	64 %	6 %
Administration	\$ 86,485	\$ -0-	\$ -0-	\$ 86,485	100 %	-0-	-0-
Operations	\$ 56,276	\$ -0-	\$ -0-	\$ 56,276	100 %	-0-	-0-
Maintenance	\$ 330,418	\$ -0-	\$ -0-	\$ 330,418	100 %	-0-	-0-
<u>Highways Total</u>	\$ 854,896	\$ 701,501	\$ 84,586	\$1,640,983	52 %	43 %	5 %
<u>Aeronautics</u>	\$ 5,799	\$ 28	\$ -0-	\$ 5,827	95.5%	.05%	-0-
<u>Mass Transportation</u>	\$ 139,194	\$ 17,701	\$ 82,533	\$ 239,428	64 %	8 %	28 %
<u>Transportation Planning</u>	\$ 6,772	\$ 4,000	\$ 4,082	\$ 14,854	46 %	27 %	27 %
<u>TOTAL ALL PROGRAMS</u>	\$1,006,661	\$ 723,230	\$ 171,201	\$1,901,092	54 %	38 %	8 %

10

¹ Revenues received from local governments when Caltrans has provided services

CHAPTER 2

THE EFFECTS OF FINANCING ON HIGHWAY DEVELOPMENT

This chapter describes the financing of state highways and analyzes the implications of various state and federal policies governing highway investment decisions. It identifies sources of highway funds and the formula governing their use. Finally, the chapter examines the funding issues which undermine the project development process.

Sources of State Revenue for Highway Construction and Maintenance

Under California law, revenues for highway construction are derived from the nine cent per gallon tax on gasoline and diesel fuel, from motor vehicle fees, and from truck weight fees. Article 19 of the California Constitution generally requires that the state commit these revenues to the construction and maintenance of highways, roads and streets, or, in certain cases, the construction of urban rail transit projects. A source of revenue provided by Senate Bill 215 -- sales tax on gasoline -- has not yet materialized. Use of this sales tax revenue is not limited by Article 19.

The backbone of the highway financing structure is the per gallon tax on gasoline and diesel fuel. The nine cent tax was implemented in January 1982 as a result of the enactment of SB 215. This was the first increase in this tax since 1961. Revenue from the tax is shared between the state and the cities and counties with state government receiving 4.39 cents (48.8 percent) per gallon. This tax will generate \$891.7 million in total revenues during the current fiscal year. As can be seen from Table 2, the state's share of the gas tax revenues is the largest single source of state highway revenue.

It should be pointed out that the sales tax was extended to motor vehicle fuel sales in 1971. This was done to offset the loss of revenue by the state when the state sales tax was reduced by 1/4 percent. This action was taken by the Legislature in order that the local sales tax could be increased by 1/4 percent for the support of public transit in urbanized areas and for transit and local streets and roads in non-urbanized communities. The law provides that any sales tax revenues received by the state from gasoline sales in excess of the

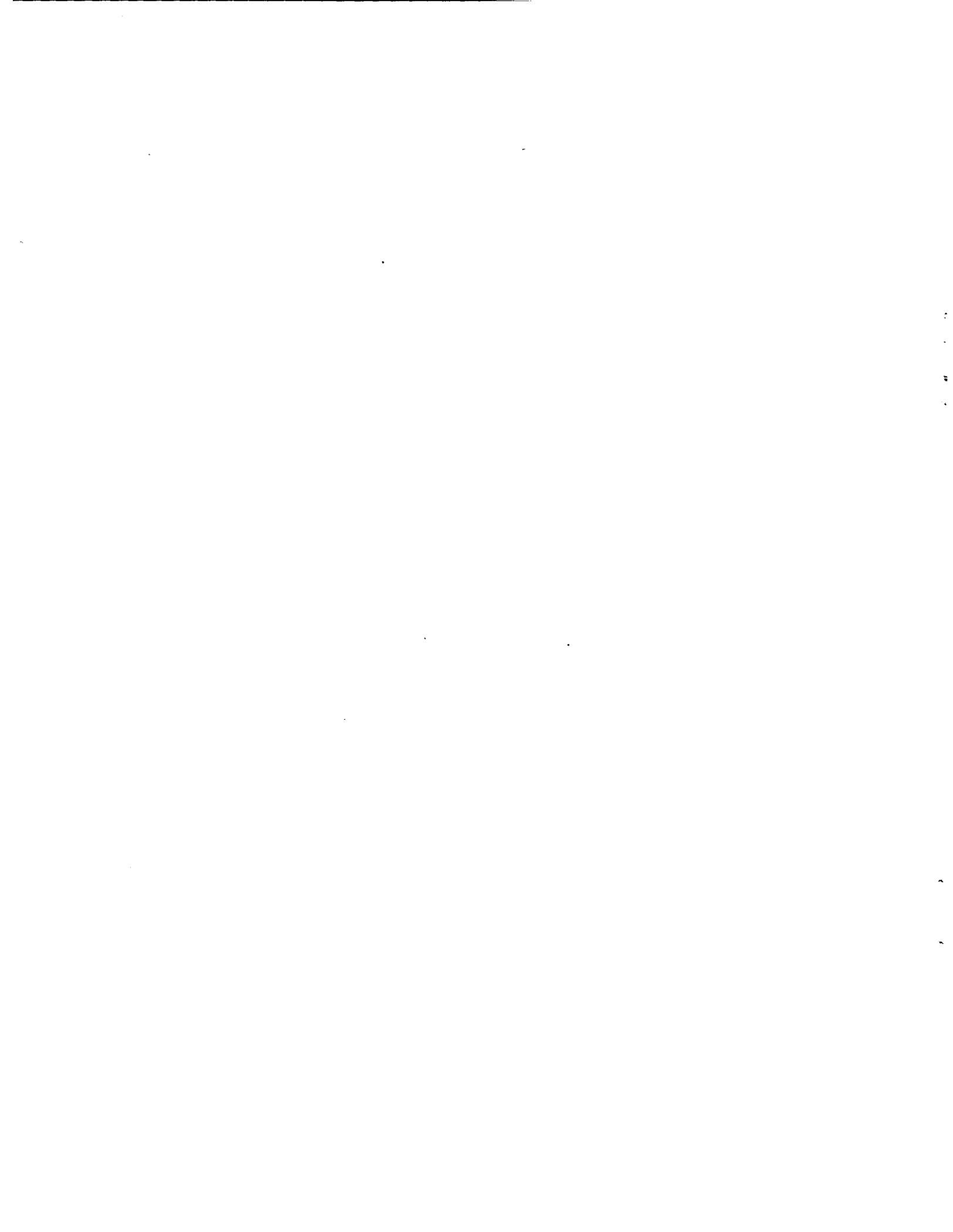


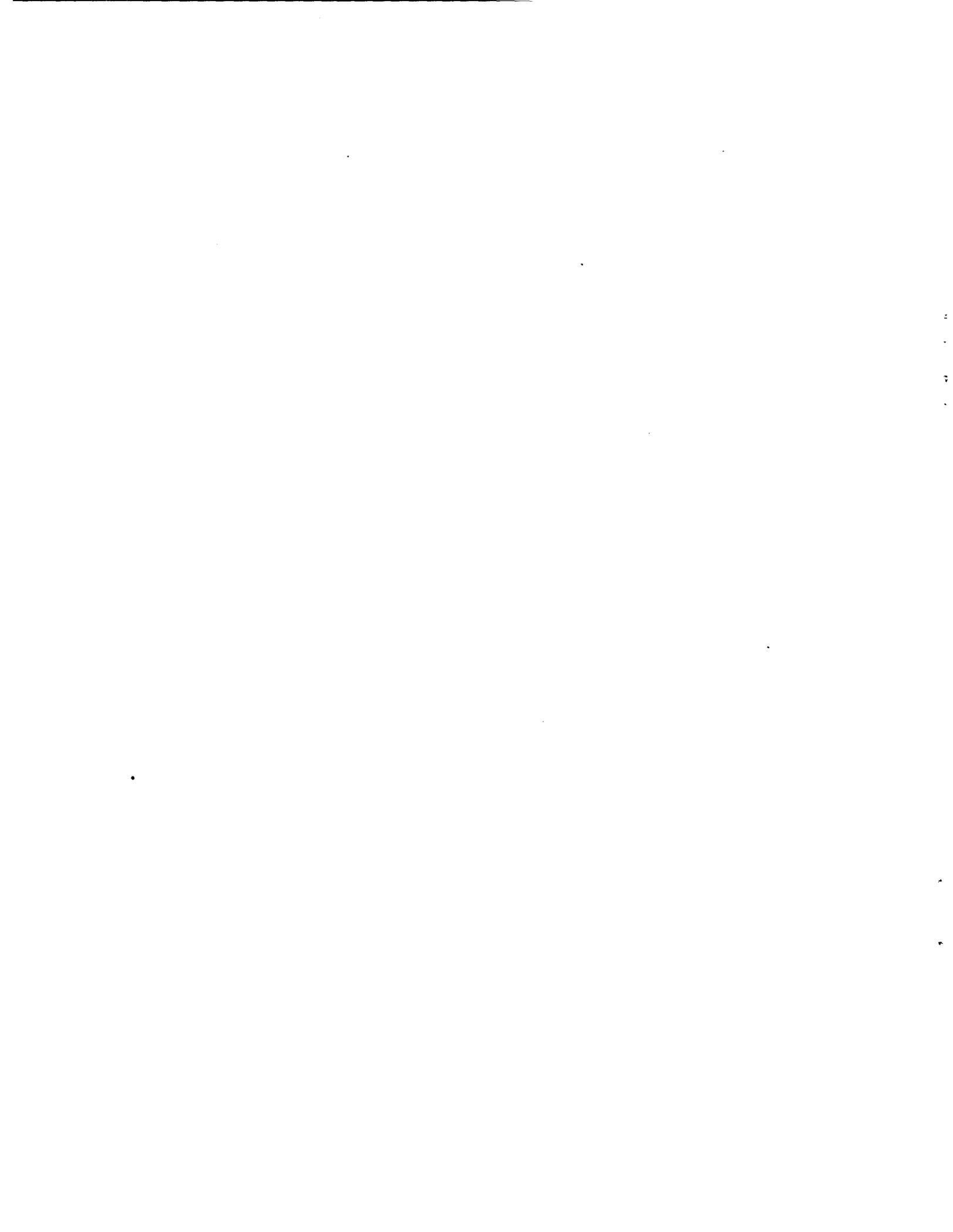
TABLE 2

REVENUES FROM STATE SOURCES FOR CALTRANS
(In Thousands)

<u>Revenue Source</u>	<u>Fiscal Years</u>		
	<u>Actual</u>	<u>Estimated</u>	
	<u>1981-82</u>	<u>1982-83</u>	<u>1983-84¹</u>
Beginning reserves	\$205,041	\$135,395	\$ 75,924
Gas Tax	456,636	428,520	569,630
Truck Weight Fees	-0-	233,009	233,808
Motor Vehicle Account Transfers	105,000	94,364	23,000
Others	123,263	69,870	69,790
<u>TOTAL</u>	<u>\$889,940</u>	<u>\$961,158</u>	<u>\$972,152</u>

Source: Governor's Budget 1983-84

¹ 1983 and 1984 figures do not reflect added revenues from recently enacted Federal gas tax increases.



amount needed to offset the forgone 1/4 percent is available for transportation purposes. The amount of revenues made available for transportation purposes depends upon gasoline prices and their relationship to the prices of other taxable goods; this is at best an approximation. Moreover, since these revenues are not restricted by the Constitution to transportation purposes, the Legislature has regularly appropriated some of them for general fund purposes. Indeed, since 1981 approximately \$66.8 million in gasoline sales tax revenues originally intended for transportation purposes have been appropriated for the General Fund.

Before 1970, gasoline sales kept pace with highway construction costs and highway system expenditures. However, the inflation which occurred during the 1970's caused construction costs to outstrip the growth in gas tax revenues, thus creating a cost-revenue squeeze for the highway program. Even the recent drop in inflation has not eased this situation. Although annual increases in construction costs were lower, increases in fuel tax revenues were lower still. This was the result primarily of having more fuel-efficient vehicles on the road, as well as other factors such as the 55 mile per hour speed limit, causing fuel sales to start leveling off despite an annual five percent increase in highway travel.

Another source of revenue for the state highway program has been motor vehicle fees, including drivers license fees, vehicle registration fees, and truck weight fees. Historically, receipts from these fees were deposited in the Motor Vehicle Account and appropriated by the Legislature for meeting the operating cost of the Department of Motor Vehicles, the Highway Patrol, and motor vehicle-related programs in other departments. Any funds remaining in the account were transferred to the State Highway Account. These transfers were often substantial, as in Fiscal Year 1981-82, when \$105 million was transferred. However, Senate Bill 215 revamped the entire fee program by shifting the truck weight fees to the State Highway Account starting in Fiscal 1982-83 and substantially increasing drivers' license fees and registration fees. Table 2 on the preceding page shows that truck weight fees, which now go directly to the Highway Account, are more than twice the recent MVA transfers.

Sales tax on gasoline offers a potential new source of revenue. After specific transfers of sales tax revenues are made to the Transportation Planning and Development (TP&D) Account and to the General Fund, the State splits the remain-

ing revenues equally between the State Highway Account and local transportation programs. But because of the decline in gasoline prices, the transfer which was to have begun in Fiscal 1982-83 will not occur. It was expected that \$4 million would have been made available to the state highway program.

Overview of State Highway Allocation Formula

Two major state policies govern the allocation of revenues for highway construction: the North-South split and the county minimum. Both formulas regulate the geographic distribution of all highway expenditures not exempted by law. The formulas apply to the entire State Highway Account, including federal funds.

The North-South split has been a feature of State law for over 50 years. It requires that 60 percent of State highway funds be spent in the southern group of 13 counties and 40 percent be spent in the northern group of 45 counties.

In 1981, Senate Bill 215 instituted the county minimum expenditures requirement which mandates that at least 70 percent of the funds in each county group must be distributed among the counties on the following basis: Seventy-five percent of this percentage is distributed according to each county's population relative to the total population in its county group. The other twenty-five percent is distributed according to how many state highway miles each county has open to travel relative to the total number of open highway miles in its county group.

The remaining 30 percent of the funds in each county group may be allocated at the discretion of the California Transportation Commission (CTC) without regard to the county minimum requirement. Senate Bill 215 also provided that expenditures for projects in the 1980 State Transportation Improvement Program (STIP) are not included in the calculation of the county minimums.

The current county minimum requirement is a substitute for two previous allocation formulas. The previous county minimum required that over a four-year period \$4 million be spent in 56 counties and \$3 million in the remaining two counties (Alpine and Sierra). The legislature permitted the CTC to abolish this requirement in 1978. Senate Bill 215 abolished another requirement dictating that

the funds allocated to the northern and southern groups of counties were to be distributed among the Caltrans districts on the basis of each district's percentage of need relative to the total needs of the county group.

Federal Revenues for State Highways

Federal funds play a large role in shaping California's highway funding program. There are three major federal programs: Federal Aid Interstate, Interstate-4R (Resurfacing, Reconstruction, Rehabilitation, Restoration), and Federal Aid Primary. Additional federal revenues pass through Caltrans to local governments from the Federal Urban and Federal Secondary programs. However, this analysis focuses only on the three programs directly affecting the state highway system.

The Federal Interstate Highway System, created in 1956, includes 42,000 miles of national highways, 2,314 miles of which are in California. Federal statutes provide that 90 percent of the cost of an Interstate highway project will be met by the federal government. The principle condition is that an Interstate highway be constructed to federal design standards to ensure uniformity throughout the country. All Interstate highways are fully access-controlled and grade-separated. The Interstate 4-R program is intended to provide maintenance funds to sustain the Interstate highways which are beginning to deteriorate due to age. This program uses the same 90-10 matching formula.

The Federal Aid Primary System includes both freeways and conventional highways which link outlying regions with urbanized areas. California has 10,868 miles of state highways designated as Primary. Federal aid for the Primary system may be used for construction, rehabilitation, and resurfacing, but not for maintenance. The federal government contributes 75 percent of the cost of a Primary project and the state contributes 25 percent.

Like the recent California experience, federal highway assistance had been falling off relative to the cost of highway construction. Last December, Congress moved to rectify this situation by enacting a five cent gas tax increase and by raising certain trucking fees and taxes. California will benefit substantially from the new legislation because each state is now guaranteed a return of

at least 85 percent of what its taxpayers paid in federal highway-related taxes. Historically, California has received only 60 to 70 percent. If a state does not meet the 85 percent level after allocations are made for various specific programs, an amount necessary to close the gap is allocated to the state. Funds received under this provision will provide considerable new flexibility because they may be used on any element of the Federally assisted system. Table 3 summarizes what California is expected to receive from this recently enacted legislation.

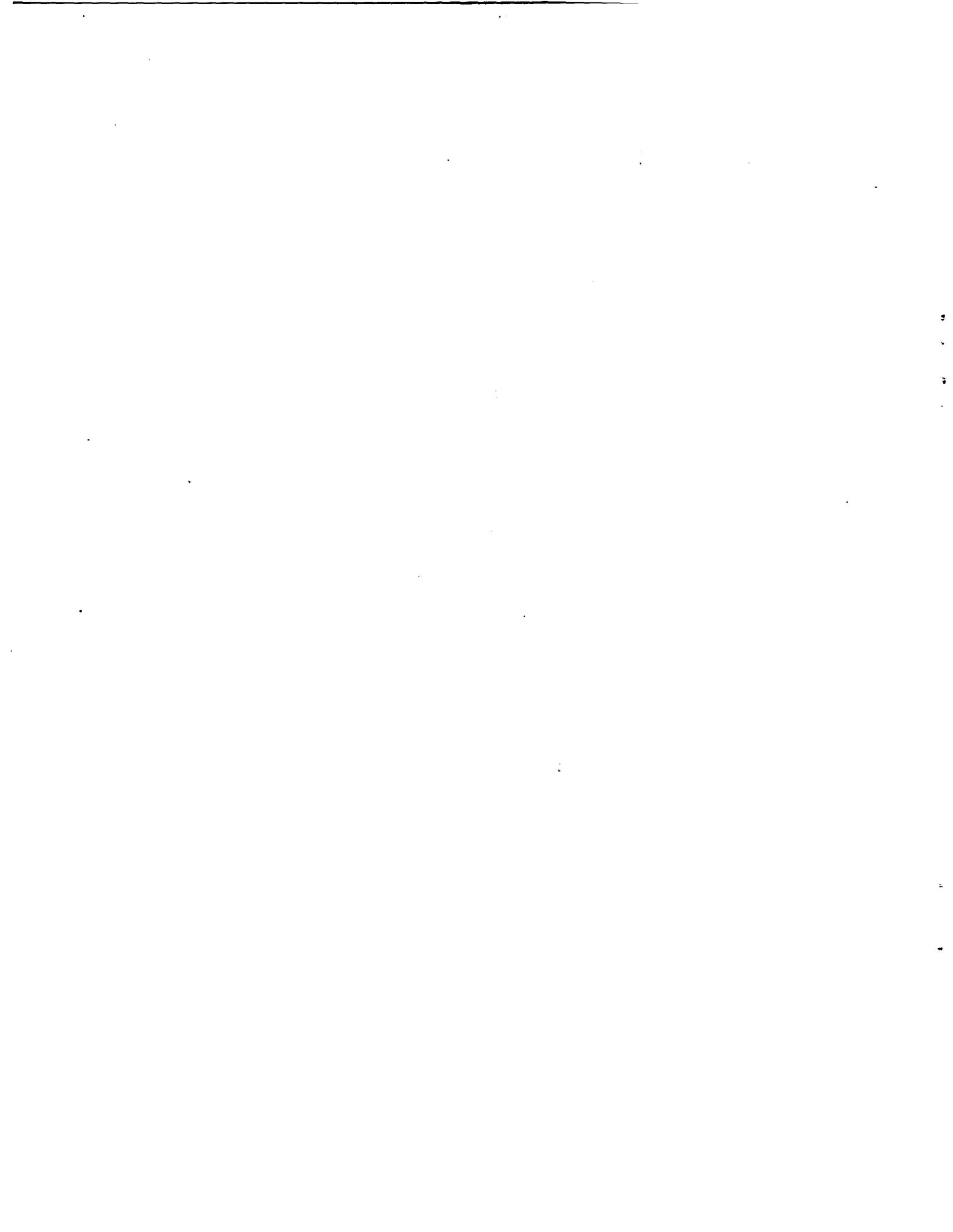
In addition to the "return to source" provision, the new act also changed the calculation for allocating Primary system revenues in a way that will provide the state with added revenue. Lastly, the new act provides substantial additional funding for the Interstate 4-R program. This is extremely important because several segments of California's Interstate highways will need major reconstruction and rehabilitation.

Because of the changes in the allocation formula, California will receive \$350 million more than originally allocated in the 1982-83 fiscal year, and an estimated \$390 million more annually in succeeding fiscal years.

TABLE 3

ESTIMATED HIGHWAY FEDERAL ALLOCATIONS TO CALIFORNIA BY CATEGORY
(thousands of dollars)

<u>Standard Programs</u>	<u>FY 82-83</u>	<u>FY 83-84</u>	<u>FY 84-85</u>	<u>FY 85-86</u>
Interstate Construction	\$ 378,257	\$ 378,257	\$ 378,257	\$ 378,257
Interstate 4-R	182,166	224,204	261,571	294,268
Primary System	129,623	150,742	165,099	175,866
Secondary System	24,320	24,320	24,320	24,320
Urban System	98,788	98,788	98,788	98,788
Bridge Replacement	34,432	35,508	37,660	44,116
Needed to Meet 85% Requirement	23,820	60,384	65,065	82,701
Other	<u>34,853</u>	<u>39,807</u>	<u>40,150</u>	<u>41,484</u>
Total for Standard Program	<u>\$906,249</u>	<u>\$1,012,000</u>	<u>\$1,070,900</u>	<u>\$1,139,790</u>
 <u>Special Designated Projects</u>				
Redwood Bypass	55,000	-	-	-
L.A. County Port	19,000	19,000	20,000	-
Buthe Point	9,000	-	-	-
Misc. Discretionary	<u>6,800</u>	<u>6,800</u>	<u>6,800</u>	<u>6,800</u>
Total for Special Designated Projects	<u>89,800</u>	<u>25,800</u>	<u>26,800</u>	<u>6,800</u>
<u>GRAND TOTAL</u>	<u>\$996,049</u>	<u>\$1,037,800</u>	<u>\$1,097,700</u>	<u>\$1,146,600</u>



Findings

The State requirement that 70 percent of the funds in the State Highway Account be distributed among the State's 58 counties on the basis of population and State highway miles appears unworkable and will serve to constrain the allocation of highway investment funds.

County minimums represent the legislature's effort to ensure an equitable distribution of highway expenditures throughout the state. Unfortunately, neither Caltrans nor the CTC can distribute funds through the STIP process in a manner that conforms with this requirement. This is caused by different allocation criteria for federal and state funds. The federal program allocates revenues among two basic types of federally-aided highways -- Interstate highways and Primary highways. In contrast, the state program emphasizes geography. The conflict between federal and state policies is seen in the current STIP. Funding for Interstate highway projects represents nearly two-thirds of the total capital funds available. Federal Interstate highways, however, exist in only 29 of California's 58 counties. In fact, 92 percent of the Interstate funds will be spent in only six counties (Alameda, Contra Costa, Los Angeles, Placer, Riverside and San Diego). The mid-year update of the 1982 STIP identifies 10 counties that will be in excess of their county minimum over the five-year STIP period. Except for Tuolumne, it is the Interstate funding that pushed these counties above their minimums. Conversely, forty-seven counties are below their minimums while only one county (Yolo) is in balance (See Table 4).

The consequences of the conflicts in federal-state allocation criteria are threefold: First, counties without Interstate highways are most negatively affected by the Interstate bias in the funding formulas. Referring back to Table 3, it can be seen that by 1986, combined Interstate and Interstate 4-R funding will be nearly four times greater than the Federal Aid Primary funds. The Interstate system is only about one-fifth the extent of the Primary system. Consequently, the bulk of federal assistance will be concentrated on a limited aspect of the state highway system.

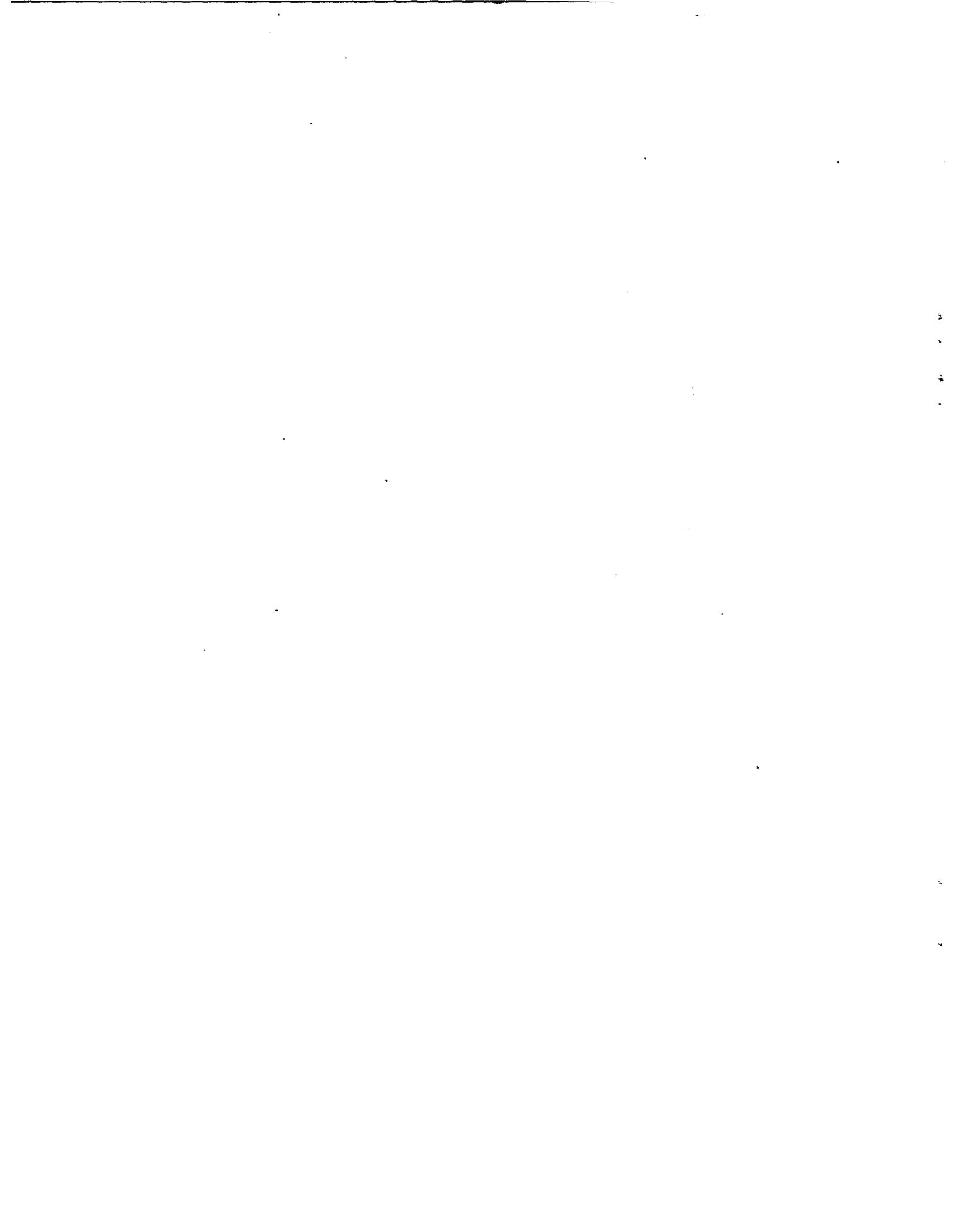


TABLE 4

STATUS OF COUNTY MINIMUMS GOING INTO
1983 STIP BASED ON 1982 UPDATED STIP

DEFICIT COUNTIES

% Below Minimum

100% Below (Deficit)

Alpine	100%	(-\$ 3.7M)
Modoc	100%	(-\$ 8.6M)
San Benito	100%	(-\$ 6.9M)

99.9%-90.0% Below (Deficit)

Amador	99.8%	(-\$ 7.6M)
Yuba	95.8%	(-\$ 8.2M)
Mono	95.2%	(-\$ 26.1M)
Tulare	94.5%	(-\$ 55.5M)
Lake	94.3%	(-\$ 9.4M)
Colusa	94.1%	(-\$ 5.9M)
Plumas	91.9%	(-\$ 8.9M)
Inyo	91.8%	(-\$ 34.5M)
Madera	90.8%	(-\$ 11.7M)
Del Norte	90.4%	(-\$ 5.5M)

89.9%-80.0% Below (Deficit)

San Luis Obispo	89.0%	(-\$ 43.8M)
Kern	88.5%	(-\$106.8M)
Fresno	85.6%	(-\$ 70.0M)
Monterey	80.9%	(-\$ 37.1M)
Lassen	80.5%	(-\$ 12.4M)
Santa Barbara	80.2%	(-\$ 49.9M)

79.9%-70.0% Below (Deficit)

Sierra	79.1%	(-\$ 3.5M)
San Bernardino	78.4%	(-\$163.2M)
San Joaquin	77.9%	(-\$ 40.0M)
Tehama	74.5%	(-\$ 9.9M)
Napa	72.6%	(-\$ 11.7M)
Merced	72.4%	(-\$ 19.1M)
Kings	70.6%	(-\$ 10.7M)
El Dorado	70.6%	(-\$ 12.2M)

69.9%-60.0% Below (Deficit)

Sutter	68.2%	(-\$ 6.6M)
Santa Cruz	67.9%	(-\$ 18.4M)
Stanislaus	66.4%	(-\$ 25.5M)
Sacramento	61.1%	(-\$ 61.2M)

59.9%-50.0% Below (Deficit)

Imperial	57.5%	(-\$ 25.7M)
Calaveras	56.8%	(-\$ 5.0M)
Humboldt	55.7%	(-\$ 14.8M)
Butte	55.1%	(-\$ 13.4M)
Mariposa	54.4%	(-\$ 3.4M)

49.9%-40.0% Below (Deficit)

Trinity	46.1%	(-\$ 4.6M)
Ventura	45.0%	(-\$ 38.5M)
San Francisco	44.0%	(-\$ 35.2M)

39.9%-30.0% Below (Deficit)

Solano	33.1%	(-\$ 11.2M)
Siskiyou	32.5%	(-\$ 6.3M)
Orange	31.1%	(-\$ 78.0M)

29.9%-20.0% Below (Deficit)

Mendocino	24.6%	(-\$ 5.9M)
Marin	23.3%	(-\$ 6.9M)

19.9%-10.0% Below (Deficit)

Sonoma	16.6%	(-\$ 7.4M)
Glenn	15.5%	(-\$ 1.1M)
Santa Clara	11.3%	(-\$ 18.1M)

Continued

TABLE 4, CONCLUSION

SURPLUS COUNTIES

% Above Minimum

Placer	514.2%	(+\$104.6M)	Tuolumne	73.5%	(+\$ 7.6M)
Shasta	254.3%	(+\$ 67.8M)	Alameda	51.9%	(+\$ 71.1M)
Contra Costa	172.5%	(+\$139.4M)	Los Angeles	26.3%	(+\$254.7M)
Nevada	88.7%	(+\$ 10.3M)	San Diego	5.8%	(+\$ 15.8M)
Riverside	82.2%	(+\$113.1M)	San Mateo	2.7%	(+\$ 2.1M)

BALANCED COUNTIES

Yolo	0.0%	(+\$ 0.0M)
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Source: California Transportation Commission

Second, even counties with substantial Interstate expenditures (such as Los Angeles) suffer under the inadequacies of the county minimum requirement. This is because there are investment needs on the federal Primary system (such as the Long Beach Freeway) which are going unmet so the funds may be used in a good faith effort to comply with the minimum requirements of other counties.

Finally, the CTC faces a dilemma when it programs revenue each year. If the commission follows the county minimum law, the state will not receive all the federal Interstate funds that are available. Should the CTC match all available federal funds, which it is directed to do by law, it would be impossible to meet another provision of law, the county minimum mandate.

In short, there is such a conflict between the state's distribution formula and the conditions placed on the expenditure of Federal funds that the county minimum requirement is simply unworkable. Only the legislature can resolve this dilemma.

Investment priorities for the California highway system are hampered by federal funding criteria.

The interaction of the state and federal highway programs may cause inappropriate spending decisions. When developing the STIP, the most valuable resource is state funds. When they are used to match federal revenue, the return to California is substantial. For every \$10 of state money committed to the Interstate program, the State receives \$90. For every \$25 spent on a Primary project, the state receives \$75. There is, of course, considerable competition for state money. Highway maintenance is funded entirely by the state since no federal assistance is available. State money is also used to support the construction of urban rail transit projects. In the current fiscal year, 80 percent of the state funds are used for maintenance, project development, highway operations, local programs and administration. The remaining 20 percent is divided equally between matching funds to obtain federal construction assistance and funds for construction projects funded entirely by state money. For example, the 1982 STIP includes an estimated \$4 billion in state money, yet only about \$400 million of it will be used to match \$3.9 billion in federal assistance.

According to the CTC, the new Federal highway aid that California will receive over the next few years will not ease the situation because it will require an additional \$200 million of state matching funds. And these funds are not available in the current program. Several strategies might be followed to raise them. For example, the Deukmejian Administration is proposing that no funds be appropriated for urban guideways. If that strategy is followed, it would free up about \$72.3 million in state money. Another strategy might be to defer maintenance and use the resulting uncommitted revenues to match federal funds. If that deferred maintenance is on the Interstate system, it may later become a major rehabilitation project. In that case, the work could be done with almost 90 percent federal funds. The problem with such strategies is that they require ignoring real state priorities in order to maximize federal funding. Until California develops a highway revenue base that provides more than merely what is necessary to meet federal matching requirements, highway investment priorities will be set de facto by federal law.

California's tax structure for financing highways is not responsive to either inflationary trends or decreasing fuel consumption.

The fundamental assumption underlying the gas tax is that the relationship between vehicle miles traveled and gas tax revenues is such that revenues generated will meet highway construction and maintenance needs. As noted earlier, this has not been the case in California over the last decade. A study by the California Energy Commission (CEC) indicates that this inherent problem in the highway funding structure may continue over the next 20 years. The CEC study projects that increased motor vehicle efficiencies will cause gas tax revenues to decrease from 57 cents per mile traveled in 1980 to 39 cents by 2023 -- a 31.5 percent drop. In the same period, the CEC notes, vehicle miles traveled will increase by 60 percent. The state Board of Equalization report on gasoline sales tax revenue for 1982 suggests that the CEC's observations have some merit. Gasoline sales for 1982 were the lowest in six years. The decline in demand occurred despite a 1.6 percent increase in registered cars and trucks, and despite gasoline prices being 10 percent lower than the prior year. This will result in a greater demand for highway facilities at a time when fuel tax revenues will not be keeping pace, unless there are substantial increases in the gas tax itself or the structure of highway financing is revamped.

CHAPTER 3 DEFICIENCIES IN HIGHWAY PLANNING

This chapter examines the evolution of planning from the creation of the Freeway and Expressway System in 1959 to the State Transportation Improvement Program (STIP) established in 1977. This overview describes the shifts in administrative and legislative policy and concludes with an analysis of highway planning issues now facing Caltrans and the state.

The Freeway and Expressway System

Legislation designating those routes of the State highway system as the Freeway and Expressway (F&E) System was enacted in 1959. The legislative intent was to develop the system in its entirety, not as something less. The statutory language was very specific on this point:

It is hereby declared to be essential to the future development of the State of California to establish and construct a statewide system of freeways and expressways and connections thereto without regard to present jurisdiction over the highways, roads and streets that might be included. It is the intent, further, that the California Freeway and Expressway System be completed with provision for control of access to the extent necessary to preserve the value and utility of the facilities to be constructed (Section 250, Streets and Highways Code).

The objective of the system being built in its entirety was further emphasized with the addition of the following language to statute:

...The Legislature recognizes further that all highway planning and construction work should be correlated with a plan to provide a comprehensive system of access-controlled freeways and expressways throughout the State. (Section 252 Streets and Highways Code).

The system as originally enacted by the legislature included 12,400 miles of state highway designated for ultimate development to facilities with controlled

access. But, in the mid-1960's, the Legislature began deleting elements of the system from law. This was usually done at the request of local communities when the construction of a freeway was considered adverse to local interests. By 1979, the last year Caltrans officially reported on the status of the F&E System, the Department indicated that about 600 miles had been deleted from the system.

Decline of the Freeway and Expressway System as a Plan

Caltrans set out to design and construct the projects that would eventually result in the F&E System mandated in statute, but the clarity of this mission was distorted by three factors. The first factor was rising cost. Between 1952 and 1967, the annual rate of increase in highway construction cost was 2 percent. Between 1968 and 1973, it was 10 to 12 percent. Between 1975 and 1980, it was 18 percent.

A second factor was the decline in revenue. Through the 1960's, annual gasoline consumption, and hence fuel tax revenue, exceeded increases in construction cost. This began to change in about 1970 as costs began to accelerate. Also, California's return from federal highway tax dollars dropped from a high of 85 cents of every dollar sent to Washington to little more than 60 to 65 cents currently.

The third factor was the public's reluctance to permit every highway project to go forward. As the major statewide elements of the highway system were completed, the public perceived fewer benefits from additional highway development, especially in light of the community disruption caused by construction. These problems, together with a growing concern over the quality of the environment, resulted in highway projects being less acceptable to the public.

The STIP as an Alternative to a Highway System Plan

The legislative response to the problems described above was to create the State Transportation Improvement Program (STIP), a process which served to formalize the individual project approach to highway development, in contrast to a system approach.

The creation of the STIP was part of a major reform in transportation decision-making. The need for such changes had been identified by several observers, including our Commission. Following is the broad outline of those reforms:

1. The California Highway Commission, the State Transportation Board and the Aeronautics Board were abolished and the California Transportation Commission was created in their place.
2. Continuous appropriation of State Highway Account funds was terminated and the Legislature assumed the responsibility for annually appropriating the funds into certain program categories.
3. Each fiscal year, the California Transportation Commission was directed to identify the projects to be developed and constructed that year, as well as those projects proposed for the subsequent five years.

The STIP process is the method used for developing the five-year plan of projects. It is a highly diffused process involving 12 regional transportation planning agencies; the County Transportation Commission in Los Angeles, Orange, Riverside and San Bernardino Counties; the San Diego Metropolitan Transit Development Board; and the San Francisco Metropolitan Transportation Commission.

The annual cycle for the STIP includes three steps:

1. The development of an estimate of revenues for the succeeding five years.
2. The distribution of these revenues among the capital and non-capital programs and among the regions of the state.
3. The programming of projects into an orderly delivery schedule.

The Caltrans budget includes eight program areas: administration, program development, maintenance, operations, local assistance, rehabilitation, opera-

tional improvements, and new facilities. However, the STIP deals only with capital outlay, the latter three programs.

Projects that Caltrans recommends for the STIP evolve from an elaborate inventory system which has over 19,000 separate entries. The projects result from monitoring the highway system for such factors as traffic conditions, accident rate, right-of-way, landscaping, roadside rest and related features, bridges, traffic signals, and road sensors. Improvements to the State highway system are also proposed to Caltrans by cities, counties, and regional transportation agencies.

At the beginning of the STIP cycle, the Caltrans districts use this data to produce lists of problem locations. These become potential projects that are evaluated according to such factors as engineering standards, community concerns, causes of the problem, and local priorities. Projects are then recommended by the districts to headquarters where they are evaluated for possible inclusion in the proposed STIP. Care must be taken to adhere to the North-South split, county minimums (to the extent feasible), fund type, previous STIPs and the priority scheme established in Senate Bill 215. This legislation directs that highway construction funds are to be programmed, budgeted, and expended in the following order of priority:

1. Maintenance, rehabilitation and reconstruction of the existing state highway system.
2. Safety improvements.
3. Operational improvements.
4. New construction projects in the following order of priority:
 - a. Gap closures or uncompleted segments that meet all of the following conditions:
 - Project was listed in the State Department of Public Works' 1972 "Highway Program" (the multi-

- year highway planning program) as endorsed by the California Highway Commission.
 - Project was delayed or dropped as a result of the 1975 construction moratorium and it remained so under the STIP process instituted in 1977.
 - Project was contained in the adopted regional transportation improvement program for three consecutive years during the period from Fiscal Year 1977-78 through Fiscal Year 1980-81.
 - Project is in conformance with the new county minimum allocation requirements.
 - Project has first priority in the adopted Regional Transportation Improvement Program for the 1982 STIP and any subsequent STIPs. Regional agencies can only designate one project as the first priority.
- b. New construction projects that were neither covered by the criteria for "gap closures or uncompleted segments" described above nor included in the 1980 STIP.
5. Other purposes including landscape planting, litter pick-up and compatability improvements.

Caltrans submits to the CTC a preliminary STIP which is then circulated to the 13 regional transportation planning agencies and the rural counties outside the jurisdiction of a regional agency. In April of each year, the regional agencies submit their Regional Transportation Improvement Program. The CTC holds hearings on the STIP and attempts to mitigate differences between regions, rural counties, and Caltrans. Finally the STIP is adopted by the CTC in July.

The STIP is useful because it ensures that transportation development and construction will match available revenues. This is extremely important from

both political and managerial perspectives. The STIP process, for example, identified in 1980 that added revenues were needed to sustain the level of highway programs existing at that time, or it would be necessary to discharge Caltrans employees during the later years of the five-year STIP and curtail the highway program. The reason for this finding is because a reserve of highway funds which had been accumulated by the previous administration had been exhausted. Similarly today, because of the STIP process, there is a growing recognition that additional revenues will be needed in two or three years to sustain the current STIP and match the revenues California will receive from recently enacted federal highway financing legislation.

Viewed from another perspective, the STIP process is extremely contentious. Regional agencies and local governments attempt to politically position themselves to obtain the projects they desire for their communities. For example, on-off ramps were added by the CTC to the interchange of highways 99/58 in Kern County and \$20 million for unspecified new and improved interchanges in Orange County also by the CTC. Both allocations were objected to by Caltrans as not meeting statewide priorities. Caltrans attempts to respond to these local demands while also addressing what departmental managers believe to be the total needs of the highway system. Because Caltrans is responsible for managing all aspects of the State highway system, its sense of priorities may frequently differ from priorities of the regional and local agencies. The STIP process contributes to this conflict in that only capital outlay projects -- new facilities, rehabilitation, and operational improvements -- are programmed.

In contrast to Caltrans, local agencies have no incentive to be concerned with other aspects of highway development. They neither have the capacity nor the perspective to address the other requirements such as maintenance and rehabilitation of the State highway system. In the middle of this dispute stands the CTC, exercising judgment on revenue estimates and project selection.

Findings

No State highway system plan exists from which a highway investment strategy can be derived; consequently, attention is focused on developing individual highway projects rather than addressing the needs of the highway system as a whole.

Each of the parties to highway investment decisions -- the Legislature, the CTC, Caltrans, and regional agencies -- has a limited concept of the long-term State highway investment requirements. There is no plan against which the merits of the various projects can be measured on a statewide basis. There has been an implicit recognition by the Legislature that some form of long-term highway planning is desirable. Senate Concurrent Resolution 46, enacted 1982, requests the CTC to identify high-priority state highway projects which can be substantially completed within five years to improve highway safety, complete gaps in the existing system and reduce congestion.

However limited in scope SCR 46's mandate may be, it results from the fact that the state has not developed a comprehensive plan which outlines the desirable highway improvement projects which should be developed within current funding constraints over a ten-year period irrespective of existing allocation formulas. Under the current planning system identical or near identical projects will not receive similar priority. For example, the intersection of Deschutes Road and Highway 44 in Shasta County has sufficient traffic to warrant a traffic signal, but a \$4.6 million interchange is to be constructed. Elsewhere in the state, especially in the urban areas, new interchanges or improvements to existing interchanges go unfunded. Upgrading a two-lane section of Highway 99 in Sacramento County has been included in the STIP only after about two years of public concern regarding accidents. On the other hand, a two-lane section of Highway 126 in Ventura with the same travel volume and similar safety problems as Sacramento's 99 has had strong public support for upgrading to a four-lane highway for several more years, and has only recently been included in the STIP. Consequently, one project could receive immediate funding while the other fails to receive timely consideration.

As described above, State highway projects emerge from an internal review process and are organized into a priority framework of projects. If the state would develop a comprehensive plan of projects which provided a balanced state highway network without regard to the county minimum formula, it could serve as a

source of projects for incorporation into the STIP. A well-structured process which involved the regional agencies and local governments in developing such a highway system plan would aid in removing the contentions which characterize the STIP process. It would remove the appearance of projects being funded according to the political clout of their advocates rather than on need. And a systems plan could be extremely useful in any discussion pertaining to gas tax increases since it would identify for the Legislature and the public what highway development could be expected over a period of years.

The State Transportation Improvement Program (STIP) serves as a disincentive to long-term highway systems planning.

The current STIP process emphasizes highway projects that can be designed and constructed within five years. As a result, the process ignores longer-range planning. Additionally, the emphasis on the project approach may have contributed to the pressure for the county minimum allocation formula. As long as highway planning is being undertaken within the STIP framework, the process will continue to emphasize individual projects. Consequently, an area without Interstate highways, one without a large state highway network or one that strongly believes it has major unmet highway needs, could be expected to advocate (at least conceptually) a county minimum requirement. The fact that the county minimum bears no relationship to the statewide funding priorities would rarely matter to a community pursuing its self-interest. In the absence of any plan which has the commitment of the CTC, Caltrans, the Legislature, and other interested parties, it is not unreasonable for a community to take an extremely localized perspective on highway development.

To overcome the inability of the current STIP process to project highway system requirements, the Auditor General has suggested the STIP should be extended to a seven-year plan, and updated every two years rather than annually.* This would certainly reduce the paper crunch associated with the annual STIP. But, with the STIP still project-oriented, an extended planning horizon would not transform it into a real highway systems plan. It would only enlarge the number of projects contending for inclusion into the STIP.

* Report of the Auditor General to the Joint Legislative Audit Committee, P-224, The State's System for Planning, Programming, and Developing Highway Construction Projects is Not Effective, March 1983.

CHAPTER 4

DEFICIENCIES IN THE HIGHWAY PROJECT DEVELOPMENT PROCESS

The issues presented in Chapters 1 and 2 on the financing and planning of highway projects influence the projects Caltrans selects for development. However, there are also deficiencies in the project development process itself which can influence the timely completion of highway projects. This chapter presents an overview of the project development process and analyzes the associated policy issues.

In developing this Chapter we note that the Auditor General's recently completed study of the project development process found:

1. The State Transportation Improvement Program (STIP) cannot be depended upon as a firm schedule of projects programmed over the five-year span.
2. Caltrans centralized process for reviewing and approving the environmental impact documents is repetitious and time-consuming.
3. Caltrans is not exercising adequate management controls to ensure that individual projects are delivered according to schedules and within estimated development costs.

The Auditor General's report recommends that costs and alternatives should be developed before inclusion in the STIP. It suggests that the environmental review process should be decentralized with more responsibility assigned to the district offices. Finally, the report states that the legislature should amend current statutes to provide for a STIP period of longer than five years in order to accommodate sufficient lead-time and long-term funding for major projects, and to provide a biennial STIP cycle rather than the current annual cycle.

The analysis in this chapter takes into consideration the findings of the Auditor General's report. However, the scope of our analysis is somewhat broader because we consider a broader range of policy issues.

The Project Development Process

Project development is the process of designing a specific solution for an acknowledged transportation problem. At the time project development work is initiated, the particular problem has been identified and the project has been included in the STIP. Project development is a technical process, with the complexity and duration varying according to the type of project and its effect on the environment and community. The primary purpose of project development is to ensure that the state selects the appropriate route of improvement. It uses engineering and technical studies which reflect economic, social, and environmental effects of the proposed highway investment. Federal and state environmental laws, community values toward growth and mobility, and professional engineering standards regarding the correctness of highway design are all brought into the process.

The project development process employs professional teams of engineers, planners, and other specialists depending on the problems expected to be encountered. The composition of the team depends upon the project's complexity. A modest project of adding a highway lane without a great deal of land-grading could be developed without an elaborate team. But a major urban freeway improvement which requires business and residential relocation, provisions for urban transit and substantial environmental impact considerations would require a large multi-disciplinary team.

Among the major activities constituting project development are the following:

- Surveys and photogrammetry needed for project report studies and preparation of contract plans.
- Engineering studies, including studies of traffic, materials, alternatives, noise, housing, and cost estimates for construction and right-of-way purchase.

- Environmental studies and documents, including the collection and analysis of information on air and water quality, natural values, economic factors, community and neighborhood patterns, historical and archaeological investigation and salvage, and mitigation measures. These result in environmental impact documents.
- Public involvement, including meetings and hearings.
- Obtaining necessary cooperative agreements, freeway agreements and permits such as from the Regional Coastal Commissions, Regional Water Quality Control Boards, the State Reclamation Board, the State Lands Commission, the U.S. Forest Service, the U.S. Bureau of Land Management and the U.S. Army Corps of Engineers.
- Other project coordination activities such as with the Federal Highway Administration, the California Transportation Commission, other state agencies, and local and regional agencies.

The activities of project development are organized into two phases:

Phase 1:

- Advance planning and/or corridor studies are done to identify major transportation problems and possible solutions. (If Caltrans had a systems plan, this would be the point where the transportation problem and generalized solutions would begin to be translated into a specific solution.) Alternative solutions are assessed for their transportation and environmental consequences, and public hearings are conducted.
- A project report is prepared and circulated -- essentially the draft environmental document containing specific alternatives, their impact and mitigation measures.
- Final environmental documentation is prepared which includes the preferred alternative, and is submitted for approval to the CTC and the Federal Highway Administration.

Phase 2:

- After approval of environmental documentation, right-of-way acquisition commences.
- Final plans, specifications and cost estimates are developed.
- The project is put out to bid.

The most critical initial decision relates to the scope and depth of the environmental review. If the project is funded with federal revenues, the requirements of both the National Environmental Protection Act (NEPA) and the California Environmental Quality Act (CEQA) are followed. Projects funded exclusively with state money are subject only to the CEQA review. When Caltrans initiates a project, the extent of environmental documentation that is necessary is based on four considerations.

First, if the project is a major one, causing disruption of various features of the natural or man-made environment, environmental documentation is necessary under both state and federal law. This will involve identifying the impacts, mitigation measures, and public hearings.

Second, if there is a question whether full environmental impact documentation is necessary, an environmental assessment under NEPA and an initial study under CEQA is made. These studies document the project's impact on air quality, energy consumption, noise, rare and endangered plant and animal species, archaeology, and related aspects of the environment. Depending on the extent of impacts, a major environmental review may be initiated or a limited review if the impacts are modest. If there is a modest impact, the mitigation measures are identified and the appropriate agencies consulted.

Third, a "negative declaration" is made if the environmental assessment finds that there are no significant environmental effects and substantial mitigation measures are not required.

Finally, some projects are "categorically excluded" under NEQA or "categorically exempt" under CEQA. The federal law grants categorical exclusions to projects that will not bring about changes in land use, development patterns, natural or cultural resources. Perhaps the broadest of the 29 transportation project exclusions is for the following:

Modernization of an existing highway by resurfacing, restoration, rehabilitation, widening less than a single lane width, adding shoulders, adding auxiliary lanes for localized purposes (e.g., weaving, turning, climbing), and correcting substandard curves and intersections. This classification is not applicable when the proposed project requires acquisition of more than minor amounts of right-of-way or substantial changes in access control.

Under state law, the most important categorical exemption is for a project to replace or reconstruct an existing facility within the existing right-of-way. Because the environmental review process is central to project development, it influences the overall completion of a project. The more issues requiring analysis, the greater the delay.

Findings

Reorganization of the project development process as a strategy for accelerating the production of highway projects may be of limited success.

The organization of the project development process has been a continuing source of dispute in recent years. Critics of delays in project design and engineering have frequently blamed the organization of the process as the cause for the delays. The dispute centers on where responsibility should be placed. One aspect of the debate is whether to centralize decision-making in headquarters or delegate it to the districts. Another aspect is whether to split project development responsibilities between the Division of Transportation Facilities Design and the Division of Transportation Planning.

Until last January, three major reviews in the project development process were done in Sacramento. The first was a review of the Stage I Project Work Program (PWP) which identifies the range of alternative solutions to be considered. PWP's were drafted in the district offices; however, they were reviewed and approved in headquarters. Frequently, before headquarter approval was received, the PWP was returned to the district for refinement. After headquarter approval, district staff could proceed on the Stage II PWP. This Stage II PWP addressed in greater detail the alternatives identified in Stage I, determined the type of environmental documentation needed, identified major milestones for the project, and estimated costs of the alternatives. All projects were subject to these reviews without distinction being made as to project scale or degree of controversy. Headquarters approval was needed for the Stage II PWP before further work was done.

The third critical headquarters review occurred when the preferred improvement was selected. The district would summarize the alternatives and the preferred alternative would be selected by a consensus process involving the Deputy Directors of Planning and Programming, Project Development, and Finance and Administration, and the Assistant Director for Legislative Affairs.

This process was instituted to ensure that project development decisions conformed to the administration's highway investment policies. The required reviews and the opportunity they provided for so much interaction, have been the source for the allegation that the project development process was used to delay the highway program.

In addition to centralizing project development decision-making by requiring repetitive reviews in headquarters, responsibility for managing project development was shifted from the engineering units to the planning units in both district and headquarter's offices. This was contrary to the traditional way of organizing project development under the engineering functions and was not easily accommodated by the organization.

Together, the centralization of project development and the displacement of the engineering staff in managing the process were not easily accommodated by the organization.

In an effort to accelerate the overall project development process and resolve the role of the engineering and planning professions, the new Caltrans management in January instituted the following steps:

- On non-controversial projects, the district director may waive the first PWP.
- Districts are to seek headquarters approval for the first and second PWPs for those projects requiring environmental documentation only if the project is controversial or politically sensitive.
- No longer is an elaborate briefing document required at the time a final alternative is selected. Instead, a recommendation from the district director is sufficient.

All responsibility for project development, including environmental analysis, is centered in the Division of Project Development.

The full memorandum instituting the above changes is included as Appendix 1. Chart 2 shows the project development steps from initial problem identification to final design. The theme of the memorandum is to encourage brevity and focus the environmental documentation on important issues. However, it is recognized that on major projects which are politically sensitive or create community concerns, headquarters will have to be involved more frequently.

In addition to initiating the above actions, efforts are under way to accelerate the development of categorically exempt projects. The objective, according to Caltrans managers, is to reduce the work effort on categorically exempt or excluded projects by 40 percent. It is hoped that this will be achieved through standardization of plans, specifications, and other features of project development.

As a consequence of these actions, Caltrans expects that projects in the 1982 STIP will be completed before their scheduled completion dates. In addition, the above actions are not a guarantee that the project development process will be accelerated because Caltrans is not the only agency involved in the review of environmental documents for major projects. Local governments and regional agencies are certainly involved and affected. Also, several federal and state agencies are involved. Table 5 provides a partial listing.

Naturally, each agency that reviews environmental documents examines them from its own perspective, not from the perspective of promoting transportation development. On a project with serious problems, (e.g. siltation of a stream, displacement of an endangered animal or plant species) the concerns of a review agency with natural resource responsibilities can cause long-term delays until mutually agreeable mitigation measures are found. There is nothing in either state or federal statutes that requires resolution of an interagency dispute. While Caltrans is hoping to achieve improved cooperation from other agencies, the success of this course of action remains uncertain. Caltrans is also identifying possible statutory changes to facilitate reviews. How the Legislature and others will respond is unclear.

It is also important to note that there is no requirement for completing an environmental review by a certain date. CEQA requires that the review of private projects be completed within one year after the lead agency accepts the application for a project. As a practical matter, developers of major private projects frequently must sign a waiver of the one year provision. Nevertheless, there is no such deadline in law for public projects including highway projects. Because of the complexity of major highway projects, it is not unreasonable to allow up to two years to complete environmental reviews. The lack of a deadline can result in environmental reviews being extended over several years without environmental issues being resolved.

HIGHWAYS PROJECT DEVELOPMENT PROCESS UP TO FINAL DESIGN

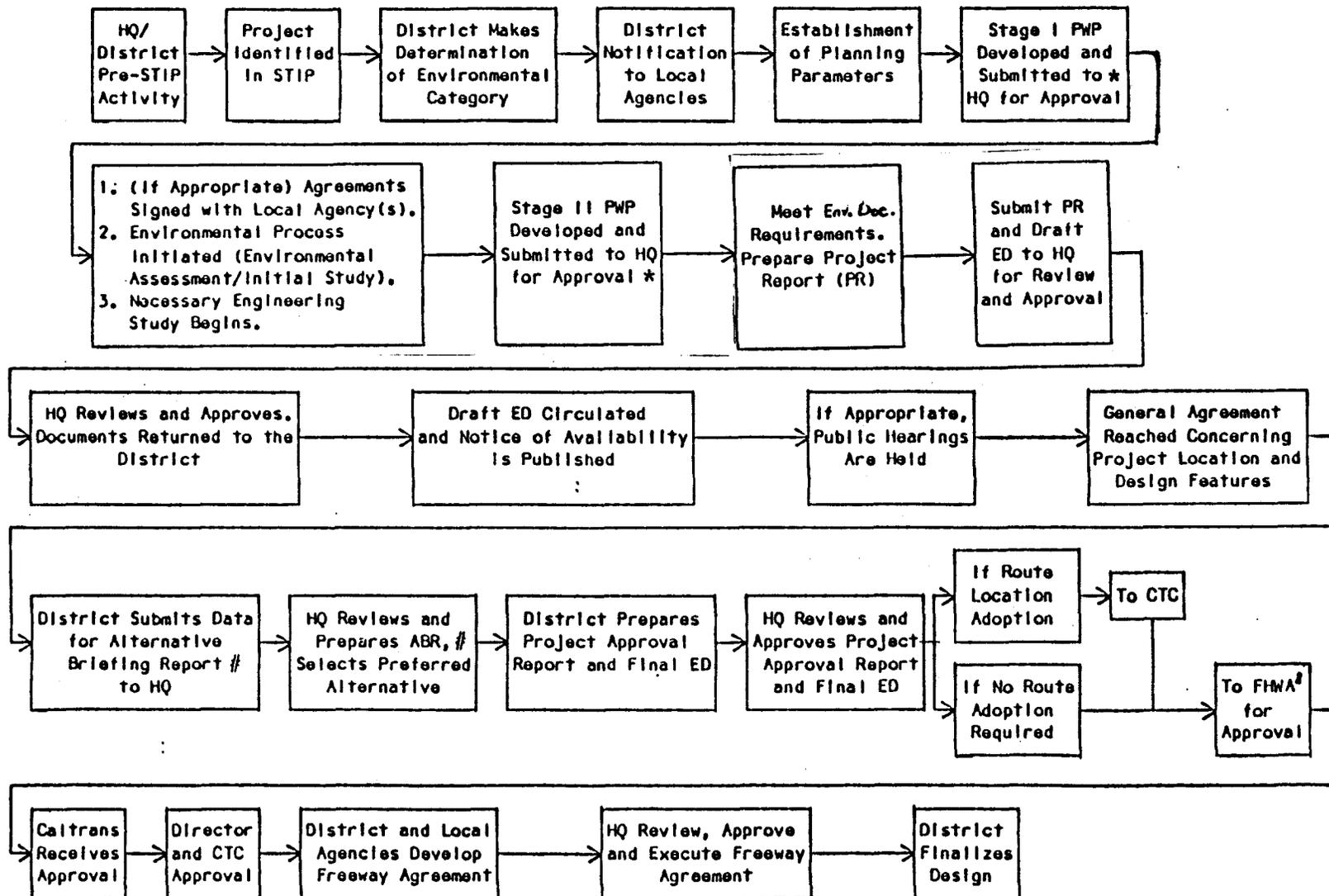


CHART 2

*Approval delegated to District Directors by memo of January 14, 1983.

#Alternatives Briefing Report eliminated by memo of January 14, 1983.

District substitutes a direct recommendation for Headquarters' concurrence.

1. Federal Highway Administration

Source: Department of Transportation

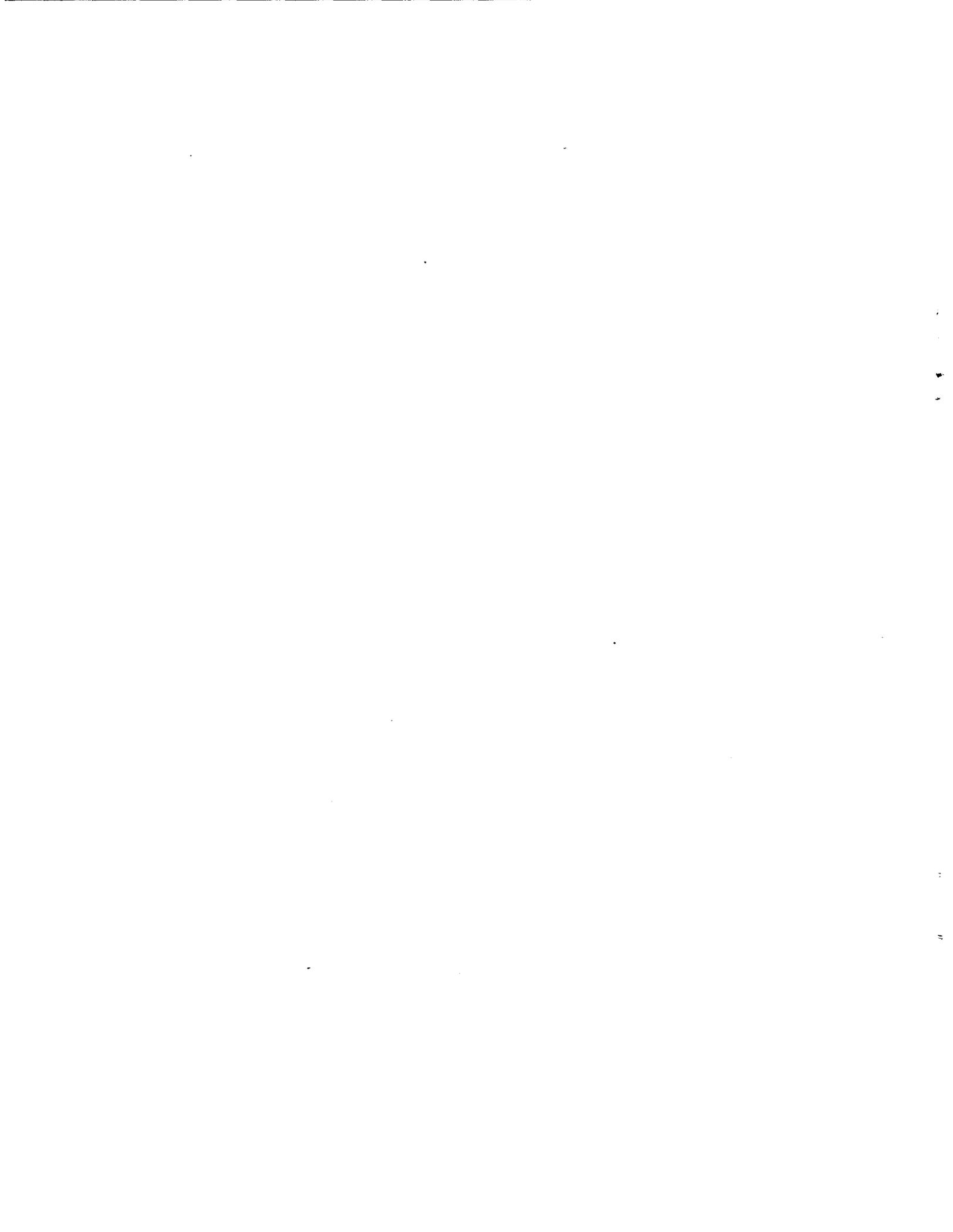


TABLE 5

PUBLIC AGENCIES INVOLVED IN
ENVIRONMENTAL REVIEWS

State Agencies

Department of Fish and Game
Department of Parks and Recreation
Air Resources Board
Regional Water Quality Control Board
State Reclamation Board
Coastal Commission
California Highway Patrol

Federal Agencies

Fish and Wildlife Service
Forest Service
National Park Service
Coast Guard
Environmental Protection Agency
Heritage Conservation and Recreation Service
Department of Housing and Urban Development
Bureau of Land Management
Bureau of Indian Affairs
Defense Department



Another area of concern has been the lengthy review of environmental documents by federal agencies. The Auditor General's report documents delays due to the environmental process. In San Diego the interchange of I-5 and Route 54 was delayed over five years due to disputes between the State Department of Fish and Game and the Federal Fish and Wildlife Service. To avoid federal review altogether, some local governments have suggested trying to get California's environmental review process declared as satisfying the federal process. However, current state requirements do not parallel federal mandates in the areas of parkland review, archaeological resources and historical resources. Consequently, any declaration that the state environmental review process meets federal objectives would require a federal statutory change by congressional action.

If environmental impact review or other changes were made which accelerated the STIP, it could create problems in the later years of the STIP if replacement projects cannot be sufficiently readied to be included in the STIP. This is especially the case if additional projects cannot be prepared in an orderly fashion to avoid creating gaps.

In summation, the recent organizational changes may be of limited success because they do not change the context of environmental reviews. Major projects which are frequently politically sensitive, will continue to be reviewed in headquarters, and agencies without an interest in transportation will continue to participate in environmental reviews.

Caltrans has no inventory of approved projects that can be quickly substituted for projects that have been seriously delayed, or that can be implemented in response to changes in revenues or public policies.

The concept of "shelf" traditionally refers to projects that have been environmentally cleared and require only an update of their cost estimates prior to advertising for bids. It has not been a Caltrans policy to carry shelf projects.

Shelf projects serve two purposes: 1) to have projects available to substitute for projects which have been seriously delayed, and 2) to have projects available to take advantage of public policy changes such as funding increases, or a decision to use projects to create jobs or stimulate the economy.

The drawback of having no shelf is evident in the Caltrans decision in January 1983 to accelerate \$200 million of projects from outer years of the STIP, thus creating holes in the STIP. Caltrans is unable to bring to the CTC projects that could allow for a readjustment of the STIP to compensate for the accelerated projects without the risk of delay. Instead, the department must now initiate project development from the beginning on new projects and hope they can be completed for inclusion into the STIP at the time the advanced projects would have been available.

Also, without a shelf, Caltrans cannot quickly take advantage of the new federal funds which the state will receive later this year. In the 1983 federal fiscal year, the state will receive \$350 million more than it anticipated, but will be unable to use half of these funds. The remainder will be rolled over into the next fiscal year. Other states had projects ready so that they can take advantage of the new funds. California's unpreparedness also defeats part of the purpose of the legislation -- to get the money quickly into the economy during a recession. It represents an insensibility by Caltrans to recognize the larger role that highway projects can play in the state's economy.

In 1981, Legislation was enacted allowing Caltrans, with the concurrence of the CTC, to develop projects that require a lead-time in excess of the five years provided in the STIP.* These projects were intended to be both substitutes for delayed projects as well as projects intended for inclusion in the STIP, but requiring considerable time to develop. The statute implies the development of a shelf, but does not strictly mandate it. Moreover, it has never been managed with the idea of developing a shelf.

The advancement of projects and the additional revenues from the new Federal gas tax highlights the lack of shelf projects. Moreover, lacking a consistent policy on the need or size of a project shelf, Caltrans is unsure how it should organize itself to develop a shelf. To create a shelf would require reordering the priorities of its engineering staff from STIP projects to shelf projects. This would only create delays in the producing of the STIP. An alternative might be to contract with private engineering firms to perform the design and engineering tasks. Caltrans is unprepared to address this action.

* Assembly Bill 1176 (Chapter 1166, Statutes of 1981)

CHAPTER 5 HIGHWAY MAINTENANCE CONSIDERATIONS

Maintenance of state highways is a continuous effort to protect the investment that results from financing, planning, project development, and construction. The level and quality of maintenance influence the longevity of the highway system and the satisfaction of its users.

From a policy perspective, there are two important features to the maintenance program. First, it represents the largest commitment of state funds to any of Caltrans' major program categories. Since state funds can be substantially "leveraged" by being used to match federal funds if used for construction, there is considerable pressure for the maintenance program to demonstrate efficiency. Second, the adequacy of the maintenance program influences the overall life cycle of the road system. That, in turn, determines the need for rehabilitation, which is a major capital outlay component of the STIP.

Size of Road System Maintenance

The 15,000 miles of state highways translates into 47,900 lane miles. Of that total, 6,754 (14 percent) now require major repair. All highways require some type of maintenance. There are also over 15,936 acres of highway landscaping requiring maintenance.

The elements of the maintenance program are:

- Road bed maintenance: Providing for adequate roadway and shoulders.
- Roadside maintenance: Cleaning ditches and culverts, litter pick-up, roadside rests, landscape maintenance and other "housekeeping" chores.
- Structures maintenance: Maintaining bridges, tubes and tunnels.
- Traffic control and service facilities: Maintaining signal and lighting systems, restriping and repainting pavement markers, snow removal, and processing encroachment and special permits.

The routine housekeeping functions are funded with state money. Rehabilitation, which involves resurfacing and reconditioning pavements, is included in the STIP as it is considered a capital outlay. This latter area is where our attention will be focused.

Determination of Maintenance Requirements

The criteria used to assess maintenance requirements depend on the element of the program being examined. Every two years, Caltrans conducts a comprehensive field survey of every lane mile of State highway. Cracks and disconformities are counted and ride quality -- the single most important criterion -- is measured. The survey is designed principally to identify current rehabilitation needs in order to develop appropriate funding levels for the STIP. The department has conducted three such surveys in 1978, 1980 and 1982.

The state highway system is categorized on the basis of daily traffic volumes. High volume roads have over 5,000 vehicles daily, moderate volume highways have 1,000 to 5,000, and low volume roads have less than 1,000. This volume category is a factor in determining the priority (1 through 8) for an improvement (See Chart 3).

As can be observed, priorities one through six relate to pavements with an unacceptable ride quality. Roads with good ride quality but structural deficiencies rate lower simply because the public does not complain about the quality of the ride. Roads with less than 1,000 vehicles per day do not merit the level of repair that would result in capital outlay projects that are included in the STIP. Deficiencies on low volume roads are not corrected through major rehabilitation, but are simply stabilized through modest repairs funded by the maintenance budget.

Findings

When highway system improvements are made, there is no estimate of the cost of future maintenance and rehabilitation needs that will result.

Whenever an improvement is made to the State highway system, a future maintenance obligation is incurred. That fact, however, is never considered at the time the investment is made. It has always been assumed that funds will be available for maintenance and rehabilitation whenever the need is identified. According to Caltrans, the State has a \$291 million backlog of pavement rehabilitation and maintenance needs for the priorities shown in Chart 3. Each year \$44 million of new needs develop. Adding in the rehabilitation of pavements that have an acceptable ride quality but are structurally unsound (priorities seven and eight in Chart 3), the total pavement rehabilitation cost is \$598 million. The average annual funding level over the five years of the 1982 STIP is \$44 million for priorities one through eight. This is roughly equivalent to the amount of new needs that develop annually in categories one through six. The backlog of needed repairs for highways with major structural problems but comfortable rides is increasing approximately \$80 million annually. On the average only about \$10 million is being spent annually to repair these deficiencies. These repairs are undertaken only coincidentally with repairs to highway segments which are deteriorating and have poor rides.

The peak in highway construction in California occurred in the late 1960's. As those roads reach the end of their 20 year useful life in the near future, rehabilitation requirements can be expected to increase. Unfortunately, the dimensions of this increase are unknown and there is no formal published documentation identifying current and anticipated maintenance, rehabilitation and reconstruction needs.

In addition, as new segments of highways are constructed or existing segments are improved, no estimates are made of the life cycle cost of the improvements. Consequently, the long-term obligation being incurred by the state for maintenance, rehabilitation, and ultimately reconstruction is unknown.

It is interesting to note that in the public transit industry, operators

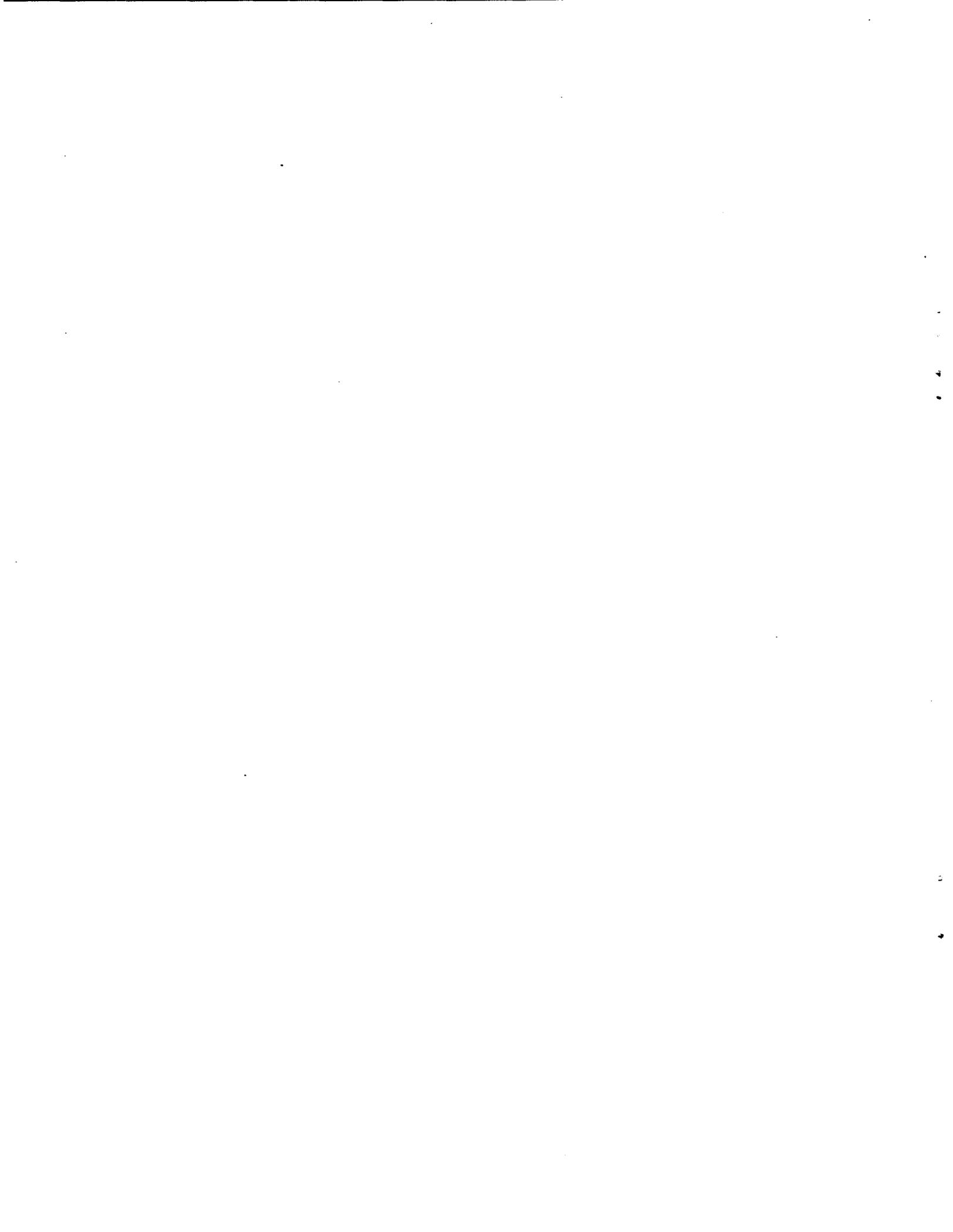
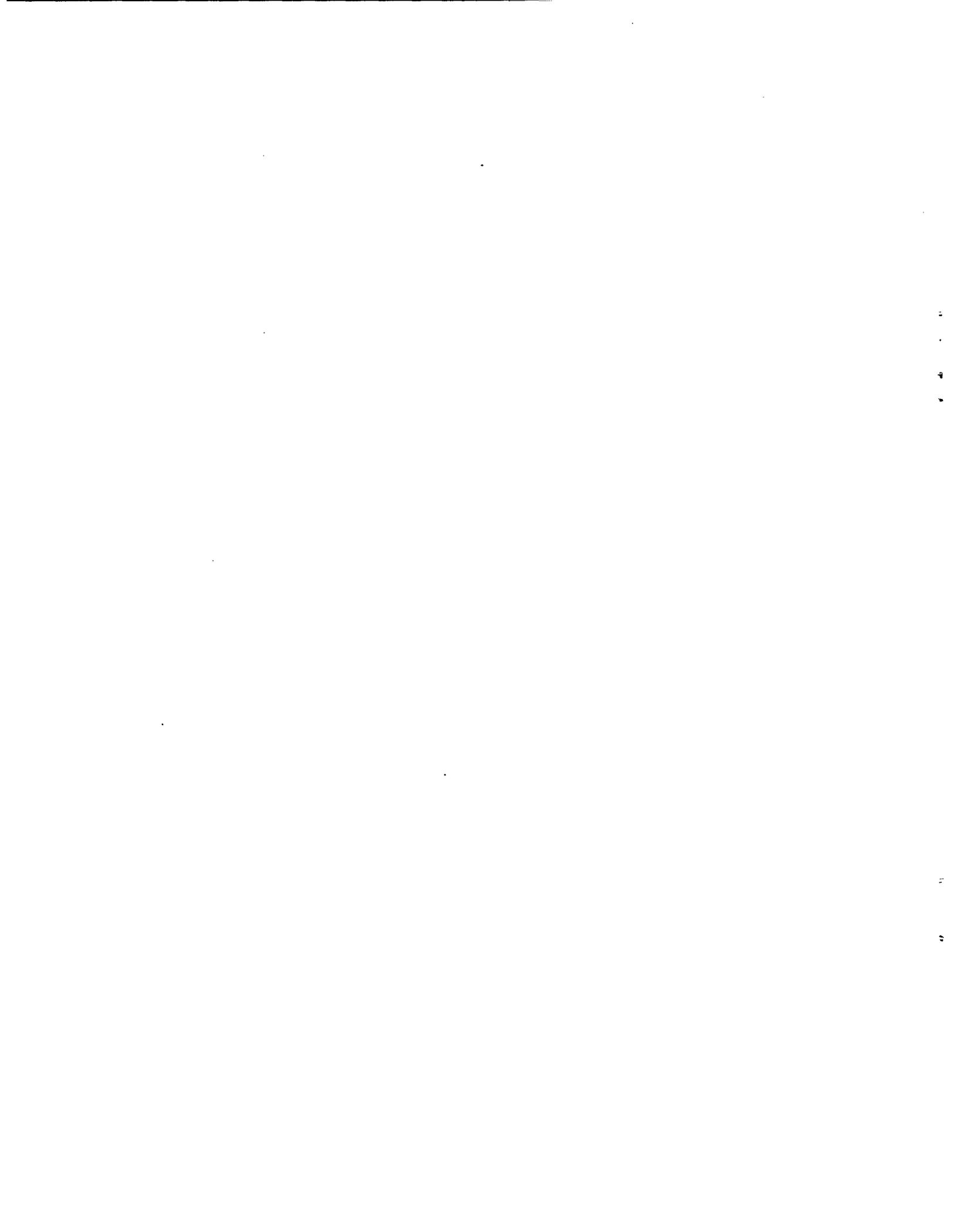


CHART 3

PAVEMENT REHABILITATION PRIORITIES

PROBLEM	DAILY TRAFFIC VOLUME			
	over 5000	1000 to 5000	less than 1000	
major structural problem unacceptable ride	1	2	m	
unacceptable ride			a	
minor structural problem unacceptable ride	3	4	i	
			n	
unacceptable ride only	5	6	t	
			a	
acceptable ride	major structural problem only	7	8	i
			n	



that purchase buses with federal grants are now allowed to award contracts on the basis of lowest life cycle cost. Although a bus is quite different from a highway, efforts to undertake some life cycle costing would certainly prove useful.

The process for establishing pavement rehabilitation priorities may not reflect the real needs of protecting the public's investment in highways.

The most critical aspect in the Caltrans' priority determination process for maintenance is the quality of ride. It is possible that a major impairment to a segment of highways is not being addressed because the ride quality remains adequate. An example would be a separation between shoulders and pavement which may not affect ride quality but does impair the substructure of the highway. The cost of pavement rehabilitation of highway segments with an acceptable ride but major structural problems is \$307 million -- more than the \$291 million to repair highways with unacceptable ride quality. (See Table 6)

Thus there is a question whether it is appropriate for the quality of ride to play such a large part in determining maintenance priorities.

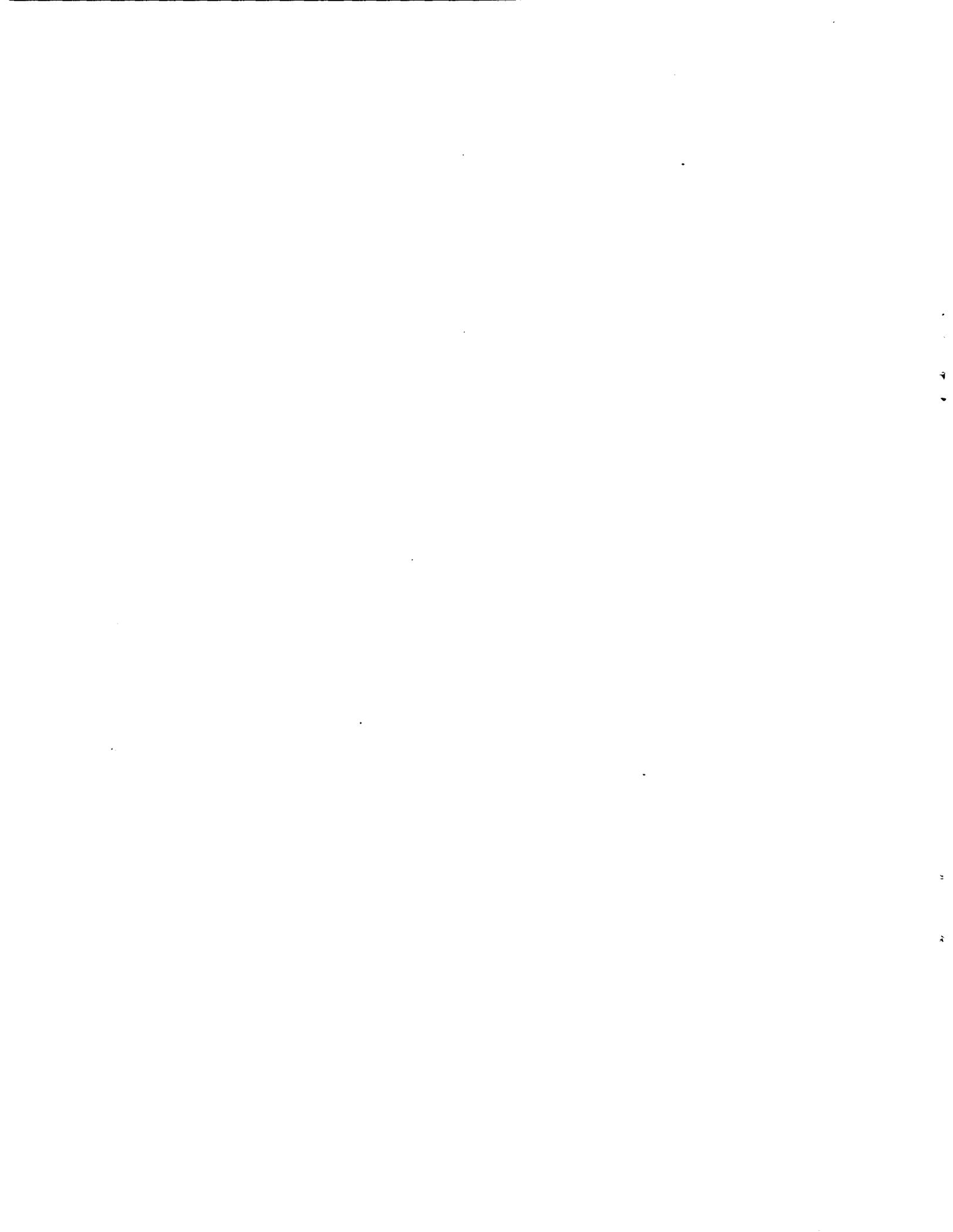


TABLE 6

COST OF PAVEMENT REHABILITATION BY PRIORITY

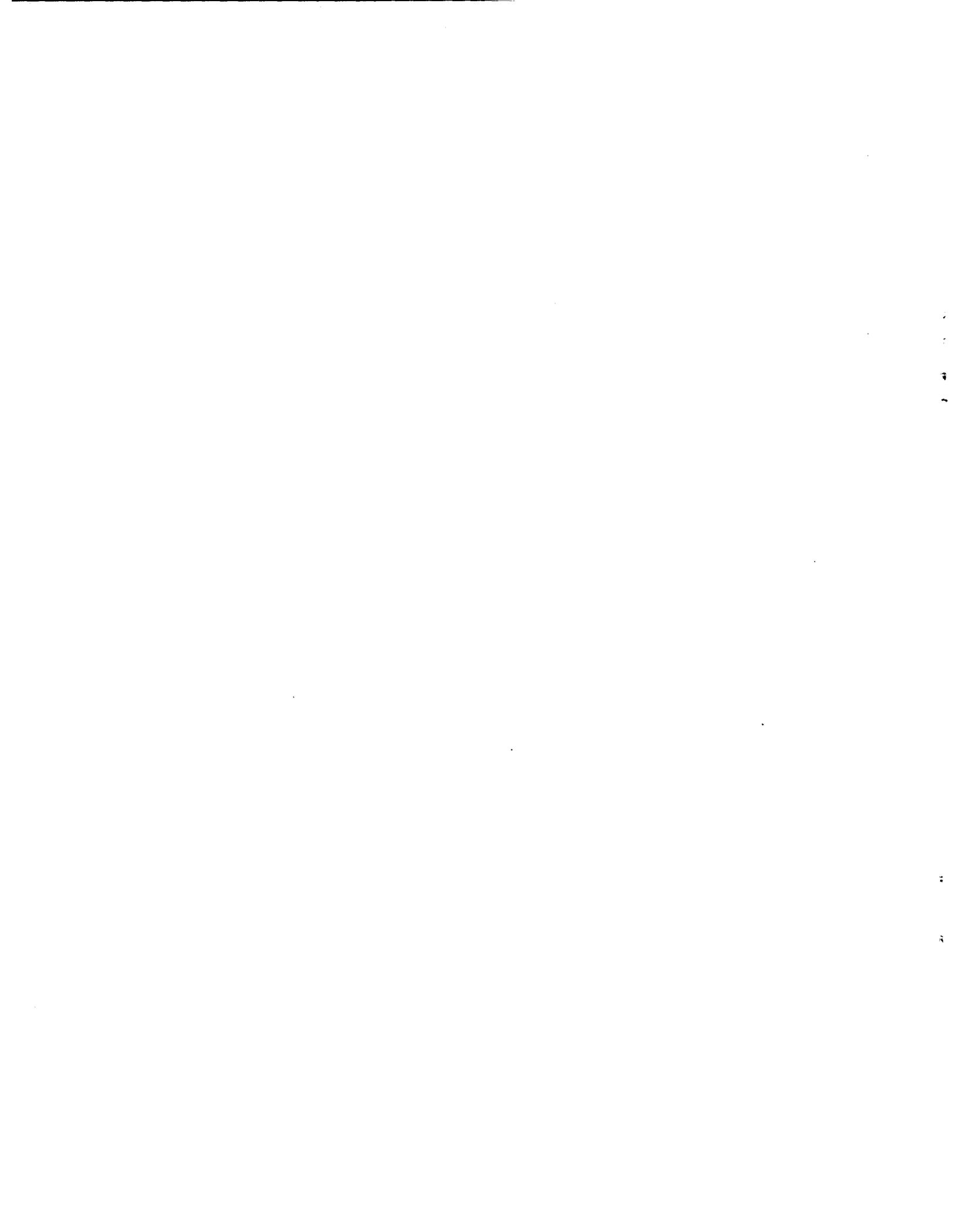
(\$ In Millions)

	Daily Traffic Volumes by Vehicles		
	<u>Over 5,000 Vehicles/day</u>	<u>1,000 to 5,000 Vehicles/day</u>	<u>Total</u>
<u>Unacceptable Ride</u>			
Major Structural Problem	\$ 49.0	\$ 35.0	\$ 84.0
Minor Structural Problem	14.0	22.0	36.0
Unacceptable Ride Only	<u>151.0</u>	<u>20.0</u>	<u>171.0</u>
Total	214.0	77.0	291.0
 <u>Acceptable Ride</u>			
Major Structural Problem Only	179.0	128.0	307.0
 <u>Total</u>	<u>\$ 393.0</u>	<u>\$ 205.0</u>	<u>\$ 598.0</u>

48

Source: Caltrans

APPENDIX



Memorandum

A-1

To : All District Directors

Date : January 14, 1983

File No.:

From : DEPARTMENT OF TRANSPORTATION
Director's Office

Subject: Streamlining the Project Development Process

An initial broad brush review has been completed at Headquarters looking for quick ways to streamline the project development process to supplement the "fast-tracking" procedures instituted by Mr. R. O. Watkins' memorandum of December 31, 1982. As a result of this review, the procedural and organizational changes described below are effective immediately. These will be followed up as soon as possible by formal executive orders, manual changes, delegations of authority, etc.

1. For Districts 01 and 02, subject to the exceptions contained in Article 2-18.3 of the PDPM, Project Reports having a construction cost of \$200,000 or less and right-of-way cost of \$50,000 or less are to be approved in the Districts. Approval is to be by a Deputy District Director who is a registered civil engineer and is to be cosigned by the OPD Coordinator for that District.
2. For all other Districts, District Project Report approval authority is increased as follows subject to the exceptions of Article 2-18.3:
 - a. The basic approval authority is increased to \$1,000,000 for construction cost and to \$300,000 for right-of-way cost.
 - b. On Category 5 projects, approval authority for construction cost only is increased to \$2,000,000 (\$300,000 right-of-way limit remains) provided that the project report has been signed off by a representative of the involved Headquarters Program Advisor prior to District approval. Attached is a list of Headquarters Program Advisors' representatives.
3. Responsibility for coordinating the entire project development process in the Districts, from inception of studies to completion of P.S.&E., will be under the direction of the Deputy District Director, Project Development. The Division of Project Development will have functional responsibility in Headquarters.

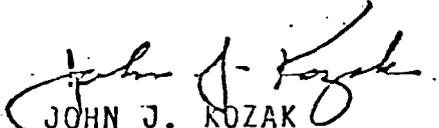
All District Directors
Page 2
January 14, 1983

4. Approval of Project Work Programs (PWPs) is delegated to the Districts with the following provisions:
 - a. PWPs are to be approved by the District Director except that approval may be delegated to a principal level deputy in Districts 04 and 07.
 - b. Stage II PWPs will be eliminated except on projects requiring an EIS/EIR.
 - c. Where the proposed work is not extensive and of a non-controversial nature (such as interchange modifications), the District Director may determine that a Stage I PWP is not required. Such determination shall be in writing and placed in the project file with a copy to Chief, OPD in Headquarters.
 - d. The District Director should modify the content requirements of PWPs from that set forth in the Transportation Planning Manual to focus primarily on important issues. The general format is to be followed but brevity is to be stressed.
 - e. Districts will be expected to seek Headquarters approval of STAGE I/II PWPs (on an exception basis) for projects that may be highly controversial or politically sensitive. Identification of such projects will be the responsibility of the District. Five copies of requests for approval shall be sent to the Chief, OPD in Headquarters.
 - f. Copies of District-approved PWPs will be post audited at Headquarters with significant comments returned to the Districts. Five copies should be sent to Headquarters, Chief, OPD.
5. Approval of Project Authorization Requests (PARs) is delegated to the Chief, Division of Project Development (DPD) (from the Budget Review Committee). All new PAR submittals by the Districts will be to the Chief, DPD. The Stage I PWP portion of the PAR should be modified to focus primarily on important issues but still following the format outlined in the Transportation Planning Manual.
6. The Alternatives Briefing Report process outlined in Section 4-8 of the Transportation Planning Manual is eliminated. When it is time to select the Preferred Alternative for FEIS preparation, the District Director is to submit a written recommendation to the Chief, DPD. The recommendation should include a concise discussion of the pros and cons of proceeding as outlined. The letter of Headquarters approval will be signed by the Chief, DPD.

All District Directors
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7. Approval of environmental documents is being delegated to the Chief, Office of Environmental Planning (from the Chief, Division of Transportation Planning). This change does not directly affect District procedures but has been included as an item to reduce turnaround time in Headquarters.

A Headquarters-District task force has been established to undertake a second-phase in-depth review of the project development process to identify a wide spectrum of possible changes to streamline the process (i.e., process changes, organizational changes, legislative changes, Federal policy changes, etc.). Recommendations from this phase will be formulated in February with implementation to follow immediately unless there are outside legislative or regulatory constraints.


JOHN J. KOZAK
Director of Transportation

Attachment

REPRESENTATIVES OF HEADQUARTERS PROGRAM ADVISORS

For HB1, HB42, HB43 and HB44 Programs

Districts 01, 02, 03, 07 and 08.....Bill Hoversten (8-485-4377)

Districts 04, 05, 06, 09, 10 and 11..Ken Gilbert (8-485-1173)

For All Other Programs

<u>District</u>	<u>Representative</u>	<u>Alternate</u>
01	Ed Wall (8-485-6402)	Frank Baxter (8-485-3707)
02	Dave Crane (8-485-6402)	Frank Baxter (8-485-3707)
03	Ed Wall (8-485-6402)	Frank Baxter (8-485-3707)
04	Parker Hall (8-485-3988)	
05	Dave Crane (8-485-6497)	Earl Rogers (8-485-5389)
06	George Smith (485-5428)	Earl Rogers (8-485-5389)
07	Dean Larson (8-485-3397)	Don Parker (8-485-4960)
08	Ed Wall (8-485-6402)	Frank Baxter (8-485-3707)
09	George Smith (8-485-5428)	Earl Rogers (8-485-5389)
10	George Smith (8-485-5428)	Frank Baxter (8-485-3707)
01	Dave Crane (8-485-6497)	Earl Rogers (8-485-5389)