

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 2660	Department Transportation	Priority No.
Budget Request Name 2660-150-BCP-BR-2016-M1		Program 1835 - HIGHWAY TRANSPORTATION	Subprogram 1835010 - CAPITAL OUTLAY SUPPORT

Budget Request Description
 Project Delivery Workload

Budget Request Summary

The California Department of Transportation (Caltrans) requests a net increase of \$32.5 million and a decrease of 94 Full Time Equivalents (FTEs) from the Fiscal Year (FY) 2016-17 Governor's Proposed Budget for the Capital Outlay Support (COS) Program. Additionally, Caltrans requests an increase of \$155.5 million and 877 FTEs to implement the Governor's Transportation Package.

Caltrans also proposes provisional budget bill language.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

FSR SPR Project No. Date:

If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By JAMES E. DAVIS	Date 4/15/2016	Reviewed By STEVEN KECK	Date 4/15/2016
Department Director MALCOLM DOUGHERTY	Date 4/15/2016	Agency Secretary BRIAN P. KELLY	Date 4/15/2016

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA	Date submitted to the Legislature MAY 13 2016
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Analysis of Problem

A. Budget Request Summary

To address the current COS Program workload, Caltrans requests a net increase of \$32.5 million and a decrease of 94 FTEs for the COS Program from the FY 2016-17 proposed Governor's Budget. This request is in addition to the 97 FTE reduction included in the FY 2016-17 proposed Governor's Budget. (See Attachment 1)

The Table 1 below summarizes Caltrans' request:

Table 1: Proposed Changes to COS Program Project Delivery Workload
Dollars in Thousands

COS 1835010	Total Request	Personal Services Regular Staff*	Personal Services Cash Overtime	A&E Contracts	Operating Expenses
Dollars	\$32,505	\$18,315	(\$644)	\$9,780	\$5,054
FTEs	(94)	(151)	(8)	65	0

*Includes a decrease of \$19.2 million for 151 positions and an increase of \$37.5 million in Personal Services to fully fund COS Program FTEs.

Table 1a below summarizes the net change to the COS program including adjustments in the proposed Governor's Budget:

Table 1a: Proposed Changes to COS Program Project Delivery Workload
(Including proposed Governor's Budget (GB) and this Finance Letter (FL))
Dollars in Thousands

COS 1835010	Total Request*	Personal Services Regular Staff*	Personal Services Cash Overtime	A&E Contracts	Operating Expenses
Dollars GB	(\$23,179)	(\$357)	\$0	(\$20,633)	(\$2,189)
Dollars FL	\$32,505	\$18,315	(\$644)	\$9,780	\$5,054
FTEs GB	(97)	(7)	0	(90)	0
FTEs FL	(94)	(151)	(8)	65	0
Total Dollars	\$9,326	\$17,958	(\$644)	(\$10,853)	\$2,865
Total FTEs	(191)	(158)	(8)	(25)	0

*The proposed Governor's Budget included a reduction of 97 FTEs and \$23.2 million from the COS Program. This reduction, in addition to the proposed COS Program decrease of 94 FTEs, results in a total decrease of 191 FTEs from 2015-16 COS Program level.

Analysis of Problem

The Governor's Transportation Funding Plan includes \$595 million in additional funding for the SHOPP and \$200 million for trade corridors. These funds will require an increase of 877 FTE and \$155.5 million for the COS Program. Table 1b below summarizes the Governor's Transportation Funding Plan:

Table 1b: Governor's Transportation Funding Plan

Dollars in Thousands

COS 1835010	Total Request	Personal Services Regular Staff	Personal Services Cash Overtime	A&E Contracts	Operating Expenses
Dollars	\$155,464	\$41,789	\$6,480	\$104,027	\$3,168
FTEs	877	352	81	444	0

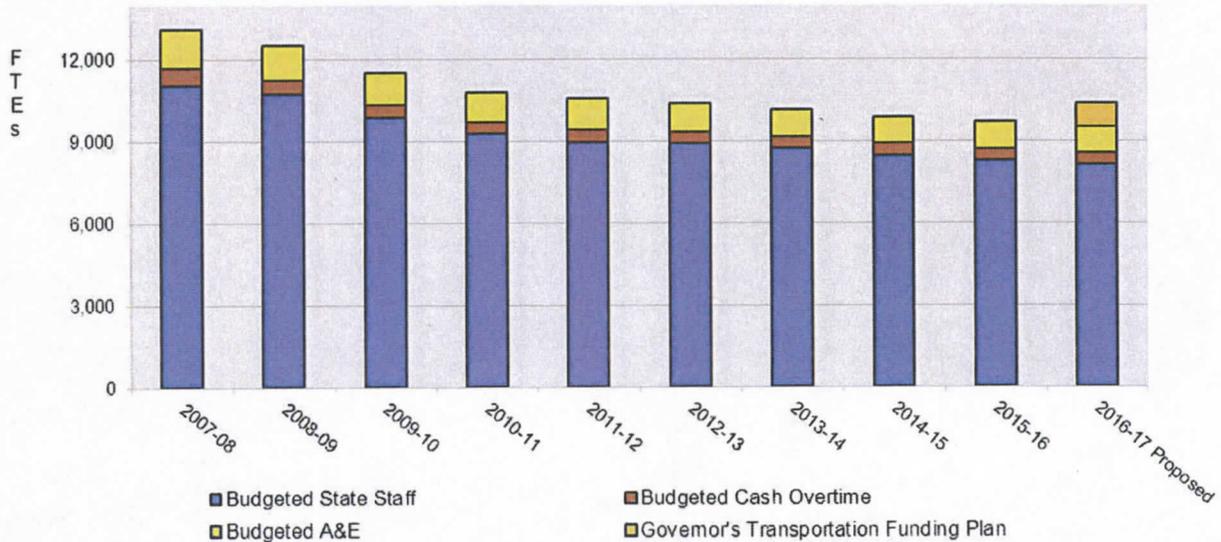
The resources requested for FY 2016-17 for the COS Program considers budget year needs within the context of a five-year workload projection. (See Attachments 2a and 2b)

The utilization of flexible resources (cash overtime (COT) and Architectural and Engineering (A&E) consultant contracts) is used for specialty needs and to manage workload changes.

The historical COS Program State staffing graph below shows the historically budgeted COS Program workload levels from FY 2007-08 through FY 2016-17 (proposed). The resources being requested are needed to deliver projects to construction and oversee the construction of projects currently funded (programmed) by the California Transportation Commission (CTC) or by our local partners.

10-Year Budgeted Workload Graph (2007-08 through 2016-17)

Capital Outlay Support FTE Budget History



Caltrans also requests an ongoing \$37.5 million increase to the COS Program personal services budget to fully fund FTEs necessary for project delivery due to a shortfall in funding. The COS Program expends nearly all of its personal services budget each year and this augmentation will allow the program to fund all of its FTE workload needs.

Analysis of Problem

In looking at workload projections, workforce and succession planning will also become an issue in the near future as we consider 56 percent of all employees are eligible for retirement (age 50 and older), and among all engineering classifications 58 percent are eligible for retirement. Engineers represent about 57 percent of the COS workforce. There are currently more engineers over the age of 60 (1,017) than under the age of 40 (752). Although engineering attrition is low, Caltrans is preparing for future hiring by updating training programs and hiring student assistants. (See Attachment 3)

Caltrans proposes additional provisional budget bill language for Item 2660-001-0042 to exempt Local State Transportation Improvement Program (STIP) projects deprogrammed from the 2016 STIP from the full cost recovery due to reduction in revenues from the Price-based Excise Tax. The new provisional language provides authority for the Department of Finance to augment Caltrans' budget if the STIP reductions are reprogrammed as a result of future CTC actions. (See Attachment 4)

B. Background/History

The State and its partners have strategically invested in the State Highway System (SHS) for more than a century to develop the core of California's complex, multi-modal transportation system. Hundreds of billions of dollars have been applied to construct, maintain, and operate more than 50,000 lane miles that include over 13,000 bridges and other structures. The SHS is the foundation of the State's economy enabling efficient movement of people, goods, and services.

COS

Capital Outlay is the funding mechanism for construction contracts and right of way acquisition on projects that preserve and improve the SHS. The COS Program provides the funding and resources necessary to design and oversee the construction of projects. The COS Program also provides oversight or independent quality assurance (IQA) of projects developed by local entities on the SHS. The COS Program budget supports over 2,900 projects and over \$41 billion in the multi-year Capital Outlay project pipeline.

Approximately 73 percent of total SHOPP funding is for Capital Outlay, including the acquisition of right-of-way and construction; about 27 percent of SHOPP is for COS activities necessary to deliver construction projects, such as engineering and design work, environmental studies, right-of-way acquisition, and construction inspection activities. The COS Program is responsible for developing capital projects and preparing these projects for the construction phase.

Project teams, in accordance with Caltrans' Workplan Standards Guide, develop workplans for planned major projects. A project team consists of a project manager and team members from various functional units such as Environmental Analysis, Design, Traffic Operations, Right of Way and Land Surveys, Engineering Services, and Construction. Individual project resource requirements and schedules are created and maintained in the Project Resource and Schedule Management (PRSM) system. The COS Program uses the PRSM workplans to calculate estimated COS workload for the budget year.

It is important to note that Caltrans does not manage projects based upon the workload estimated for each project in each fiscal year. Instead, Caltrans manages projects by component (Environmental, Design, Right of Way, and Construction) based upon the programmed budget and reports to the CTC. Components commonly span two or more fiscal years. It is possible to exceed a component's fiscal year allocation, but still complete the component within the programmed budget. Conversely, it is also possible to underspend a component's fiscal year allocation, but still spend the entire programmed budget. Caltrans manages its COS Program budget in Personal Services, Operating Expenses, Cash Overtime, and A&E consultant contracts across 12 different fund types throughout 13 districts in the state.

Analysis of Problem

After the draft workload is calculated for each project, the COS Program performs an IQA review of the workload at the corporate level that includes:

- Headquarters/District Project Management Single Focal Point COS Program portfolio review
- Confirmation that Preliminary Engineering and Construction Engineering Support requests are consistent with project milestone dates
- Analysis of workload requests for projects in the closeout phase
- Ensure workload is not being requested for projects that are expected to be completed prior to the start of the fiscal year
- Verification of project fund source type
- Verification of State/Federal fund source ratio for State Highway Operation Protection Program (SHOPP) and STIP projects
- Comparison of current year allocations and expenditures
- Managerial review of project components that are over-expended or projected to over-expend
- Verification that SHOPP and STIP candidates will be programmed, and local candidates will have approved cooperative agreements
- Analysis of Real Property Services projects, especially with regard to the number of actively managed parcels
- Concurrence with the California High Speed Rail Authority (CHSRA) regarding high-speed rail-related workload
- Confirmation that every project has a recent capital cost estimate
- Confirmation that every project is on track to be delivered in the programmed fiscal year
- Verification of implementing agency

In the last two years, Caltrans has reduced the number of workplan changes made after the January 9 workload data pull by 96 percent, from 870 changes in FY 2014-15 to only 36 changes for FY 2016-17.

In efforts to further improve the COS Program workload forecasting process, on January 22, 2016, the California State Transportation Agency (CalSTA) formally requested the CTC to form a workgroup that includes expert staff from the CTC, the Department of Finance, the Legislative Analyst's Office (LAO), budget or policy staff from the legislature, and representatives from CalSTA, to review current and projected COS Program staffing levels and methodology used to arrive at those levels. The objective of this workgroup is to review current COS Program workload projections and to gain a consensus on a reasonable methodology to develop Caltrans' staffing needs.

Zero-Based Budget (ZBB) Program Review

In response to the Governor's Executive Order B-13-11 on performance, and a request from the Legislature during the FY 2013-14 budget hearings, Caltrans' COS Program, the Department of Finance and the LAO conducted a comprehensive ZBB review of the COS Program's project-direct workload. From July 2013 through October 2013, Caltrans, Department of Finance, and the LAO, met extensively to review the COS Program. Recommendations from this review were submitted with the FY 2014-15 Governor's Budget, informational Budget Change Proposal (BCP) #19. (See Attachment 5, which reflects the implementation and status of recommendations from the aforementioned BCP)

C. State Level Considerations

Caltrans Mission, Vision, and Goals

Caltrans mission, vision, and goals conform to the broad policy goals of the State in the area of transportation and are as follows:

Analysis of Problem

MISSION: Provide a safe, sustainable, integrated and efficient transportation system to enhance California's economy and livability.

VISION: A performance-driven, transparent and accountable organization that values its people, resources and partners, and meets new challenges through leadership, innovation and teamwork.

GOALS: Safety and Health; Stewardship and Efficiency; Sustainability, Livability and Economy; System Performance; Organizational Excellence.

Increasing Funding Revenue Streams

On December 4, 2015, the President signed into Federal law the Fixing America's Surface Transportation (FAST) Act providing increased and long-term funding certainty for existing core State highway and transit programs, as well as creating two new freight programs. In terms of highway programs administered by the Federal Highway Administration (FHWA), the FAST Act is outlined in the following Table 2:

Table 2: Federal Funding
Dollars in Billions

	Enacted Spending*					Total
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	
All States	\$39.7	\$40.5	\$41.4	\$42.4	\$43.4	\$207.4
California	\$3.7	\$3.8	\$3.9	\$4.0	\$4.1	\$19.5

*Data Source: Per FHWA estimated FFY 2016-2020 Apportionments Table under the FAST Act (before post-apportionment set asides; before penalties; before sequestration)

2016 SHOPP

The Proposed 2016 SHOPP was prepared in accordance with Government Code section 14526.5, Streets and Highways Code section 164.6, Senate Bill (SB) 486 (Chapter 917, Statutes of 2014), and the strategies outlined in the Caltrans' Policy for Management of SHOPP.

The SHOPP is the State's "fix-it first" funding mechanism for the rehabilitation and reconstruction of all state highways and bridges, including Interstate highways; the supporting infrastructure for those facilities such as culverts, traffic operations systems, roadside safety rest areas, and maintenance stations; and most importantly to address safety and emergency needs. The Proposed 2016 SHOPP is a four-year program of projects that addresses these needs for FYs 2016-17 through 2019-20.

In addition to addressing fix-it-first needs, safety, emergencies, and mandates, the SHOPP often provides opportunities to address other vital State priorities such as the reduction of transportation related greenhouse gas (GHG) emissions, implementation of complete streets elements such as pedestrian and bicycle facilities, and enhancements to wildlife connectivity and fish passages. These are co-benefits to the primary purpose of the fix-it-first focus of the SHOPP. Such benefits are different from project impact mitigation that is required through the National Environmental Protection Act (NEPA) and the California Environmental Quality Act (CEQA). These additional project attributes go beyond NEPA and CEQA requirements by actively incorporating additional State priorities identified in statute, executive orders, and policies into the scope of SHOPP projects, as appropriate.

SB 486 requires that Caltrans invest SHOPP funds in an asset management, performance based manner, with a robust implementation of the approach by 2020. Similarly, federal transportation programs are implementing performance based funding criteria and performance targets focused on specific asset classes. The 2016 SHOPP is transitioning to this performance driven asset management paradigm and includes initial efforts made toward the 2020 implementation deadline.

Analysis of Problem

Caltrans funds the management, preservation, and safety improvements of the SHS through the SHOPP which received State and Federal funding generated by taxes and fees placed on vehicle fuels. The Fund Estimate provides a multi-year forecast of transportation revenues under current law. For the 2016 SHOPP, Caltrans is proposing to implement \$9.5 billion in projects over four years, covering FY 2016-17 through FY 2019-20. The amount of funding committed to the SHOPP increased by \$400 million from the 2014 SHOPP and is reflected in the updated capacity as shown in Table 3.

Table 3: SHOPP Capacity
Dollars in Millions

FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
\$2,300	\$2,300	\$2,400	\$2,400	\$2,400	\$2,500

Governor's Transportation Funding Plan

In 2015, the Governor proposed that the Legislature enact permanent and sustainable funding to maintain and repair the State's transportation and critical infrastructure, improve key trade corridors, and complement local infrastructure efforts. This proposal includes a combination of new revenues, additional investments of Cap and Trade auction proceeds, accelerated loan repayments, Caltrans efficiencies and streamlined project delivery, accountability measures, and constitutional protections for the new revenues.

The Governor's package of revenues will be split evenly between state and local transportation priorities. Over the next ten years, the \$36 billion transportation package will provide \$16.2 billion for highway repairs and maintenance, and invest \$2.3 billion in the State's trade corridors. The estimated increase is shown on Table 5 in the "SHOPP-Governor's Transportation Funding Plan" section.

Table 4: Governor's Transportation Funding Plan
Dollars in Millions

FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
\$595	\$1,340	\$1,420	\$1,500	\$1,580	\$1,660

Data Source: 2016-17 proposed Governor's Budget

Decreasing Funding Revenue Streams

2016 STIP

The STIP is a biennial key planning document for funding future state highway, intercity rail and transit improvements throughout California. Each STIP covers a five year period and includes projects carried forward from the previous STIP plus new projects and reserves from amounts proposed by regional agencies in their regional transportation improvement programs (RTIPs) and by Caltrans in its interregional transportation improvement program (ITIP).

In January 2016, the CTC approved a reduced estimate of projected funding available for the STIP by \$754 million over the next five years. The CTC's action marked the largest scaling back of the State's transportation program since the creation of the current funding structure nearly 20 years ago. The actions by the CTC were the result of anticipated additional reductions in a portion of the gasoline excise tax. The previously CTC approved funding estimate already eliminated the capacity to add any new projects and now will require rescinding funds previously committed to STIP projects throughout the state. The total impact of de-funding the projects will potentially result in thousands of jobs lost and higher costs associated with project delays. The impact on FY 2016-17 workload was estimated based upon Caltrans' proposed ITIP and discussions with regional agencies as to which projects were expected to be delayed or deleted, and which projects were expected to continue with local funds instead of STIP funds. The estimated reduction is shown on Table 5 in the "STIP-Program Reductions" section. Assumptions made for the STIP reductions are contingent on

Analysis of Problem

outcomes and decisions from the upcoming May 2016 CTC meeting. Some projects proposed for reductions in the STIP are candidates for additional funding from the new FAST Act Trade Corridors funding.

D. Justification

This proposal is consistent with the overall goal of the Administration by continuing to seek efficiencies in state government and optimizing the limited resources available to preserve and improve the State's most valuable asset, the SHS. Workload resources requested in this proposal include needs for STIP, SHOPP, Partnership, Proposition 1B, FAST Act, High Speed Rail, and IQA for Local projects.

The following Table 5 represents the workload changes proposed by the COS Program including estimated STIP Reductions by the CTC and SHOPP workload from the Governor's Transportation Funding Plan.

Table 5: COS Program Workload Changes (FTEs)

Workload Categories (Includes all fund sources)	Jan. 10 2016-17	May Revise 2016-17	Change 2016-17
SHOPP	4,712	5,215	503
Overhead and Corporate	1,840	1,840	0
Partnership (Includes Measure/Locally Funded)	1,133	1,016	(117)
STIP	1,131	964	(167)
Proposition 1B Bond	297	98	(199)
Toll Bridge Seismic Retrofit Program	291	158	(133)
Real Property Services	97	103	6
High Speed Rail	41	51	10
Materials Engineering & Testing Services (METS)	27	27	0
Traffic Congestion Relief Program (TCRP)	22	55	33
Geotechnical Borehole Mitigation	12	33	21
American Recovery and Reinvestment Act (ARRA)	2	0	(2)
West Mission Bay Drive Bridge	1	0	(1)
FAST Act	0	10	10
Baseline COS Workload	9,606	9,570	(36)
STIP Reductions	Included in Baseline COS		(50)
STIP Overhead Reductions	Workload		(8)
Total Proposed COS Workload	9,606	9,512	(94)

SHOPP - Governor's Transportation Funding Plan

Workload Categories (Includes all fund sources)	Revised Baseline	May Revise 2016-17	Change 2016-17
SHOPP	Included in Baseline COS		775
SHOPP Overhead	Workload		102
Total SHOPP COS Workload	6,027	6,904	877

Total COS Workload	9,606	10,389	783
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Analysis of Problem

The Workload Categories funded for this request are as follows:

SHOPP: The Fund Estimate for the SHOPP is increasing from \$2.3 billion in FY 2015-16 to \$2.5 billion in FY 2020-21. The increase in SHOPP workload is related to 102 projects that the CTC programmed for support only in the 2016 SHOPP. These projects, which are consistent with Caltrans' Asset Management Plan, were programmed in order to proactively plan for bid savings that are anticipated based on historical data. Preparing these projects for construction will ensure that Caltrans will utilize all available federal funding and the highest priority projects will receive funding when it materializes.

Overhead and Corporate: This category includes workload for management, supervision, and training for project direct workload performed by State staff in the 12 districts and the Division of Engineering Services (DES), as well as corporate workload for the Headquarter Divisions in the COS Program. The Overhead and Corporate workload is a combination of the Overhead and Corporate and STIP Overhead Reduction lines in Table 5. Overall, the Overhead and Corporate is being reduced by eight FTEs, as shown on the STIP Overhead Reduction line.

Partnership: This program consists of work performed by Caltrans on projects on the SHS that are funded wholly or in part by local agencies, through local sales tax measures, or other local funds.

STIP: This workload reflects the support needs for projects currently in pre-construction and construction work identified in the 5-year STIP, and pre-construction efforts on "support-only" projects where capital funding needs are generally beyond the 5-year STIP period.

Table 5 (STIP Reductions) includes adjustments to workload estimates as a result of the CTC actions to reduce the program.

Proposition 1B Bond: Workload for this program is specifically related to Proposition 1B which includes \$4.5 billion for Corridor Mobility Improvement Account (CMIA) projects, \$1.0 billion for State Route 99 corridor projects, \$2.0 billion for Trade Corridor Improvement Fund (TCIF) projects, and \$1.0 billion of State-Local Partnership Program (SLPP). Workload for this program continues to decline as projects are completed.

Toll Bridge Seismic Retrofit Program (Phase II / Toll Seismic / Other Toll): Workload for Toll Seismic and Other Toll is based on current delivery schedules of Bay Area Toll Authority (BATA) approved projects. Work is budgeted as reimbursement to the State Highway Account (SHA) from BATA.

Real Property Services: Workload is based on work plans for property management services related to properties acquired for current and future SHS projects, as well as deferred monumentation (establishing permanent marking of right-of-way boundaries), excess land sales, perfecting title on federal land, right of way decertification, and relinquishments.

710 Affordable Sales Program:

For FY 2015-16, Caltrans received resources through an approved BCP to initiate Phase 1 sales and contracting service needs to implement the State Route 710 Affordable Sales Program and sell all properties within all applicable federal, state, and local laws and regulations. Workload for the 710 Affordable Sales Program is expected to remain at the same levels as approved in the FY 2015-16 BCP and the requested resources in FY 2016-17 continue those initial efforts and are as follows:

Analysis of Problem

Table 6: 710 Affordable Sales Program

FY 2016-17 Resource Needs	Dollars (in thousands)
Personal Services	\$541
Operating Expenses & Equipment (for State staff)	\$55
Operating Expenses (for contract services)	\$5,150
Total Capital Outlay Support Workload	\$5,746

- Personal Services and Operating Expenses & Equipment (six positions) – To provide right-of-way engineering, surveys for preparation of property sales, relocation assistance, appraisal reviews, survey of property lines, preparation of deeds, development of historic covenants required for the sale of historic homes, and managing the public auction land sales for properties not purchased by current tenants, housing agencies, and/or former tenants.
- Operating Expenses (for contract services)
 - \$250,000 – Interagency Agreement with California Housing Finance Agency to advise and assist in mortgage and home financing matters.
 - \$100,000 – Interagency Agreement with Department of Housing and Community Development to advise and assist in developing guidelines for affordable sales procedures.
 - \$1.6 million – Continuation of Phase 1 service contracts for property sales services, including title and escrow fees associated with the sales of the properties and homebuyer counseling/education.
 - \$3.2 million – Implementation of Phase 2 service contracts for property sales services including title and escrow fees associated with the sales of the properties and homebuyer counseling/education.

High-Speed Rail: Caltrans provides oversight, QA, and project development services on High-Speed Train System (HSTS) improvements for the CHSRA. An additional increase in workload from prior year is requested for the following:

- New and/or accelerated environmental studies requiring coordination with Caltrans in the Bay Area, Central Valley, and Southern California.
- Increased oversight work with the design-build contractors currently in place for high-speed rail construction projects in the Central Valley of District 6.

Should additional high-speed rail-related workload materialize, Budget Act provisional language allows the Department of Finance to augment the amount appropriated to Caltrans by up to \$900,000 for additional reimbursements from the CHSRA for the review and approval of environmental and engineering documents where the HSTS interfaces with the SHS, as well as specific highway realignment projects related to the high-speed train system.

METS: METS within the DES provides a wide variety of State and Federal mandated quality assurance (QA) testing for transportation projects. Some elements of the services provided cannot be allocated to any one project, yet are vitally important to ensure materials and products incorporated into projects meet the design specifications. These services include sampling and testing of materials; calibration of equipment for testing; technical consultations on test methods and specifications; managing authorized materials lists; and auditing of fabrication facilities to ensure proper controls are in place.

Analysis of Problem

TCRP: The Traffic Congestion Relief Act of 2000 (AB 2928, Chapter 91, Statutes of 2000) and SB 1662 (Chapter 656, Statutes of 2000) created the TCRP. The TCRP is funded with nearly \$5 billion previously deposited into the General Fund. The Traffic Congestion Relief Act of 2000 designated 141 specific projects to receive \$4.9 billion from the Traffic Congestion Relief Fund (TCRF). TCRP workload increased by 33 FTEs over FY 2015-16 due to a funding shift on several large projects per agreement with the CTC. TCRP funding was moved from capital to support, and local funding was moved from support to capital. As such, TCRP workload increased and Partnership workload decreased by an equal amount.

Geotechnical Borehole Mitigation: Caltrans is committed to protecting California's groundwater resources and is working with the Local Enforcement Agencies (LEA) who have regulatory authority with regard to groundwater when exploratory borings are drilled in the development of transportation infrastructure on the SHS. Caltrans, in order to comply with the State Water Code, has changed practices on abandoning boreholes to reduce the risk of impacts to groundwater resources and is working with all LEA statewide to resolve approximately 20,000 boreholes drilled dating back to 1990 when the State Water Code was adopted. Since FY 2015-16, Caltrans has been developing an inventory list of past borehole locations; providing field verification and analysis of borehole locations; and coordinating with LEA to determine remediation requirements. Based on field verification, analysis and agreements reached with LEA borehole remediation has been performed on numerous projects. Caltrans has been successful in reaching resolution with LEA on numerous projects that are currently in construction or in various project development phases. With the successes and the lessons learned from these efforts, Caltrans is seeking to resolve all boreholes drilled in the State dating back to 1990. The resolution will vary depending on the agreements reached with each LEA. Caltrans has developed a five-year estimated plan to address borehole mitigation and requests 33 FTE in 2016-17 in accordance with the plan.

Table 7: Geotechnical Borehole Mitigation Workload (FTEs)

Activity	FY 2016-17 Proposed		
	Qty.*	Unit of Measure	FTEs
Data Mining	1,875	Projects Reviewed	6.5
Field Verification	8,750	Borings Investigated	5.5
Resolution Effects	58	LEA Engagement	3.8
	20	LEA Resolution (Phase 3)	1.2
Drilling Efforts	200	Borings Destroyed	16.0
Total Workload			33.0

*Estimated quantity subject to change.

FAST Act: The FAST Act authorizes additional federal funding for two new freight programs – a formula-based National Highway Freight Program (NHFP) and a discretionary grant program, the National Significant Highway and Freight Projects Program (NSFHP). Prior to the FAST Act, the United States did not have a coordinated freight strategy or a freight investment program.

The newly created, formula-driven NHFP is now part of the core Federal-aid Highway Program to improve the condition of and performance of the National Highway Freight Network. California's share is based on the State's overall share of highway performance apportionments.

Caltrans has not yet identified projects to be funded by the new FAST Act Trade Corridor formula funding. FY 2016-17 workload was modeled based upon the assumption that Caltrans will be the implementing agency for the same percentage of FAST Act Trade Corridor funding

Analysis of Problem

as it was for the TCIF program. This may change if projects proposed for STIP Reduction are nominated and approved for the new freight program.

Workload Summary

Caltrans' total proposed workload of 9,512 FTEs, identified on Table 5, requires an equivalent level of resources to perform that workload, based on the currently approved delivery schedules. Any reduction of, or restriction to the use of the requested resources will have an impact on Caltrans' ability to meet its commitments. Caltrans' resource request consists of the following:

- **Personal Services:** Caltrans is requesting a total of 8,161 positions in State staff and 404 Personal Year Equivalents (PYEs) of cash overtime in FY 2016-17 for the COS Program.
- **A&E Contracts (232):** Caltrans is requesting 947 PYEs of A&E funding in FY 2016-17. PYEs are calculated using the same methodology used for calculating personnel years; that is 1,758 hours equate to one position or one PYE. The statewide PYE average rate for the budget year is approximately \$234,000 and is based on negotiated contracts.

E. Outcomes and Accountability

The outcome of this request is to deliver transportation projects to the traveling public in accordance with adopted CTC Programs and agreements with our local partners.

SB 486 required significant changes to the SHOPP and development and implementation of a robust asset management plan, the inclusion of capital and support budget information for each project in the SHOPP, and the projected delivery milestones by project component. SB 486 further modified the role of the CTC with regards to the SHOPP and increased their commitment to the SHOPP by upgrading its responsibility to adopting the SHOPP. The CTC, in consultation and coordination with Caltrans, is reviewing and updating resolution guidelines, and processes to fully implement their increased responsibilities in accordance with SB 486.

Caltrans is held accountable for the delivery of transportation projects. The following are a number of reports produced to demonstrate how Caltrans performs:

- The Quarterly Project Delivery Report to the CTC reports on the progress of delivering these commitments. The report included progress of environmental documents, right of way acquisition, delivery of projects ready for construction, and completion of construction contracts.
- The annual report to the Legislature reports on a number of measures including project delivery, cost of engineering, and COS Program measures recommended in the 2011 BSA audit.
- The Caltrans performance measure publication titled "The Mile Marker" reports to the public a number of measures. The report includes both delivery and outcome based measures.

Caltrans utilizes the PRSM system to provide real time project budgeting and expenditure data. This system is directly linked with the employee timekeeping and accounting systems to more accurately control charging of staff time and operating expenses. PRSM also provides controls at the project and task level to prevent unauthorized charging. The policies on management of capital project support budgets have been updated to ensure conformance with best project delivery budgeting and accounting practices. Also, an on-line guide has been published to assist employees with proper time charging and project task coding.

Analysis of Problem

F. Analysis of All Feasible Alternatives

Alternative 1: Approve proposal.

Analysis of Alternative 1: This proposal is consistent with the overall goal of the Administration for Caltrans to be a high-performance, efficient, transparent, accountable and modern organization.

Alternative 2: Deny funding this Finance Letter

Analysis of Alternative 2: Caltrans' COS Program request would be authorized at the FY 2016-17 January 10 proposed Governor's Budget level.

G. Implementation Plan

July 1, 2016

H. Supplemental Information

None Facility/Capital Costs Equipment Contracts Other

Attachment 1: COS Program Workload and Resources

Attachment 2: COS Program Five-Year Workload Projection

Attachment 3: Caltrans Age Profiles for Engineers

Attachment 4: Proposed Provisional Budget Bill Language

Attachment 5: COS Program Implementation and Status of Staffing Levels (ZBB)

I. Recommendation

Alternative 1:

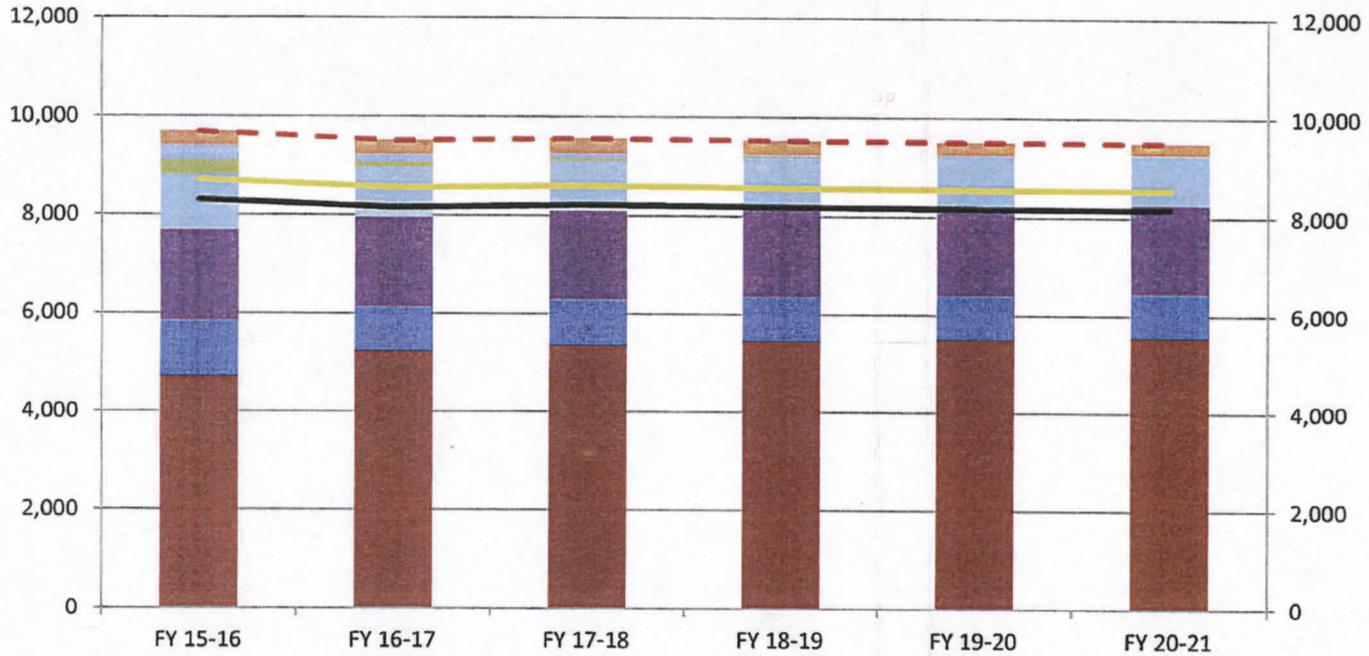
Caltrans recommends a net increase of \$32.5 million and a decrease of 94 FTEs which establishes a new total level of 9,512 FTEs for the COS Program for FY 2016-17, including 8,161 state positions, 404 PYEs of cash overtime, and 947 PYEs of A&E contracts.

Additionally, Caltrans recommends an increase of \$155.5 million and 877 FTEs to implement the Governor's Transportation Funding Plan.

Capital Outlay Support (COS) Program
Workload and Resources
Summary of 2015-16 and 2016-17 Fiscal Years

	<u>State Staff PYs</u>	<u>Cash Overtime</u>	<u>Contracting Out</u>	<u>Total</u>
2015-16 COS Program Authorized Budget	8,318.6	412.0	972.5	9,703.1
Mid-Year Jan. 10 Adjustments	(7.0)	0.0	(90.0)	(97.0)
2016-17 January 10, Governor's Proposed Budget Total	8,311.6	412.0	882.5	9,606.1
2016-17 COS Program Proposed Budget Changes	(150.5)	(8.2)	65.0	(93.7)
2016-17 COS Proposed Budget, Program 1835010	8,161.1	403.8	947.5	9,512.4
<hr style="border-top: 1px dashed black;"/>				
2016-17 COS Program Proposed Budget Changes (Gov Plan)	352.0	81.0	444.0	877.0
2016-17 COS Proposed Budget (including Governor's Transportation Funding Plan), Program 1835010	8,513.1	484.8	1,391.5	10,389.4

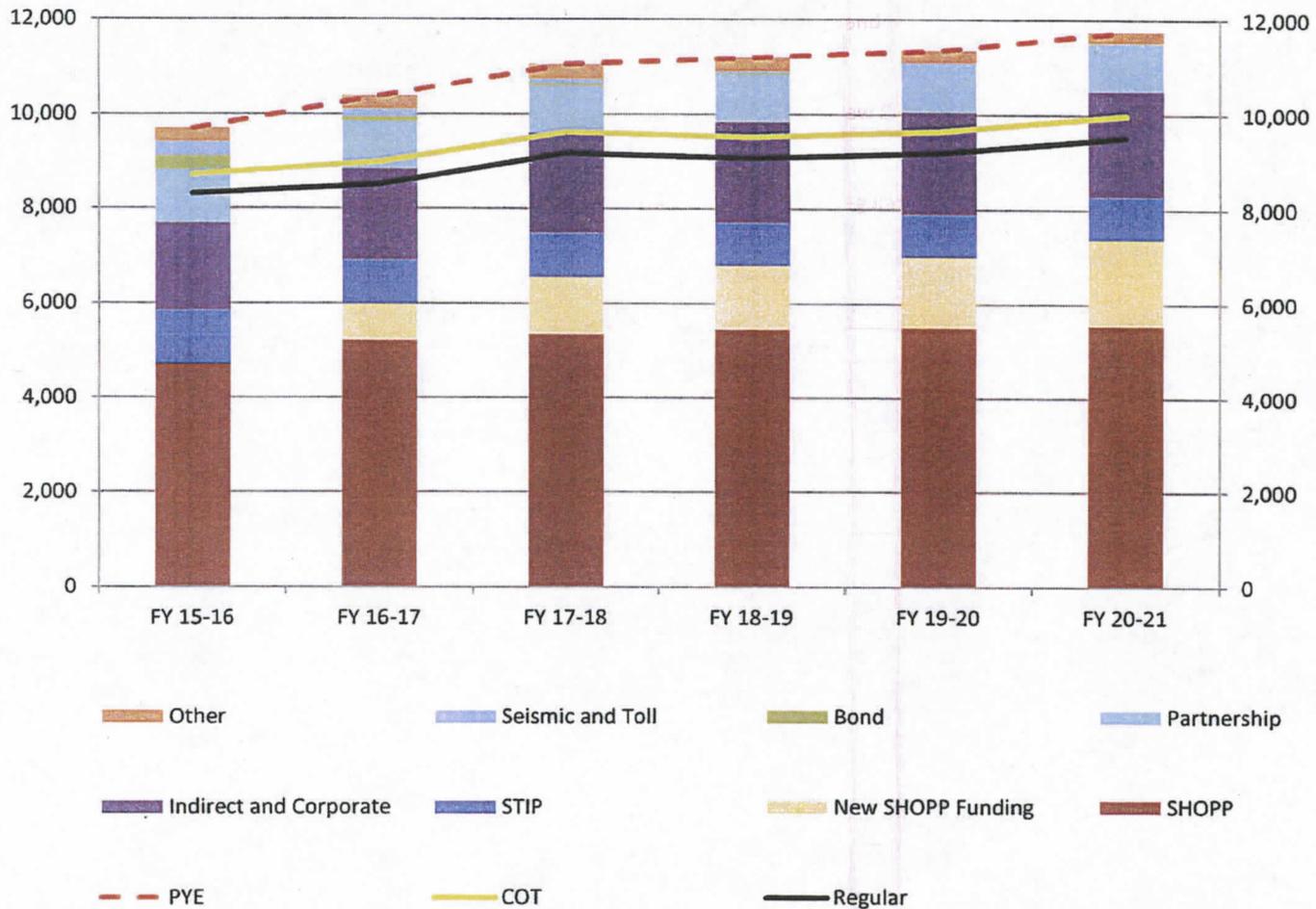
Attachment 2a - COS Workload and Resources FY 2015-16 to FY 2020-21



- Other
- Seismic and Toll
- Bond
- Partnership
- Indirect and Corporate
- STIP
- SHOPP
- PYE
- COT
- Regular

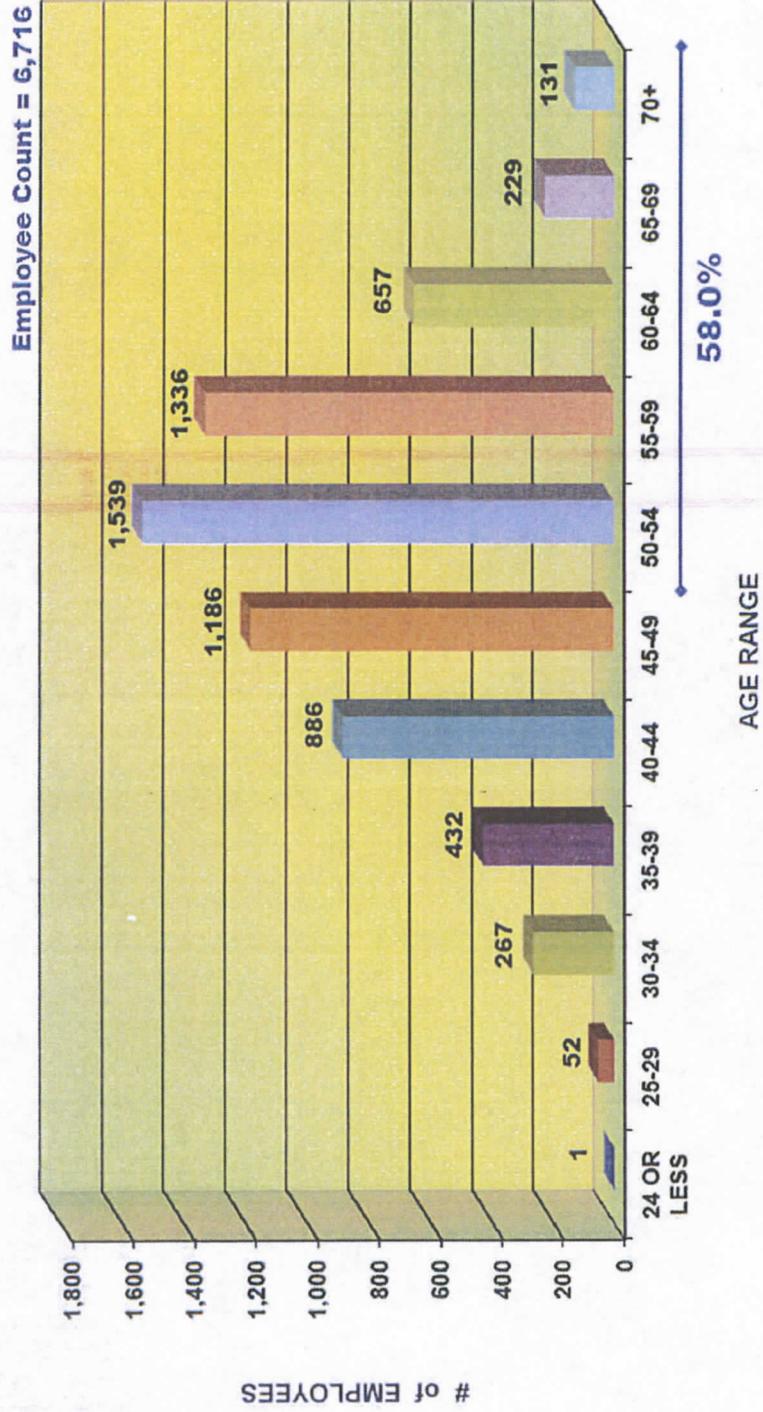
Accuracy of projections decline over time

**Attachment 2b - COS Workload and Resources
(Governor's Transportation Funding Plan)
FY 2015-16 to FY 2020-21**



Accuracy of projections decline over time

**CALTRANS
ALL ENGINEER CLASSIFICATIONS
AGE PROFILE**



Classes represented: 3152 Principal Transportation Engineer, 3155 Supervising Transportation Engineer, 3161 Senior Transportation Engineer, 3169 Associate Transportation Engineer (Registered), 3167 Associate Transportation Engineer, 3193 Transportation Engineer (Civil), 3183 Principal Bridge Engineer, 3184 Supervising Bridge Engineer, 3185 Senior Bridge Engineer, 3186 Associate Bridge Engineer, 2177 Senior Electrical Engineer (Specialist), 2178 Senior Mechanical Engineer (Specialist), 2179 Supervising Mechanical and Electrical Engineer, 3001 Senior Mechanical Engineer (Supervisor), 3002 Senior Electrical Engineer (Supervisor), 3156 Supervising Transportation Electrical Engineer, 3163 Senior Transportation Electrical Engineer (Specialist), 3164 Senior Transportation Electrical Engineer (Supervisor), 3165 Associate Transportation Electrical Engineer (Supervisor), 3166 Associate Transportation Electrical Engineer (Specialist), 3412 Senior Electronic Engineer, 3683 Mechanical Engineer, 3609 Transportation Engineer (Electrical), 3633 Supervising Equipment Engineer, 3635 Senior Equipment Engineer

* Population & Age Data as of 6/12/15. Source: Caltrans - Division of Human Resources. Excludes Intermitents.

Proposed Budget Bill Language

17. Of the funds appropriated in Program 1835010-Capital Outlay Support, the Department of Transportation shall exempt Local SB 45 STIP projects deprogrammed from the 2016 STIP from the full cost recovery as outlined in its Indirect Cost Recovery Plan. The Department of Transportation will charge for functional overhead only for these projects.

18. Notwithstanding any other provision of law, should the California Transportation Commission or Legislature take action that will support re-programming of projects removed from the State Transportation Improvement Plan, the Director of Finance may increase the expenditure authority for additional staffing for Program 1835010-Capital Outlay Support after notifying the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees in each house of the Legislature that consider appropriations not later than 30 days prior to the effective date of the approval.

April 2016 Status of Activity to Implement Capital Outlay Support Zero Based Budget Review Outcomes and Accountability Recommendations

The following is the list of recommendations reported in the Capital Outlay Support (COS) Zero Based Budget Program Review Informational BCP#19 (FY14-15) and implementation status.

Provide Caltrans with more flexibility over the resource mix (state staff, cash overtime, & consultants) requested in the annual Finance Letter

- Finance will work with the Legislature to provide Caltrans with more flexibility over the COS Program resource mix (state staff, cash overtime, and consultants). Caltrans has developed a methodology/framework that will be used to develop the COS Program's resource mix included in the annual Finance Letter, beginning in fiscal year 2014-15. The methodology/framework will address issues including, but not limited to: situations when the program is growing, when the program is declining, maximizing the use of brokered work between districts, short-term workload spikes, functional staffing, etc.
✓ *Completed January 2014. Included in the Informational BCP.*
- Caltrans will develop a framework for appropriateness of establishing and funding "Environmental Stewardship Branches" to improve coordination with resource agencies.
✓ *Scheduled for completion June 2016. Initiated statewide Environmental Stewardship team meeting March 2014, completed Draft Assessment of Environmental Stewardship Team services in April 2014 and continuing to hold coordination meetings to share knowledge and experience between the districts. Many districts have implemented these branches and an Environmental Stewardship Branch Framework is scheduled for completion by June 30, 2016.*
- Caltrans will provide a three (3) year workload projection by District by function with people on board to facilitate a multi-year evaluation of project delivery staffing needs by area (environmental, design, etc.).
✓ *Completed August 2014. Delivered to Legislative Analyst Office (LAO).*

Caltrans will continue to develop and implement strategies to improve its annual resource request, initial project budgets; and improve monitoring of project budgets

- Caltrans will develop a comprehensive strategy to improve and monitor the accuracy of initial project budgets, including:
 - Updating workload estimating data.
 - Developing a "predictive tool" for developing a range of estimates for project budgets that will be used beginning fiscal year 2015-16 (see Attachment 2).
 - Work with the Divisions of Transportation Programming and Planning, to formulate and implement a policy to use the predictive tool in developing initial project budgets.
 - Actual expenditures at the close-out of each phase will be fed back into the predictive tool.

✓ *Estimated Completion March 2017. Caltrans is developing an online tool to provide the range of typical support costs by component based on significant project factors, allowing the estimator to take into-account unique factors as well as typical expenditure history. Also, PMD11, jointly signed by Divisions of Project Management, Transportation Programming and Planning has been put into place to account for inflation factors when developing initial project budgets. Progress made to date: Caltrans explored various statistical methods to best utilize factors and actual expenditure data from completed project phases. The resulting range of estimates is still very large, and more work will be conducted. Caltrans is analyzing which key variables significantly affect support costs and determining if this information is available in past project data. A pilot tool will be introduced in October 2016 for testing and user feedback. Once the online tool has been piloted and calibrated, updated guidance and training will institutionalize the use of this predictive tool.*

- Caltrans will develop a comprehensive strategy to improve and monitor the accuracy of the annual request, including:
 - In conjunction with the annual Finance Letter, provide an analysis of budgeted versus expended Full Time Equivalents (FTEs) by district for the prior year. For the fiscal year 2014-15 Finance Letter, Caltrans will pilot project level analysis for approximately ninety-five (95) projects.
 - ✓ *Completed May 2014.*
 - Providing additional information on the COS project list submitted with annual Finance Letter (Project Workload File) including: Adding columns for projects that require at least one Personnel Year and are more than three years past construction contract acceptance. The columns will provide the project end date and a comment field to explain the staffing need.
 - ✓ *Completed May 2014.*
 - Earned value management metrics will be included in annual Finance Letter beginning in FY 2015-16.
 - ✓ *Completed annually beginning April 2015 with the submittals of the FY2015-16 COS Finance Letter and the FY2016-17 COS Finance Letter.*
- Complete PRSM implementation
 - ✓ *Completed July 2014. PRSM Implemented.*
 - Institute task management and improve earned value management through PRSM.
 - ✓ *Completed July 2014 with the implementation of PRSM.*
 - Implement business rules to maximize the value of PRSM.
 - ✓ *Completed July 2014. Process to capture baseline values per project implemented.*
 - Implement functionality to compare budgeted and expended dollars.
 - ✓ *Completed July 2014 with the implementation of PRSM.*

- o Identify fix to provide functionality in the Caltrans accounting system, Enterprise Resource Planning Financial Infra-Structure (EFIS), to track consultant hours. Upon resolution, this data can then be tracked in PRSM.
✓ *Completed September 2014.*
- In an effort to provide the most up-to-date information and provide the Legislature adequate time to review the annual Finance Letter request, the Administration will submit the annual Finance Letter on May 1st with the COS Project Workload Files.
✓ *Completed May 2014. Provided the FY2015-16 COS Finance Letter on April 15, 2015 (two weeks early).*

Caltrans will continue to develop and implement strategies to improve budget accountability:

- Caltrans will develop a framework for when Districts should consider a projectized organization like the "Corridor Director" model in use in District 11.
✓ *Completed March 2016. Corridor Director Framework distributed on March 10, 2016.*
- Caltrans will establish change control rules for support budgets of the State Highway Operation and Protection Plan (SHOPP) program that are consistent with the State Transportation Improvement Program (STIP) and establish metrics to measure/track performance of the rules.
✓ *Completed August 2014. Implemented Project Management Directive 022 policy entitled "Capital Outlay Support Change Management Policy, Process, and Procedures" to define support budget change requests and process. With the implementation of SB486 and the adoption of CTC G-12 Resolution, these rules will change on July 1, 2016. Policy and guidance will be updated accordingly.*
- This proposal includes legislation to close a loop hole that currently exists for Right of Way Support and Capital expenditures that exceed their allocation after the California Transportation Commission vote. Right of Way Support and Capital are combined into one component under SB45. Costs in excess of the initial allocation come off the top of the STIP with no adjustment to county shares. This change would adjust county shares at the time of Contract Construction Acceptance when Right of Way Support and Capital expenditures are greater than 20% of the allocation.
✓ *Completed June 2014 with implementation of Senate Bill 853 (Trailer bill related to FY14-15 State Budget Act)*

Caltrans will continue to develop and implement strategies to improve statewide program management:

- Caltrans will develop a centralized Project Management statewide web portal that will consolidate existing Project Management guidance and eliminate potential duplication or inconsistencies between Districts.

- ✓ *Completed February 2016. The intranet website was overhauled and now includes a Policies and Guidance web portal with easy organized access to all Project Manager guidance.*
- Caltrans will develop a Quality Management Plan for project and annual Finance Letter data.
 - ✓ *Completed January 2015. Further improved in January 2016. An improved process and error identification checklist was implemented and workload data reviewed iteratively between HQ and district staff early-on.*
 - ✓ *Completed January 2015. Implemented an updated policy (Project Management Directive 018 entitled "Management of Capital Outlay Support") implementing a Cost Change Control process and requiring Project Managers to continuously update workplans and requiring District management to monitor accuracy of PRSM data and provide monthly updates.*
 - Headquarters to conduct monthly oversight of current and planned projects
 - ✓ *Completed January 2015. Monthly auditing of PRSM data to ensure that data in the system is accurate and up to date. See note above regarding PRSM error reports.*
 - ✓ *Completed January 2015: HQ developed a COS Budget Status report that is shared with the Districts each quarter. It identifies project components that are in danger of exceeding their budgets, and prompts the Districts to address the issue by preparing a Project Change Request (PCR) or adjusting the Estimate at Completion (EAC).*
 - ✓ *Performing quarterly project reviews of forecasted final costs vs planned budget to increase the accuracy of project workload.*

BCP Fiscal Detail Sheet

BCP Title: Capital Outlay Support: Governor's Transportation Package

DP Name: 2660-152-BCP-DP-2016-MR

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	352.0	352.0	352.0	352.0	352.0
Total Positions	0.0	352.0	352.0	352.0	352.0	352.0
Salaries and Wages						
Earnings - Permanent	0	27,583	27,583	27,583	27,583	27,583
Overtime/Other	0	6,480	6,480	6,480	6,480	6,480
Total Salaries and Wages	\$0	\$34,063	\$34,063	\$34,063	\$34,063	\$34,063
Total Staff Benefits	0	14,205	14,205	14,205	14,205	14,205
Total Personal Services	\$0	\$48,268	\$48,268	\$48,268	\$48,268	\$48,268
Operating Expenses and Equipment						
5301 - General Expense	0	3,168	3,168	3,168	3,168	3,168
5340 - Consulting and Professional Services - External	0	104,028	104,028	104,028	104,028	104,028
5368 - Non-Capital Asset Purchases - Equipment	0	-83,445	-83,445	-83,445	-83,445	-83,445
Total Operating Expenses and Equipment	\$0	\$23,751	\$23,751	\$23,751	\$23,751	\$23,751
Total Budget Request	\$0	\$72,019	\$72,019	\$72,019	\$72,019	\$72,019

Fund Summary

Fund Source - State Operations						
0042 - State Highway Account, State Transportation	0	72,019	72,019	72,019	72,019	72,019
3291 - Trade Corridor Enhancement Account, State	0	83,445	83,445	83,445	83,445	83,445
Total State Operations Expenditures	\$0	\$155,464	\$155,464	\$155,464	\$155,464	\$155,464
Fund Source - Capital Outlay						
3291 - Trade Corridor Enhancement Account, State	0	-83,445	-83,445	-83,445	-83,445	-83,445
Total Capital Outlay Expenditures	\$0	\$-83,445	\$-83,445	\$-83,445	\$-83,445	\$-83,445
Total All Funds	\$0	\$72,019	\$72,019	\$72,019	\$72,019	\$72,019

Program Summary

Program Funding						
1835010 - Capital Outlay Support	0	155,464	155,464	155,464	155,464	155,464
1835019 - Capital Outlay Projects	0	-83,445	-83,445	-83,445	-83,445	-83,445
Total All Programs	\$0	\$72,019	\$72,019	\$72,019	\$72,019	\$72,019

BCP Fiscal Detail Sheet

DP Name: 2660-150-BCP-DP-2016-MR

BCP Title: Capital Outlay Support: Project Delivery Workload

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	-151.0	-151.0	-151.0	-151.0	-151.0
Total Positions	0.0	-151.0	-151.0	-151.0	-151.0	-151.0
Salaries and Wages						
Earnings - Permanent	0	24,837	24,837	24,837	24,837	24,837
Overtime/Other	0	-644	-644	-644	-644	-644
Total Salaries and Wages	\$0	\$24,193	\$24,193	\$24,193	\$24,193	\$24,193
Total Staff Benefits	0	-6,522	-6,522	-6,522	-6,522	-6,522
Total Personal Services	\$0	\$17,671	\$17,671	\$17,671	\$17,671	\$17,671
Operating Expenses and Equipment						
5301 - General Expense	0	5,054	5,054	5,054	5,054	5,054
5340 - Consulting and Professional Services - External	0	9,779	9,779	9,779	9,779	9,779
Total Operating Expenses and Equipment	\$0	\$14,833	\$14,833	\$14,833	\$14,833	\$14,833
Total Budget Request	\$0	\$32,504	\$32,504	\$32,504	\$32,504	\$32,504
Fund Summary						
Fund Source - State Operations						
0042 - State Highway Account, State Transportation	0	74,209	74,209	74,209	74,209	74,209
0653 - Seismic Retrofit Bond Fund of 1996	0	422	422	422	422	422
0890 - Federal Trust Fund	0	71,141	71,141	71,141	71,141	71,141
3007 - Traffic Congestion Relief Fund	0	8,833	8,833	8,833	8,833	8,833
6055 - Corridor Mobility Improvement Account, Highway	0	-23,934	-23,934	-23,934	-23,934	-23,934
6056 - Trade Corridors Improvement Fund	0	-8,617	-8,617	-8,617	-8,617	-8,617
6058 - Transportation Facilities Account, Highway	0	-756	-756	-756	-756	-756
6060 - State-Local Partnership Program Account,	0	-733	-733	-733	-733	-733
6064 - Highway Safety, Rehabilitation, and Preservation	0	-277	-277	-277	-277	-277
6072 - State Route 99 Account, Highway Safety, Traffic	0	-8,001	-8,001	-8,001	-8,001	-8,001
0995 - Reimbursements	0	-79,783	-79,783	-79,783	-79,783	-79,783
Total State Operations Expenditures	\$0	\$32,504	\$32,504	\$32,504	\$32,504	\$32,504
Total All Funds	\$0	\$32,504	\$32,504	\$32,504	\$32,504	\$32,504
Program Summary						
Program Funding						
1835010 - Capital Outlay Support	0	32,504	32,504	32,504	32,504	32,504
Total All Programs	\$0	\$32,504	\$32,504	\$32,504	\$32,504	\$32,504