

Business, Transportation, & Housing

The Business, Transportation and Housing Agency includes programs that plan, build, and maintain California's state transportation systems, ensure efficient and fair markets for the real estate industry, health care plans and certain financial businesses, and assist community efforts to expand the availability of affordable housing for a growing workforce. In addition, the Agency contributes to public safety through the law enforcement activities of the California Highway Patrol and the Department of Alcoholic Beverage Control. Information on the Highway Patrol's budget can be found in the Corrections and Law Enforcement section.

[Figure BTH-1](#) displays the funding proposed in the Business, Transportation, and Housing portion of the Governor's Budget. The majority of the funding is provided from special fund revenues and federal funds. Significant General Fund expenditures are made for general obligation bond debt service for transportation projects and bridge seismic retrofit, to directly fund transit capital projects on a one-time basis, and to support a variety of programs in the Department of Housing and Community Development.

Transportation

The Department of Transportation, the California Transportation Commission, the California Highway Patrol, the Department of Motor Vehicles, the Office of Traffic Safety, and local government agencies provide transportation and related public safety programs. Most of the revenue to support transportation comes from state and federal fuel taxes, the sales and use tax on diesel fuel, motor vehicle license and registration fees, weight fees for trucks and trailers, and local sales taxes. The Governor's Budget proposes \$9.4 billion for roads, highways, mass transit and intercity rail, vehicle licensing and registration, and highway law enforcement.

Transportation 2000—The Future is Now

Putting Transportation Resources To Work For The Public—California's transportation network is a patchwork system based on fragmented decision-making and funding. After years of neglect and disagreements among state and local agencies over shares of transportation funding, it is imperative for state and local governments to coordinate efforts to provide relief to commuters. California needs a seamless multi-modal transportation system—one that will support its population and economic growth. The first step is to use the resources taxpayers have already provided in a more effective, coordinated, and timely manner.

The Administration proposes *Transportation 2000*, a set of proposals to accelerate transportation project selection and delivery and to address constitutional restrictions on the use of gas tax funds for transit capital improvements and operations. Taken together, these proposals can advance the spending of \$3 billion or more in existing resources for critically needed transportation projects, with an emphasis on relief of traffic congestion. Key elements of this proposal are:

- **Extend the State Transportation Improvement Program (STIP) (\$750million)**—Change the STIP from the current four-year program to a seven-year program in order to schedule critically needed construction projects now. California identifies its capacity projects in a four-year, \$4 billion plan called the STIP. The STIP is created every two years from the plans adopted by regional transportation planning agencies (75 percent of the money) and Caltrans—interregional plan (25 percent of the funds). It uses all money dedicated to transportation projected to be available to the State from taxes and the federal government after maintenance, safety work, and highway operations are paid for. This change allows an additional \$3 billion in state and federal funds to be programmed for transportation projects in the 2000 STIP that otherwise would not be programmed until the 2002 and 2004 STIPs. The State's share for interregional programming is \$750 million.
- **Use State Highway Account balances (\$150 million)**—Program an additional \$600 million in State Highway Account funds in the 1998 STIP (\$450 million in regionally selected and \$150 million in state-selected projects). These funds result from re-estimating available cash (unused STIP fund balances).
- **Challenge local governments to match state funds to relieve traffic congestion and improve interregional connections (\$900 million)**—Challenge regional and local transportation planning agencies to participate in the selection of interregional projects by matching the State's \$900 million of additional transportation funds with \$900 million in local funds. Together, these funds would provide a total of \$1.8 billion for the following project priorities:
 - Relieving traffic congestion
 - Creating interregional connections
 - Increasing safety
 - Establishing inter-modal connections
 - Enhancing goods movements

Projects could include traffic signal synchronization, equipping buses with transponders to turn traffic lights green, other intelligent highway technology, and high occupancy vehicle priority lanes. Transit projects could include expansions of intercity and commuter rail, bus, and ferry systems.

- **Use-it-or-lose-it approach for local gas tax funds (\$300 million)**—Encourage rapid spending of \$300 million of local street and road funds by enacting legislation requiring cities and counties to use the gas funds in their restricted transportation fund balances within a specified period, or otherwise the State will program those funds. The State Controller's reports on local street and road expenditures and fund balances show that more than \$1.7 billion of local transportation funds were sitting in reserves at the end of 1997-98. *Transportation 2000* proposes that \$300 million in gas taxes from these reserves should be obligated by June 30, 2000, and spent shortly thereafter, or be programmed by the State within those same jurisdictions.
- **Use-it-or-lose-it approach for federal funds (\$800 million)**—Encourage rapid spending of \$800 million in federal funds allocated to local agencies for Congestion Management and Air Quality (CMAQ) projects and Regional Surface Transportation Projects (RSTP). *Transportation 2000* requires the California Transportation Commission, the Business, Transportation and Housing Agency, and Caltrans to seek agreements with regional transportation agencies for rapid obligation of CMAQ and RSTP federal fund apportionments, or the State will take over the programing responsibility for those apportionments.
- **Use existing financing mechanisms**—Issue Federal Grant Anticipation Revenue Notes (GARVEE bonds) authorized by Chapter 862, Statutes of 1999, (SB 928) to provide cash as needed to allow early construction of the additional \$3 billion in transportation programming created by extending the STIP to 7 years.
- **Fiber optics revenues**—For a fee, allow the installation of fiber optic cable by private industry within the state's highway rights-of-way. Caltrans estimates that this proposal

could produce tens of millions in additional State Highway Account revenue over the next five years.

- **Relief for the Public Transportation Account**—Shift \$45 million from the State Highway Account (SHA) to the Public Transportation Account to address a future fund deficit. These SHA revenues include rental income from the lease or rental of state property that is not subject to Article XIX restrictions in the California Constitution. Funds will be used for a limited expansion of intercity rail, local commuter rail, and other transit programs that cannot be supported from gas tax revenues.
- **Constitutional amendment for transit**—Amend Article XIX of the Constitution to broaden the use of gas taxes for transit capital improvements, the purchase of rolling stock, and transit operations.
- **Streamline state environmental review of transportation projects**—Direct the Business, Transportation and Housing Agency, the California Environmental Protection Agency, and the Resources Agency to streamline California's transportation project delivery while maintaining environmental protection standards.

Building Passenger Rail Infrastructure for the Future—The Governor's Budget includes \$121.0 million from the General Fund for intercity and urban/commuter rail projects in both northern and southern California that will improve rail infrastructure and help expand rail service statewide. These projects include:

- **Intercity Rail Rolling Stock Acquisition (\$30.0 million)**—Caltrans will acquire two additional train sets (10 cars and 2 locomotives). Both train sets will be used on the San Diegan Corridor beginning in the spring of 2001.
- **Metrolink Track and Signal Improvements (\$15.0 million)**—Provides funds to the Southern California Regional Rail Authority for track and signal improvements on Metrolink's San Bernardino line.
- **Fresno Track and Signal Improvements (\$20.0 million)**—Construction of a second track will allow San Joaquin passenger trains to reduce running times by 45 minutes per day and improve the reliability of the service.
- **Altamont Commuter Express (ACE) (\$36.0 million)**—\$6.0 million will be used to upgrade the existing track, \$22.0 million to purchase an additional train set, and \$8.0 million to expand ACE service from Modesto to the Silicon Valley. Expanding ACE commuter train service will meet Central Valley demand for commuter service to the Silicon Valley and reduce the 2 1/2 to 3-hour daily commute from the Central Valley to San Jose.
- **Caltrain Coyote Valley Station (\$5.0 million) and the Vasona Light Rail Winchester Station (\$15.0 million)**—By providing access to local commuter rail, these new stations will help to reduce congestion in the growing areas south of San Jose.

Bay Area Water Transit—In signing SB 428 (Chapter 1011, Statutes of 1999), the Governor authorized the development and adoption of a long-range plan for implementing high-speed water transit on the San Francisco Bay. The goal is to establish an intermodal transportation system able to connect 15-20 million passengers per year to 30 terminals using 70 high-speed vessels. Prior to constructing the system, the Authority must gain approval by the Legislature and Governor for its financing plan.

Caltrans' local assistance budget includes \$12.0 million from the Public Transportation Account to fund the first year of the initial planning and development phase for the high-speed water transit system. This phase includes developing the initial system plan, designing prototype architectural designs for ferry terminals and intermodal stations, completing ridership estimates, and initiating environmental impact studies, which includes conducting research into reduced-emission technology.

Department of Transportation

The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive transportation system with more than 50,000 miles of highway and freeway lanes. In addition, Caltrans provides intercity rail passenger services under contract with Amtrak. Caltrans also provides technical assistance and development loans to more than 100 of California's public general aviation airports.

The Governor's Budget proposes over \$7.5 billion in expenditures for Caltrans from federal funds, reimbursements, and various state funds, and staffing of 22,129 personnel years. This amount includes \$1.4 billion for programs that assist local governments in constructing and operating highway, road, and transit systems.

Caltrans—Support Budget

Capital Outlay Support—Caltrans is increasing the delivery of highway and rail projects due to the availability of new state and federal funding over the last three years. The amended six-year 1998 STIP adopted by the California Transportation Commission in June of 1999 contained \$1.7 billion in new programming capacity. The California Transportation Commission has also approved \$3.3 billion for rehabilitation and safety improvements for the state highway system. To design and construct the additional projects in the amended 1998 STIP, the 1999-00 Budget added 994 personnel years of additional capital outlay support staff in Caltrans.

In addition, the recently enacted Transportation Equity Act for the 21st Century (TEA-21) added \$860 million in new federal funds for STIP projects over the next six years. Caltrans will spend \$126 million of these funds in fiscal year 2000-01.

Budget spending totals do not reflect the impact of the \$3 billion Transportation 2000 proposal on design and management staff—or on construction spending—because specific state and local projects will be selected in the spring and summer of 2000 in the 2000 State Transportation Improvement Program process, and through additional mechanisms to be established by the California Transportation Commission. It is likely that a supplemental staffing request will be made in the May Revision.

Stormwater Pollution Mitigation—The federal government has adopted stringent standards for storm water run-off from streets and highways. Caltrans is operating under a combination of court orders and a statewide discharge permit that prohibit highway storm run-off from polluting the receiving waters, which may be streams, rivers, lakes, or the ocean. The orders and the permit require Caltrans to undertake a variety of actions to reduce pollution and to research new methods of pollution control for runoff. In many cases, the technology for preventing this pollution (which may simply be dirt and soil bacteria) does not yet exist. Eventually, storm water regulatory compliance may dictate the redesign of highway construction and maintenance techniques. The fiscal effect on the State's highways and on local governments' streets and roads could be huge.

Caltrans has increased its budget for storm water pollution mitigation by \$41.5 million and 158 personnel years for compliance and research activities over the next five years.

Highway Transportation Operations—To operate the state highway system safely and efficiently, Caltrans uses a variety of traffic-management technologies and systems such as freeway ramp meters, traffic loop detectors, transportation management centers, and high-

occupancy vehicle lanes. The Budget adds \$1.2 million to maintain and operate this infrastructure.

Transportation and Encroachment Permits—Caltrans issues permits to vehicles carrying very large loads (oversize permits) and to firms such as utility companies which must work in freeway rights-of-way (encroachment permits). In 1999, a truck carrying an oversized load ran into a low freeway overpass, causing the first fatality attributed to Caltrans' permitting process for oversized loads. Further investigation revealed that 40 percent of so-called "bridge hits" over the past three years result from errors either in preparing the permits or in users' interpretation of permit instructions.

To prevent errors in oversize permits, the Budget provides \$1 million to increase review of permit applications. In addition, the Budget includes \$2.2 million for two years to improve review of right-of-way encroachment permits and to inspect work sites for non-standard construction.

Protection of the Transportation Investment—As the state highway system ages, maintenance and rehabilitation costs increase. Most highways were built three, four and five decades ago, while the useful life span is usually only two to three decades before major rehabilitation is required. In 1988, the quality of California's highways was ranked 25th among states, with 9 percent of its urban and rural highways in poor condition. By 1997, California's rank dropped to 41st, with 12 percent of its urban and rural highways in poor condition.

Although voters doubled the gas tax in 1990 with passage of Proposition 111, the number of miles traveled on state highways continues to grow faster than gas tax revenues. In addition, unanticipated expenses—primarily seismic retrofit of highways and bridges and natural disasters such as El Nino flood damage—reduce transportation resources for highway maintenance and rehabilitation. Recognizing this, the Administration increased Caltrans' budget last year by \$63 million for safety-related maintenance as well as preservation of roadbeds and related infrastructure

For 2000-01, the Budget again is increasing Caltrans' maintenance budget by \$1.6 million for highway electrical inventory, including street lighting, sign lighting, and changeable message signs. Another \$3.7 million is proposed to improve highway landscape and \$3.7 million to continue the bridge painting pilot program started in 1998-99.

Equal Opportunity—To comply with federal requirements, the Budget includes \$2.0 million for on-site certification reviews of contractors involved in the Disadvantaged Business Enterprise (DBE) Program, establishment of a DBE Regulation and Certification Branch, appeals and consulting services, specialized minority business development programs, and local agency compliance. (Compliance with federal law is necessary to avoid jeopardizing federal transportation revenues and is therefore exempt from the requirements of Proposition 209.) The Budget also includes \$2.0 million for training on equal opportunity requirements and compliance, and to handle complaints.

Local Assistance

Caltrans' budget includes state and federal funding for local transportation agencies, derived from the state share of excise taxes on motor vehicle fuel. Funding is generally used for street and road projects off the state highway system and for mass transit track additions. The 2000-01 Governor's Budget contains \$1.4 billion in local assistance funding, most of which has been programmed through the STIP process.

Caltrans' Capital Program

Based on the amended 1998 STIP, the Budget reflects nearly \$3.4 billion in capital outlay expenditures for highway construction projects. This amount includes \$50 million from the General Fund, \$559 million from the State Highway Account, \$102 million from seismic retrofit bonds, \$258 million from the Toll Bridge Seismic Retrofit Account, \$1.6 billion in federal funds, and \$770 million in reimbursements for local projects contracted to Caltrans for delivery.

Seismic Retrofit Program—Chapter 327, Statutes of 1997 (SB 60), and Chapter 328, Statutes of 1997 (SB 226) provided \$2.6 billion for retrofitting the state's toll bridges to withstand a major earthquake. This amount includes \$790 million from the Seismic Retrofit Bond Act of 1996 (Proposition 192), \$795 million from the State Highway Account, up to \$80 million from the Public Transportation Account, \$48 million from toll revenues raised on the Vincent Thomas and San Diego-Coronado toll bridges, and \$907 million or more from a surcharge on Bay Area bridge tolls.

Caltrans' Seismic Safety Retrofit Program is divided into four segments: toll bridge, phase 1, phase 2, and locally owned public bridges.

- **The toll bridge retrofit program** includes work on seven of the nine state-owned toll bridges. The program has 13 construction contracts for retrofitting six toll facilities. Of these, one project is complete, eight are under construction, and the other four will begin construction in the current fiscal year. All seismic safety work on state toll bridges, including the Bay Bridge discussed below, is projected to be complete by 2004-05.
- **The San Francisco-Oakland Bay Bridge** will be improved through a combination of seismic retrofit and replacement of the east span. The work from west span from San Francisco to the tunnel on Yerba Buena Island requires seven construction contracts. In June 1998, the Metropolitan Transportation Commission selected a single-tower suspension design to replace the east span of the San Francisco-Oakland Bay Bridge. Construction is scheduled to begin in 2001-02. The number of contracts to replace the east span has not been determined.
- **Phase 1** addresses 1,039 state-owned bridges identified for strengthening after the Loma Prieta earthquake. To date, all but two bridges are complete. The remaining two is under construction with completion expected in 1999-00. Approximately \$800 million will be spent on this phase.
- **Phase 2** addresses an additional 1,155 state-owned bridges identified in 1,994 for strengthening. To date, all but 35 bridges are complete. The remaining bridges are under construction or in design, with completion expected in 2005. The total budget for this phase is \$1.35 billion, and the Budget proposes \$85 million in expenditures for remaining activities in 2000-01.
- **The local agency retrofit program** addresses 1,200 bridges assigned as follows:
 - Caltrans is the lead agency for 878 bridges. Of these, 165 are complete and 713 are in various stages of construction or design.
 - Los Angeles County is the lead agency for 286 bridges. Of these, 166 are complete and 120 are in various stages of construction or design.
 - Santa Clara County is the lead agency for 36 bridges. Of these, 31 are complete and 5 are in various stages of design.

Mass Transportation

Rail Car Maintenance—Over 75 rail cars and engines owned by Caltrans are coming out from under manufacturers' warranty. Caltrans has developed an eight-year plan for maintaining this equipment and addressing safety issues. To implement the plan, the Budget includes \$5.7 million to rebuild an average of three locomotives and six to nine cars each year.

Public Transportation Account—Due to constitutional restrictions on the use of gas taxes, the Public Transportation Account is the only dedicated source of funding for:

- Operating costs for mass transit systems.
- Purchase of rolling stock.
- Capital improvements on real property that is not publicly owned (such as many of the tracks used by the Intercity Rail Program).

Account revenues are used mainly for the State Transit Assistance Program (allocations for local mass transit operations) and the Intercity Rail Program. By statute, one-half of the account's tax revenue goes to the State Transit Assistance Program, or \$101 million in 2000-01.

Based on current trends, expenditures would exceed revenues in the Public Transportation Account by 2001-02, and the account could be in deficit by 2004-05. The Budget proposes to strengthen the account by transferring to it \$45 million each year from non-gas tax revenues initially deposited in the State Highway Account. This transfer can be made by statute because non-gas revenues are not subject to Article XIX of the California Constitution that prohibits the expenditure of gas tax receipts on transit rolling stock and operations. The annual transfer is expected to postpone the fund deficit by several years and allow limited future expansion of intercity rail service.

Department of Motor Vehicles

The Department of Motor Vehicles (DMV) promotes driver safety by licensing drivers, regulating vehicle sales, issuing identification documents, and collecting vehicle licensing and registration fees. The Governor's Budget proposes \$637 million and 8,991 personnel years for support of DMV in fiscal year 2000-01.

Internet Vehicle Registration Renewals—The DMV will improve services by allowing customers to re-register vehicles over the Internet using credit cards for payment. This on-line system will demonstrate the feasibility of using Internet technology to improve the way the State conducts business with the public. The DMV is developing the on-line renewal application using existing resources in 1999-00. Costs for operating and maintaining the system in 2000-01 will be refined by March 2000 and submitted to the Legislature for review through a Spring Finance Letter.

Smog Impact Fee Refunds—Since November 15, 1990, the DMV has collected a \$300 smog impact fee on each vehicle brought into the state that was not certified to meet California's stringent emission control requirements. In a recent ruling, the Third District Court of Appeals found the fee to be unconstitutional and ordered refunds of the fee to be paid to the plaintiffs in the case. The Governor has instructed the DMV to cease collecting the fee and to provide refunds to all vehicle owners who previously paid it. The Budget anticipates urgency legislation to appropriate \$665 million (\$562 million General Fund, and \$103 million High Polluter Repair or Removal Account) to pay the refunds—with interest.

Proof of Insurance—Chapter 880, Statutes of 1999 (SB 652) extends permanently the requirement for owners to provide proof of insurance when registering a vehicle. The Governor's Budget proposes \$6.3 million in 1999-00 and \$14.1 million in 2000-01 to continue this program. The Administration will work with the insurance industry and other interested groups to identify ways to streamline the program and improve its effectiveness.

Department of Housing and Community Development

The Department of Housing and Community Development oversees the State's housing planning and code-setting processes, administers housing finance and rehabilitation, and economic and community development programs, and regulates manufactured housing and

mobile-home parks. The Governor's Budget proposes \$267.9 million and 478.8 personnel years for these HCD activities.

Down payment assistance for teachers—To recruit and retain teachers, the Administration proposes a \$50 million one-time appropriation from the General Fund for down payment assistance to teachers working in hard-to-staff schools. Administered by the California Housing Finance Agency, the program will loan up to \$10,000 to an eligible teacher to purchase a home. The loan is forgivable after five years if the teacher has continued to work in the school (see the Education section for more information on this program).

Child Care Facilities—The Administration proposes \$26 million to augment the Child Care and Development Facilities Direct Loan Fund which provides low-interest loan opportunities for non-state contract licensed centers and family day care homes to stimulate development of new capacity in underserved areas of the State.

Multifamily housing—The Administration proposes \$11 million for the new multifamily housing program established by Chapter 637, Statutes of 1999. In concert with other private, federal, or local funds (including redevelopment agencies), the program provides low-interest loans for a variety of housing activities, including new construction, acquisition, and rehabilitation of affordable multifamily units.

Farmworker housing—The Budget proposes \$3.5 million for the Farmworker Housing Grant program to build or rehabilitate owner-occupied and rental housing for low-income households whose primary source of income is from agricultural labor. Funds will be distributed as grants to local governments and private nonprofit housing developers.

Self-help housing—The Budget increases the Self-Help Housing Program by \$1.2 million, to a total of \$2.2 million. Technical assistance grants are made to eligible housing sponsors who train and supervise groups of 8 to 12 households that work together to build each others' homes. The augmentation supports the development of 460 new homes for low- and moderate-income families.

Housing preservation—The Administration proposes continuing the current year's \$2.5 million program for preserving the affordability of federally subsidized units that may otherwise convert to market rents. The Department's goal is to coordinate effective use of federal, private, local, and other state funds available for preserving this housing. Activities include technical assistance, predevelopment loans, and redevelopment agency audits.

Cold-weather shelter—The Budget includes \$773,000 to continue the cold-weather shelter program established by Chapter 973, Statutes of 1999. The Department provides grants for cold-weather shelter in counties without military armories that can provide shelter. This program complements the Military Department's cold weather shelter program provided through armories.

Migrant worker housing—The Budget provides \$6.1 million to continue the multi-year project of reconstructing state-owned housing for migrant farmworkers. Funds will complete rehabilitation of 319 housing units in Colusa, Kern, and Stanislaus counties and begin rehabilitation of another 153 units in Merced and Yolo counties.

Housing tax credit—For the 1998 and 1999 tax year, Chapter 9, Statutes of 1998, increased the maximum amount of state tax credits that the California Tax Credit Allocation Committee can allocate from \$35 million to \$50 million. To encourage the development of low-income housing, the Administration will propose legislation to permanently extend the \$50 million ceiling. (See the New Economy section for more information on this tax credit.)

Department of Managed Care

The Governor's Budget proposes a total of \$13.9 million for fiscal year 1999-00 and \$27.9 million for 2000-01 for the new Department of Managed Care. Of these amounts, \$6.1 million in 1999-00 and \$14.9 million in 2000-01 are transfers of resources from the Department of Corporations.

In 1999, the Governor signed into law a historic package of comprehensive health care reforms that increased California consumer protections and rights. These reforms include obtaining second medical opinions, appealing denials of treatment, protecting the privacy of medical records, holding health plans accountable for harm caused to patients, and creation of a new department focused on regulating health plans. The Budget contains the funding necessary for these reforms.

The Governor is establishing the Department of Managed Care effective January 10, 2000. The Department will start assuming existing health care regulatory functions from the Department of Corporations, and add to them new functions including the Office of Patient Advocate and the Financial Standards Solvency Board.

The Budget provides \$3.4 million for improved resolution of consumer complaints (Chapter 542, Statutes of 1999) and independent review of medical necessity decisions (Chapter 533, Statutes of 1999). Independent reviews are unbiased and quick assessments of plan coverage decisions that consumers can obtain through medical experts selected by the Department. Consumers will not pay for this service.

The Budget also reflects \$1.1 million for additional enforcement staffing to handle increases in existing enforcement workload. In addition to ongoing appropriations, the new Department's budget includes approximately \$4.8 million in one-time start-up costs in 1999-00 and \$1.3 million in 2000-01.

As much of the legislation enacted in 1999 was not yet effective when the budget was developed, the new management of the Department of Managed Care will be monitoring actual workload and developing refined proposals to respond to the policy direction in the legislation and the industry and consumer responses. This may result in proposals to revise this budget at some later date