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DATE: June 8, 2012

TO: Members: Transportation, Communication and Public Works Policy Committee

FROM: Jennifer Whiting, League Staff (916) 659-8249

RE: **POLICY COMMITTEE MEETING**
DATE: **Thursday, June 14, 2012**
TIME: **10:00 a.m. – 3:00 p.m.**
PLACE: **Sacramento Convention Center**
1400 J Street, Rm. 203, Sacramento

Special Order of Business
Post Redevelopment & State Budget Update
10:00 a.m., Room 204, Sacramento Convention Center

Attached are the agenda and background materials for the upcoming policy committee meeting. If you plan to attend and have not yet returned the attendance form, please email Meg Desmond by **June 8, 2012**. Her email address is: mdesmond@cacities.org. Registration for this meeting is not required; however, your response will help us determine the meal count.

TRANSPORTATION, PARKING and DRIVING DIRECTIONS are provided on the back of this letter.

OVERNIGHT ACCOMODATIONS: If you require an overnight stay in Sacramento, the League can recommend three local properties. Please consider booking online for best available rates or checking www.hotels.com for the Sacramento area.

Hotel Recommendations: Hyatt Regency, 1209 L Street, Sacramento (916) 443-1234
Sheraton Grand, 1230 J Street, Sacramento (916) 447-1700
Residence Inn, 1121 15th Street, Sacramento (916) 443-0500

Deadline for Submitting Annual Conference Resolutions
Midnight on Saturday, July 7, 2012 – Email, regular mail, or fax
For more information, visit: www.cacities.org/resolutions or contact: mdesmond@cacities.org

League of California Cities Policy Committee Meetings – June 14 & 15, 2012

Meeting Locations: Sacramento Convention Center: 1400 J Street, Sacramento 95814 **OR**
League of California Cities: 1400 K Street, Sacramento 95814 (AS & CS committees)
(The League office is located directly behind the Convention Center)

AIR TRANSPORTATION:

Low, refundable airfares are available through the Enhanced Local Government Airfare Program. The program requires that a city be pre-registered; check with your city's travel coordinator. This program is ticketless and includes Southwest, United and United Express. For city pairs, rates, or if your city has not yet registered, please check the League Web site at <http://www.cacities.org/travel> for details.

TRANSPORTATION FROM AIRPORT:

YOLOBUS information - <http://www.yolobus.com/m3.html> - (530) 666-BUSS (2877)

Cost: \$2.00 each way; seniors (62+) /Disabled, \$1.00

Travel time: The bus ride is approximately 20-30 minutes.

From the Airport. (Bus 42A)

Buses run every hour (at approximately 19 minutes past the hour). After departing plane, go to the island outside and locate Public Transit. This is where you will catch YOLOBUS

SUPERSHUTTLE (1-800-BLUE VAN): Upon arrival at the airport, claim your luggage then proceed to the **SuperShuttle** ground transportation booth. A representative will arrange SuperShuttle transportation to your destination. Reservations are not required. **One-way ticket per person: \$14.00 (\$11 each additional). Round trip ticket per person: \$26.00.**

Please note: Downtown hotels do **NOT** provide shuttle service from the airport.

CABS are quoted between **\$30.00 to \$40.00** from airport to downtown.

RETURN TO AIRPORT:

SuperShuttle (1-800-BLUE VAN) makes regular stops every 1/2 hour in front of these hotels, both within easy walking distance of the Convention Center:

Hyatt Sacramento, 1209 L Street, Sacramento - (916) 443-1234

Sheraton Grand, 1230 J Street, Sacramento - (916) 447-1700

YOLOBUS: Back to Airport (Bus 42B) Pickup location: L & 13th Streets

Buses run every hour (at 5 minutes past the hour). The bus ride is approximately 20-30 minutes.

DRIVING DIRECTIONS:

Below are suggested driving directions to the Convention Center and may not be the most efficient route from your starting point. There are many websites which offer assistance with driving directions. Here are two that may be helpful:

www.mapquest.com, and <http://maps.yahoo.com/>

From I-5: Exit "J" Street. The Convention Center is located on "J" Street (one-way) between 13th & 15th St.

From I-80 (West traveling East): Take I-5 North, then follow the above directions.

From I-80 (East traveling West): Take I-80 to Capitol City Freeway (right lanes); Exit 160 Downtown (right lanes). When freeway ends, merge to near left lane. Turn left on "J" Street, go 1 block.

From the South on Highway 99: Take 99 North to Business 80 West (Capitol City Freeway). Exit at 16th Street. Continue on 16th Street, and turn left on "I", then left on 13th Street.

PARKING: (Allow time for parking; the downtown area is congested)

There are numerous public parking garages in the vicinity. Those **closest to the Convention Center** are located at 13th and "J" Streets - directly across from the Sheraton Grand Hotel and the Convention Center. From "J" Street (one way), turn left on 13th Street; entrances to the parking lots are on both the left and the right. The Hyatt Hotel has its own parking garage and valet parking. From "J" Street, turn right on 13th Street, then right on "L" Street. The parking garages **closest to the League offices** are on "K" Street next to the Capitol Garage, corner of 15th & "K" Streets (enter from K Street).

Hotel Recommendations: Hyatt Regency, 1209 L Street, Sacramento (916) 443-1234
Sheraton Grand, 1230 J Street, Sacramento (916) 447-1700
Residence Inn, 1121 15th Street, Sacramento (916) 443-0500



ATTENDANCE FORM

Meeting: Policy Committee Meetings

Date(s): Thursday, June 14, or Friday, June 15, 2012

Time: 10:00 a.m. - 3 p.m.

Place: Sacramento Convention Center **OR** *League of California Cities
1400 J Street 1400 K Street, 3rd Floor
Sacramento, CA 95814 Sacramento, CA 95814

Please check committee:

THURSDAY, June 14, 2012

- *Administrative Services
- Environmental Quality
- Revenue & Taxation
- Transp., Comm. & Public Works

FRIDAY, June 15, 2012

- *Community Services
- Employee Relations
- Housing, Community & Economic Dev.
- Public Safety

I **WILL** attend

I **WILL NOT** be attending



If you require reasonable accommodations related to facility access, communication and/or diet, please indicate your special needs _____

Name: _____

Title: _____

City: _____

Please RSVP by Friday, June 8, 2012

Please choose **ONLY ONE** method of responding:

E-Mail: mdesmond@cacities.org. This form is **NOT** necessary when e-mailing. When e-mailing, please indicate your name, title, city and policy committee.

FAX this form to: (916) 658-8240
Attention: Meg Desmond

TRANSPORTATION, COMMUNICATION, & PUBLIC WORKS POLICY COMMITTEE

Thursday, June 14, 2012

10:00 a.m. – 3:00 p.m.

Sacramento Convention Center, 1400 J Street, Rm. 203, Sacramento

A G E N D A

Individuals who wish to review the full text of bills included in this packet are encouraged to do so by visiting the League's Web site at www.cacities.org/billsearch. Be sure to review the most recent version of the bill.

**Special Order of Business
Post Redevelopment & State Budget Update
10:00 a.m., Room 204, Sacramento Convention Center**

- I. Welcome and Introductions**
- II. Public Comment**
- III. Legislative Update (Attachment A)**
- i. AB 1706 (Eng) – Transit Bus Axle Weight Limits *Action*
 - ii. Cap & Trade Auction Revenues *Action*
- IV. High Speed Rail (Attachment B)** *Action*
- V. California Statewide Transportation System Needs Assessment (Attachment C)** *Action*
- VI. Federal Update** *Information*
- VII. Transportation System User Fee Proposal** *Information*
Speaker: Bert Sandman, Executive Director, Transportation California
- VIII. Next Meeting: Annual Conference, San Diego, September 5, 9:00 – 10:30 A.M.**
Staff will notify committee members after July 7th if the policy committee will be meeting in September

Brown Act Reminder: The League of California Cities' Board of Directors has a policy of complying with the spirit of open meeting laws. Generally, off-agenda items may be taken up only if:

- 1) Two-thirds of the policy committee members find a need for immediate action exists and the need to take action came to the attention of the policy committee after the agenda was prepared (Note: If fewer than two-thirds of policy committee members are present, taking up an off-agenda item requires a unanimous vote); or*
- 2) A majority of the policy committee finds an emergency (for example: work stoppage or disaster) exists.*

A majority of a city council may not, consistent with the Brown Act, discuss specific substantive issues among themselves at League meetings. Any such discussion is subject to the Brown Act and must occur in a meeting that complies with its requirements.

NOTE: Policy committee members should be aware that lunch is usually served at these meetings. The state's Fair Political Practices Commission takes the position that the value of the lunch should be reported on city officials' statement of economic interests form. Because of the service you provide at these meetings, the League takes the position that the value of the lunch should be reported as income (in return for your service to the committee) as opposed to a gift (note that this is not income for state or federal income tax purposes—just Political Reform Act reporting purposes). The League has been persistent, but unsuccessful, in attempting to change the FPPC's mind about this interpretation. As such, we feel we need to let you know about the issue so you can determine your course of action.

If you would prefer not to have to report the value of the lunches as income, we will let you know the amount so you may reimburse the League. The lunches tend to run in the \$30 to \$45 range. To review a copy of the FPPC's most recent letter on this issue, please go to www.cacities.org/FPPCletter on the League's Website.

TRANSPORTATION, COMMUNICATIONS, AND PUBLIC WORKS
Legislative Agenda
June 2012

Staff: Lobbyist: Jennifer Whiting (916) 658-8249

1. AB 1706 (Eng). Transit Bus Weight.

Bill Summary:

Relating to the issues of bus axle weights, this bill:

- Exempt transit buses procured prior to January 1, 2013 from the current 20,500 pounds per axle weight limit;
- Set a weight limit of 22,400 pounds per axle for buses procured between January 1, 2013 and January 1, 2016.
- Reset the current weight limit of 20,400 pounds per axle beginning January 1, 2016.
- Require the Secretary of Business, Transportation and Housing to convene a working group and produce a report on various impacts of buses on streets and roads and the viability of buses being produced at lighter weights.

The working group would consist of:

- Two representatives of public transportation systems, as determined by the California Transit Association.
- Two representatives of bus manufacturers, bus component integrators, or bus component manufacturers, as determined by the California Transit Association.
- Three representatives of cities, as determined by the League of California Cities.
- One representative of counties, as determined by the California State Association of Counties.
- A representative of the Department of Transportation.
- A representative of the Department of the California Highway Patrol.

The report would consist of:

- A determination concerning any changes that should be made to the requirements of Section 35554, as that section read on January 1, 2012, regarding the application of axle weight limits to transit buses.
- An analysis of the applicability of the weight restrictions in Section 35554, as that section read on January 1, 2012, compared to the requirements of federal and state laws and regulations that affect the weight of transit buses.
- Recommendations relative to updating the pavement design standards utilized by the Department of Transportation in designing and constructing highways and by local governments in designing and constructing streets and roads, given the necessity of maintaining a sustainable transportation network that includes the provision of adequate public transportation service by bus, and the requirements of federal and state laws and regulations that affect the weight of transit buses.

- An analysis of, and recommendations concerning, whether the Legislature should require that each state agency that adopts regulations that affect the design or manufacture of motor vehicles consider all of the following:
 - The weight that would be added to the vehicle by implementation of the proposed regulation.
 - The effect that the added weight would have on pavement wear.
 - The resulting cost to the state and local governments.
- An analysis relating to the axle weight of transit buses that compares the costs of the pavement wear caused by transit buses with the costs of the pavement wear caused by other vehicles, including trucks or vehicles such as municipal garbage trucks or fire engines.

The following factors must be considered in the preparation of the report:

- Vehicle design standards, including those relating to durability and corrosion, and the typical operating environments of transit vehicles.
- Statutory and regulatory requirements, including the federal Clean Air Act (42 U.S.C. Sec. 7401 et seq.), the federal Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12101 et seq.), as amended, and the transit bus engine emission regulations and standards adopted by the State Air Resources Board and by individual air quality management districts.
- Federal motor vehicle safety standards prescribed under Chapter 301 of Title 49 of the United States Code (49 U.S.C. Sec. 30101 et seq.).
- The availability of lightweight materials suitable for use in the manufacture of transit buses, the cost of those lightweight materials relative to the cost of heavier materials in use as of the date of the determination, and any safety or design considerations relating to the use of those materials.
- The necessity of vehicle amenities that are attractive to existing or prospective transit passengers.
- Any available information pertaining to the means to encourage the development and manufacture of lightweight transit buses.
- Any other pertinent data in the report by the Secretary of the United States Department of Transportation entitled Study & Report to Congress: Applicability of Maximum Axle Weight Limitations to Over-the-Road and Public Transit Buses Pursuant to Senate Report No. 107-38, dated December 2003.
- The latest interpretation by the Federal Transit Administration and by the Federal Highway Administration of the applicability of Section 127 of Title 23 of the United States Code as it pertains to enforcement in California of federal limitations on transit bus weight.

Background:

The California Vehicle Code outlines weight limits for buses, stating that they must not exceed 20,500 lbs per axle. The current weight limit for buses was put into place in 1975, and has not been changed since that time. However, many other state and federal requirements for buses have changed significantly since 1975. The California Transit Association (sponsor) points to ADA requirements, increased safety requirements, and more stringent environmental requirements as examples to why the weight of transit buses have increased significantly.

Some examples of changes that have led to heavier buses include:

- The Fleet Rule for Transit Agencies, 2000. Established by the CA Air Resources Board, this rule directed the state’s transit agencies to adopt either “alternative fuel” fleets or participate in zero emission bus demonstration projects. As a result, fleets transitioned to alternative fuel (CNG), and the equipment associated with that change added around 4,000 to each bus.
- Federal Americans with Disabilities Act (ADA), 1990. The ADA ensures equal access for persons with disabilities, requires public transit buses to be equipped with ADA-compliant tools, such as wheelchair lifts, ramps, kneelers, tie-downs, and other equipment. This gear also adds hundreds of pounds of weight to buses.

In addition to changes in law and regulations, buses today are designed to accommodate more passengers, especially standing passengers. Passenger weights are also increasing. The Federal Transit Administration is in the process of amending its bus testing regulation to more accurately reflect average passenger weights and actual transit vehicle loads.

As part of SAFETEA-Lu in 2005, federal law exempts public transit buses from the federal weight limit of 20,000 lbs per axle for buses traveling on interstate highways. The exemption was intended to give USDOT time to study the issue and develop more realistic weight limits. The exemption has been carried over in each extension of SAFETEA-Lu.

Staff Recommendation:

Support the working group and report requirements. Maintain a position of concerns on the temporarily increased weight limits. Pursue amendments that would require all state rulemaking bodies to consider the following factors for any proposed rule:

- The weight added to a vehicle;
- The effect any added vehicle weight would have on pavement wear; and,
- The resulting costs to state and local governments.

Committee Recommendation:

Board Action:

Fiscal Impact:

Increased costs due to wear and tear on city streets.

Existing League Policy:

The League does not have direct policy for the size and weight of buses. However, the following policies are related.

The League opposes any efforts to increase truck size or weight. The size and weight of trucks is important because it affects the stability and control of the truck, the way it interacts with other traffic, and the impact it has when colliding with other vehicles. Truck safety is particularly important because these vehicles share city streets and county roads with users — such as, motorists, pedestrians, cyclists, motorcyclists, and bus riders.

The League opposes all efforts that allow vehicles on the road that will jeopardize the integrity of the public infrastructure or the health and safety of the motoring public. The League supports all efforts to retain maximum control of the local street and road system. The League supports traffic safety enhancements such as motorcycle helmets, child restraints, seat belt and speed limit laws.

Comments:

The committee's discussion in January and March. In January, the Committee voted unanimously to 1) express concerns regarding this conceptual bill; 2) to direct staff to set up a meeting with the sponsor to work through technical issues and alternatives* raised by committee members; and, 3) to request staff to bring the issue/bill back to committee in March once the proposal is more fully developed.

Committee members cited concerns about impacts of heavier buses on city streets, and some contested the assertion that transit agencies had no other option than to buy these buses. Some members expressed that they would like transit agencies to speak up more in support of additional funding for local streets and roads. They suggested that publicly owned transit buses should be separated from privately owned buses. However, committee members recognized that these buses are already operating on our streets and the obstacles that face transit if the weight limits are not increased. They want to remain at the table to discuss how to best address the problem with our transit partners.

*Technical issues discussed included completing a traffic index report for bus impacts on roads, an estimate of how much such a change will cost cities, if Regional Transportation Plans would need to be revised, and what impact alternative fuels have on vehicle weight. Alternatives discussed included: buying smaller buses and using alternative materials for buses.

In March, the Committee voted to continue negotiations. Committee members raised questions regarding the weight differences between fuel systems (Fuel Cell vs. CNG) and if more frequent trips with smaller buses impact traffic differently than larger buses with fewer trips. Committee members also raised concerns about articulated buses, which they argue cause significant damage to streets and are used solely with the purpose of transporting more passengers. The committee may consider if they would like these factors built into the reporting requirements of the bill.

The Board supported the committee recommendations in both January and March..

Why 22,400 lbs per axle for interim period? When the bill was heard in the Assembly Transportation Committee, the committee made the author accept interim weight limits of 22,400 pounds per axle. Committee staff found this recommendation in the US DOT report *Study & Report to Congress: Applicability of Maximum Axle Weight Limitations to Over-the-Road and Public Transit Buses (December 2003)*. The 22,400 pounds per axle was one of multiple options in the report, and is already current law in various other states. Staff notes that while the report was published in 2003, none of the recommendations have been implemented on the federal level.

What triggered the legislation? Buses that violate the existing weight limits are already operating on city streets, likely in every jurisdiction. This has recently come to the attention of a few cities, and at least one of them issued citations to transit buses. Staff has been informed that the ticketing has been stopped until a legislative fix can be found.

What's the right amount? The sponsors of the bill have compiled some data on how much buses currently operating actually weigh. They have stated to staff that their intent is not to allow transit agencies to procure heavier buses; the sponsors simply want to change state law to reflect what is happening today.

Why did transit agencies procure buses that violated state law? According to the sponsors, lighter buses that meet state and federal regulations are simply not available. The committee may want to discuss with the sponsors what measures they have taken to confirm this information.

Public buses vs. Private buses. Current law does not distinguish between publicly and privately run buses. If the committee decides to support (or be neutral on) increased bus weight limits, should there be a distinction made?

How can we avoid this happening again? According to the sponsor, the weight of buses has gone up incrementally over many years due to changes in state and federal law and regulations. Should regulating agencies be required to consider the weight of new components on buses before passing a regulation? Staff believes this would be a tall order, but may be something that the committee wants to add to the legislative discussion, even if they do not require that it be part of the final bill.

Does this reflect a change in League policy? As noted in *Existing League Policy* above, current policy has strong language in opposition to weight limits for trucks being increased. Does the committee's recommendation reflect a change? If so, what is that change?

Support-Opposition:

Support:

California Transit Association (sponsor)
Antelope Valley Transit Authority
City of Culver City
City of Torrance
El Dorado National - California
Long Beach Transit
Los Angeles Metropolitan Transportation Authority (support work with author)
Monterey-Salinas Transit
Paratransit, Inc.
Santa Barbara Metropolitan Transit District
Santa Clara Valley Transportation Authority
Santa Cruz Metropolitan Transit District

Opposition:
City of Lakewood

Concerns:
League of California Cities
CSAC

2. Cap & Trade Auction Revenues.

Summary:

Beginning this fall, the State Air Resources Board will be running a Cap and Trade program that is projected to provide a multi-billion annual revenue stream. A significant portion of these funds will likely be available to local government. Staff is seeking input from the Environmental Quality; Transportation, Communication & Public Works; Housing, Community & Economic Development; and, Revenue and Taxation Committees on the Cap and Trade Auction revenues.

Background:

A key element of California's greenhouse gas reduction program under AB 32 is the State's "Cap and Trade" program. The program works by establishing a hard cap on about 85 percent of the total statewide greenhouse gas emissions. This includes industries like mining, oil production and energy production, manufacturing plants, transportation fuels and others. The State Air Resources Board will issue emission "allowances" equal to the total amount of allowable emissions over a given compliance period. Then, entities that are regulated under the program will be able to "trade" or buy and sell a portion of these allowances. Each allowance is equal to one ton of greenhouse gases. As the overall cap declines, fewer allowances will be available.

This August, the Air Resources Board will hold a practice auction, which will be followed by the first real auction on November 14th. In 2013, the Air Board will begin its regular quarterly auctions (*expected to be held in January, March, August and November*)

Over time, the auctions are estimated to generate into the billions annually for the state. It is estimated the first auction (November 2012) will raise between \$660 million and \$3 billion in the 2012-13 fiscal year. In future years, it's estimated that the auctions may raise between \$3 and \$14 billion annually. There are still questions surrounding exactly how much the auctions will raise until they actually happen. It's also important to note that the bulk of the money will be raised after 2015 when the transportation fuel and residential and natural gas sectors are included in the auctions.

The current proposed Governor's budget assumes the state will receive \$1 billion from the auctions and assumes that \$500 million of that money will go to offsetting existing greenhouse gas mitigation activities and the other \$500 million for new or expanded programs intended to reduce greenhouse gas emissions. Potential areas that revenue could be directed to include low carbon transportation and infrastructure, clean and efficient energy, and natural resources

protection.

There are also four bills (*AB 2404 (Fuentes)*, *AB 1532 (Perez)*, *AB 1186 (Skinner)* and *SB 1572 (Pavley)*) that all outline ways to spend the auction revenues. AB 2404 was held on the Assembly Appropriations Suspense File (dead) while the remaining three are in the second house but are considered “works-in-progress” and will likely be changing over the next few months.

While AB 2404 (Fuentes) was held on the Assembly Appropriations Suspense File, League staff remains concerned that the language may end up in one of the other remaining bills. Of particular concern is the requirement that all Cap and Trade Auction revenues would be given out as competitive grants from the State Strategic Growth Council (regardless of issue area) and only counties or groups of counties would be eligible for the funds. Because of this, League staff is recommending an oppose position on AB 2404 to stop the provisions of the bill from reemerging in another bill.

Staff Recommendation:

Staff recommends an oppose position on AB 2404 (Fuentes) and a discussion on the broader areas of potential revenue from Cap and Trade auctions.

Fiscal Impact: Potentially billions in new revenue for programs and policies at the local level.

Existing League Policy:

From Environmental Quality:

- Green Technology Investment Assistance. Support tax credits, grants, loans and other incentives to assist the public, businesses, and local agencies that invest in energy efficient equipment and technology, and fuel efficient low emission vehicles.

From Revenue and Taxation:

- Additional revenue is required in the state/local revenue structure. There is not enough money generated by the current system or allocated to the local level by the current system to meet the requirements of a growing population and deteriorating services and facilities.

From Transportation, Communication and Public Works:

- The League supports additional funding for local transportation and other critical unmet infrastructure needs.

Comments:

1. *AB 2404 (Fuentes)*. AB 2404 was held on the Assembly Suspense File and is effectively dead. However, as with many bills, it is likely that pieces of AB 2404 will end up in other proposals. The League did not take a formal position on the bill, but did convey concerns to the author’s office regarding the money going out through the State Strategic Growth Council and the bill’s provisions that would not allow individual cities to apply for any of the funds.

Staff recommends an oppose position on AB 2404, even though the bill is dead, to allow staff to fend off the two concerning provisions noted above.

2. *Sinclair Nexus Test.* Revenues from Cap and Trade auctions are considered mitigation fee revenues and therefore will need to be strictly held to what's known as the Sinclair nexus test, based on the 1997 California Supreme Court Case, *Sinclair Paint vs. State Board of Equalization*, which requires that a clear nexus exist between an activity for which a mitigation fee is used and the adverse effects related to the activity on which that fee is levied. This will be an important point going forward as both the administration and legislature are making sure that any revenue coming from the auction and going out to the community will be strictly held to this test.
3. *Proposal for Transportation Fuels Revenues.* Motor vehicle fuels comprise approximately 40 percent of the state's GHG emissions and will fall under the cap beginning in 2015. There is an argument that a corresponding amount of the Cap and Trade Auction revenues should be dedicated to transportation programs that would reduce GHG emissions. Some draft principles for use of the transportation-related revenues are:
 - a. *Dedicate the allocation revenues related to fuels to transportation investments.*
 - b. *Invest a major portion of those dedicated revenues directly into transportation infrastructure, operations, and maintenance.*
 - c. *Structure the investments to favor integrated transportation infrastructure investments.*
 - d. *Use these transportation investments to provide the incentives and assistance that local governments need to make SB 375 work.*
 - e. *Allow flexibility at the regional and local level to develop the most cost effective ways to meet both transportation and greenhouse reduction goals.*
 - f. *Invest in improved modeling and verification systems and use those to provide assurance that local strategies meet both GHG and cost effectiveness goals.*
4. *Lots of Programs to Fund.* Under the various proposals for Cap and Trade Auction revenues a multitude of proposals for programs to fund have emerged. They range from funding solar panels for schools, to transportation planning, to water infrastructure. A few key areas have emerged that may be helpful as guidelines for types of programs that may ultimately be funded:
 - a. *Revenues directed towards low-carbon transportation infrastructure.*
 - b. *Clean and efficient energy.*
 - c. *Natural resources protection.*
5. *Regional Governments vs. Individual Cities or Counties and Other Questions on Revenue Delivery.* Many of the discussions League staff has had on new revenues have suggested the funds should go out through regional government bodies to encourage regional projects and planning. One area of discussion for the committee is whether or not there is a preference for how revenues from Cap and Trade Auctions are delivered. Should they be on a regional basis? Available to individual cities, or both options? What if the funds are connected to the completion of a Sustainable Communities Strategy or some other plan related to GHG

emission reductions? Should those plans be certified or approved by a state agency?

6. *Program Accountability.* With such a significant amount of money at stake from the auctions, a number of groups in Sacramento are calling for some kind of reporting or other form of accountability to show that the programs and policies the auction revenues are funding are reducing GHG emissions. Is annual or bi-annual reporting on programs and policies receiving funding from auction revenues appropriate? If not, why? What should happen if the programs funded by auction revenues don't achieve the results expected?
7. *Will the revenues remain stable over time?* At this point it's still unclear. Until the November 2012 auction (which is the first real auction), no one knows exactly what revenues will be available. The Administration has suggested the revenues for 2012-2013 may be in the range of \$600 million to \$3 billion and ultimately could go as high as \$14 billion per year. However, auction revenues are intended to lessen each year. This is because as we get closer to 2020, our overall amount of GHG's should be lower so there should be fewer allocations in the auction, thus less revenue coming in. Additionally, with up to 4 auctions per year proposed, auction revenues may vary from auction to auction.
8. *Is there an end date for the revenues?* AB 32 requires the State meet 1990 levels of GHG emission by 2020. It remains unclear exactly what will happen as we get closer to 2020, but the State has done some planning. In 2005, then Governor Schwarzenegger issued an Executive Order that established a state target for GHG emission reductions to 80 percent below 1990 levels by 2050. Additionally, ARB in its Scoping Plan looked well past 2020 to 2030 and 2050 and provided thoughts as to what might be possible in the future. Regional targets required by SB 375 and set by the ARB included target dates for both 2020 and 2035. Finally, it is also highly likely that the next update of the ARB Scoping Plan or a future legislative measure will extend the provisions of both AB 32 (with a new goal and new date) as well as the Cap and Trade program.

Questions for League Policy Committees:

1. Do you concur with staff's proposal to oppose AB 2404 (see Comment #1)?
2. Do you support the concept Comment #3 of dedicating revenues derived from transportation fuels to transportation purposes?
3. Regarding the delivery process of revenues:
 - a. Should they be on a regional basis or available to individual cities, or both? Does it depend on the program or industry the revenues are derived from?
 - b. What if the funds are connected to the completion of a Sustainable Communities Strategy or some other plan related to GHG emission reductions? Should those plans be certified or approved by a state agency?
4. Is annual or bi-annual reporting on programs and policies receiving funding from auction revenues appropriate? If not, why? What should happen if the programs funded by auction revenues don't achieve the results expected?

Cap and Trade Auction Revenue Proposals

Bill/Proposal	AB 2404 (Fuentes)	AB 1532 (Perez)	SB 1572 (Pavley)	AB 1186 (Skinner)	Governor's Budget	Legislative Budget Response
Summary	Creates the Local Emission Reduction Program to provide local assistance grants to develop and implement multi-benefit greenhouse gas emission reduction projects in California's communities funded by Cap and Trade auction revenues	Establishes policy and procedures for fee revenues derived from Cap and Trade auctions.	Sets up the Greenhouse Gas Reduction Fund within the Air Resources Board to allocate Cap and Trade Auction revenues. Funds will only be available to go out upon appropriation of the Legislature through the annual Budget process.	Directs California Public Utilities Commission (CPUC) to require Investor Owned Utilities (IOU's) that receive auction revenues to designate a portion of the funds to go toward cost-effective school energy efficiency improvements. This would be done through the CPUC's oversight of the IOU's expenditure plan.	The Governor's January Budget proposal provides \$1 billion total in 2012-13. \$500 million for existing GHG mitigation activities, \$500 million for investments in 1) clean and efficient energy, 2) low carbon transportation, 3) natural resources protection, and 4) sustainable infrastructure.	Creates the Greenhouse Gas Reduction Fund in the State Treasury for auction revenues.
Who gives out money?	Strategic Growth Council	Various State Agencies through existing programs	ARB, upon appropriation of the Legislature through the annual Budget process.	CPUC	Unknown.	Unknown.
Grants/Loans?	Grants	Competitive grants, revolving loans, loan guarantees, loans or other appropriate funding measures.	Unknown.	Neither, CPUC direction to IOU's in revenue plans.	Unknown.	Unknown.
Money on Regional or city basis?	Only counties or groups of counties are eligible for funds.	Both options are likely.	Unknown.	n/a	Unknown.	Unknown.
Competitive grants?	All grants awarded on competitive basis	Yes, see above.	Unknown.	n/a	Unknown.	Unknown.
Additional Notes	In order to receive funds, counties must complete a GHG emission reduction plan certified by the State ARB, and that enters into a MOU with cities in its jurisdiction and others that choose to participate.	Funds will be available to a wide array of projects, through existing programs (EECBG, AB 118 are examples) to a number of different groups. Planning funds for SB 375 implementation are likely to be a part of this proposal.	Bill is still a work-in-progress. Senate members have a "working group" working on ideas for the bill.	Funds are available for schools only.	Under Budget proposal, after the first auction, the Governor would submit an expenditure plan to the Legislature	Identical language was passed in both Senate and Assembly Sub-Committees. Requires funds to meet AB 32 and Sinclair Fee nexus. Absent legislation passing on revenues, directs the Administration to submit a bill for expenditure of the revenues no later than January 10, 2013.

Transportation, Communication and Public Works Committee
June 2012
California High Speed Rail Project

Background:

There are multiple areas of movement for high-speed rail. Below is a short summary of the moving pieces.

The Business Plan. State law requires the High-Speed Rail Authority (HSRA) to submit business plans to the legislature every two years beginning in January 2012. Business plans were submitted in 2008 and 2009, then again in November 2011 (2012 Plan).

The 2012 Plan was advertised to be the most complete and realistic of all the plans. It included revised forecasts in both ridership and revenue, forecasting ridership to be 10 percent lower than previously forecasted and revenue to be 21 percent lower than previously forecasted (partially due to lower fares). The plan also forecasts that Phase 1 (San Francisco Transbay terminal to Los Angeles Union Station and Anaheim) will cost more than twice as much (\$99-\$118 billion versus \$43 billion) and delayed 14 years (2034 compared to 2020). The 2012 Plan proposed that construction be completed in segments, rather than as a whole. It also proposed “blended operations” that integrates HSR into existing commuter rail services rather than a stand-alone system.

However, like the previous business plans, the 2012 Plan had as many critics as it has fans. It was once again revised in April 2012. The Executive Summary is attached to this briefing.

Federal Funds. The President’s administration has shown significant support in California’s HSR program, both in the press and financially. To date, the federal government has committed \$3.3 billion in federal funding. However, this commitment has not come without controversy. As part of the federal transportation bill, Congressman Denham proposed an amendment that prohibited any of the funding from the bill be spent on the CA HSR project (the amendment was not adopted). In addition, the President’s administration has put the Legislature on notice that if they don’t appropriate the previously approved \$2.7 billion in state bond funds soon (i.e. this month), the federal funds will be rescinded. Similar ultimatums were made to Wisconsin and Ohio in 2010, and the money was ultimately rescinded. The California legislature has requested an extension until August, but the federal government has denied the request.

The Governor’s 2012-13 Budget. The Governor’s January budget proposal included \$15.9 million for support of the HSRA, and the May Revision included an additional \$705,000 to enable CalTrans to work with the HSRA and other local and regional rail operators to improve service on Northern California intercity rail lines, consistent with the blended system approach outlined in the 2012 Business Plan. In addition, the Governor has indicated that this project is a top priority for him. His vision for HSR was a significant part of his 2012 State of the State, and it frequently comes up in other speeches and general press availability.

Recently, it has been reported that Gov. Brown plans to ease legal scrutiny of the HSR program under CEQA. While staff has not seen language, we understand that it raises the bar for train opponents when they try to use the courts to delay construction by requiring them to prove the project causes major environmental problems, rather than more minor problems (such as the fact that track vibrations were not studied. In addition, he may propose some type of CEQA exemption for HSR.

In addition, the Governor’s budget proposed a reorganization of the Business, Transportation, and Housing Agency in which a Transportation Agency would be formed and would oversee the High Speed Rail Authority.

The Initiatives. There are multiple initiatives cleared for circulation:

- 1583. (12-0010): “Stop the \$100 Billion Bullet Train to Nowhere Act”. Prohibits the sale of remaining high-speed rail bonds. Submitted for Title and Summary on March 20, 2012; Circulation Deadline: October 15, 2012
- 1558. (11-0084): Eliminates High Speed Rail Authority. Bars the State of California from paying for high speed rail unless the people pass a new constitutional amendment specifically altering this prohibition. Circulation Deadline: June 21, 2012
- 1576. (12-0004): Prevents the issuance and sale of the remaining amount of high-speed rail bonds previously approved by the voters to initiate construction of a high-speed train system. Allows the Legislature to redirect any unspent high-speed rail bond proceeds from high-speed rail purposes to repay those outstanding bonds. Circulation Deadline: August 13, 2012

Legislation. As usual, the legislature has introduced multiple pieces of legislation related to HSR. Some of these purport to move the project forward, while others attempt to bring it to a complete halt. A list of the relevant legislation and the current status is below.

High-Speed Rail Legislation

Measure Author	Topic	Digest <i>Status</i>
AB 16 Perea	High-Speed Rail Authority	Would require the HSRA to make every effort to purchase high-speed train rolling stock and related equipment that are manufactured in California, consistent with federal and state laws. <i>Senate Inactive File</i>
AB 41 Hill	High-Speed Rail Authority: conflicts of interest: disqualification: ex parte communications	This bill (1) adds members of the High-Speed Rail Authority (HSRA) to those specified offices who must publicly identify a financial interest giving rise to a conflict of interest or potential conflict of interest, and recuse themselves accordingly, under the Political Reform Act, (2) prohibits a member of the HSRA board and any interested person, as defined, conducting an ex parte communication, unless the board member discloses and makes public the communication, and (3) requires the agency overseeing the HSRA to enforce

		<p>these provisions under certain conditions.</p> <p><i>Senate Third Reading</i></p>
AB 292 Galgiani	High-speed rail: agricultural lands	<p>Requires the High-Speed Rail Authority to appoint a nine-member agricultural advisory committee to consult with prior to adopting any policy relevant to agriculture.</p> <p><i>Senate Inactive File</i></p>
AB 492 Galgiani	High-Speed Rail Authority	<p>Requires the authority to consider the creation of jobs and participation by small business enterprises in California when awarding major contracts or purchasing high-speed trains. The bill would require the authority to appoint a small business enterprise advisory committee.</p> <p><i>In Senate Rules Committee</i></p>
AB 1455 Harkey	High-speed rail	<p>Reduces the amount of general obligation debt authorized for high-speed rail purposes pursuant to the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century to the amount contracted as of January 1, 2013.</p> <p><i>Died - Failed passage in Assembly Transportation</i></p>
AB 1523 Perea	Preapprenticeship training program: high-speed rail	<p>appropriate \$2,000,000 from the High-Speed Passenger Train Bond Fund to the authority for the purposes of funding a 3-year pilot project in the Central Valley to train unemployed workers for high-speed rail construction jobs. The bill would require the authority to work with various labor organizations to train a total of 400 clients in preapprenticeship programs that will lead to direct referrals to building trades unions, as specified.</p> <p><i>Held on Assembly Appropriations Suspense File</i></p>
AB 1574 Galgiani	High-speed rail	<p>Repeals all of the provisions of the California High-Speed Rail Act and enacts a new California High-Speed Rail Act. The bill would continue the High-Speed Rail Authority in existence with limited responsibilities and would place the authority within the Business, Transportation and Housing Agency. The 5 members of the authority appointed by the Governor would be subject to Senate confirmation, but existing members could continue to serve the remainder of their terms. The bill would authorize the authority to appoint an executive director, and would provide for the Governor to appoint up to 6 additional individuals exempt from civil service as authority staff. The bill would require the authority to adopt policies directing the development and implementation of high-speed rail, prepare and adopt a business plan and high-speed train capital program, establish a peer review group, select alignments for</p>

		the routes of the high-speed train system established by law, adopt criteria for the award of franchises, and set fares or establish guidelines for the setting of fares. <i>Died – Failed to Meet Deadlines</i>
SB 1189 Hancock	The Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century: project funding	Appropriates \$190 million of the Prop 1A bonds for the three state-supported intercity rail lines known as the Capitol Corridor line, the San Joaquin line, and the Pacific Surfliner line (Intercity Rail Program). Also appropriates \$760 million for other commuter and urban rail line operators based on a formula outlined in the bond act (Commuter and Urban Rail Program). <i>Held on Senate Appropriations Suspense File</i>

Staff Recommendation:

The committee should discuss if there is a need to change the League’s position on High Speed Rail. If so, some possible options for action are listed below. These are not

- Support visionary effort, but oppose any issuance of bonds until economy improves.
- The implementation of High Speed Rail is ultimately a land use decision. Recognize that land use decisions should be made on the local level, and allow Divisions to take positions as appropriate to their area.
- Support placing the project and/or bond back on the ballot for voter reconsideration.

Committee Recommendation:

Board Action:

Fiscal Impact:

Fiscal impact to both the state and local jurisdictions located near/on the high speed rail system are significant. Fiscal analyses show that there are bot pros and cons to the system.

Existing League Policy:

The League has generally been in support of High Speed Rail, but did not take a position on the 2008 Bond Act.

In 2007, the TCPW committee and the Board approved a support position for a state budget appropriation to support the continuation of the High Speed Rail project. In 2008 the TCPW committee unanimously recommendation a support position on Prop 1A (*Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century*). However, the Board ultimately did not take a position.

Comments:

Prior committee discussion. In March, the TCPW committee discussed, but took no action, on high speed rail. Committee member comments included the following:

- Many cities were relying on redevelopment funding to assist with local infrastructure needs related to the high speed rail system. Now that RDA has been dissolved, there is no funding for these needs.
- It has been difficult for cities to get a seat at the table. Concerns have been brushed over.
- The ridership numbers are questionable.
- Plans include destruction of existing stations and related infrastructure, but do not include plans to construct new infrastructure past the rails and the stations.

New Executive Director. Last month the HSRA announced that Jeff Morales would be taking over as CEO. Mr. Morales is the former Director of CalTrans and was a consultant for the recent revisions to the HSR Business Plan. The impact of CEO could be significant, but is unknown at this time.

Dual policy committee referral. The issue is being discussed by both the TCPW and HCED policy committees.



California High-Speed Rail Program Revised 2012 Business Plan

APRIL 2012

Building California's Future



Executive Summary

Better. Faster. Cheaper.

That has been the charge to the California High-Speed Rail Authority (CHSRA/Authority) in revising the Draft 2012 Business Plan (Draft Plan). Following release of the Draft Plan on November 1, 2011, Governor Jerry Brown affirmed the importance of moving forward with high-speed rail (HSR) as an important investment in California's future. But, he and others called for changes to the Draft Plan so that the utility of the system and its connectivity with regional/commuter rail systems will be improved; so that Californians will realize benefits sooner; and, so that the costs to taxpayers will be reduced.

The responsibility of the Authority, as established in Proposition 1A, is clear—to implement the program approved by the voters.

It is the intent of the Legislature by enacting this chapter and of the people of California by approving the bond measure pursuant to this chapter to initiate the construction of a high-speed train system that connects the San Francisco Transbay Terminal to Los Angeles Union Station and Anaheim, and links the state's major population centers, including Sacramento, the San Francisco Bay Area, the Central Valley, Los Angeles, the Inland Empire, Orange County, and San Diego...

The Draft Plan laid out a roadmap for how such a high-speed program could be implemented. Following its release, the Authority solicited, reviewed, and considered comments from a broad range of interested parties. Public meetings to receive comments were held in Sacramento, Merced, and Los Angeles. The Draft Plan was the focus of several legislative hearings that included public participation. Numerous meetings and discussions were held around the state with a wide range of stakeholders. Input was received from the California High-Speed Rail Peer Review Group, the Legislative Analyst's Office, and the Bureau of State Audits. More than 250 comments were submitted to the Authority's website and through letters.

There was widespread acknowledgement that the Draft Plan was an improvement over previous versions; that it was realistic, transparent, and that it presented a logical and feasible means of delivering the program through phased implementation. That realism and transparency also meant that the public and decision-makers were confronted with higher cost estimates, longer time frames, and a frank assessment of the current funding outlook, which includes contentious issues at the federal level.

The critiques, commentaries, and suggestions yielded a number of consistent themes:

- Broad support was voiced for a phased implementation strategy to deliver the system
- The cost for the full-build system was too high
- A blended approach to both construction and operations, reducing costs and impacts, is the preferred path forward
- Near-term investment in the "bookends" (the Los Angeles and San Francisco Bay Area metropolitan regions) would produce immediate benefits and enhance the ultimate utility of high-speed rail

- Closing the intercity rail gap across the Tehachapi Mountains between Bakersfield and Palmdale should be a priority to connect the state via rail
- The benefits of the initial investment in the Central Valley were not clear enough and were seen by some as imposing a risk of stranded investment if the program did not continue
- Ridership estimates remain a question for some
- The opportunity to bring in private-sector investment earlier should be re-evaluated
- Some of the technical analyses, such as the presentation of the cost of alternative capacity on freeways and airports, were not clearly presented, leading to misunderstanding or skepticism
- The near-term federal budget scenario raises questions about when and how new federal funding will be provided to support the implementation of the next steps of the program

Key changes from the Draft 2012 Business Plan

The wide array of input, along with further analysis by the Authority, has resulted in significant changes to the Draft Plan. With these changes, the 2012 Revised Business Plan (Revised Plan) provides for an implementation strategy that delivers greater value, broader benefits, and earlier results by more quickly and effectively integrating HSR into an expanded, improved statewide rail network, as shown in Exhibit ES-1.

The overall passenger rail system will be significantly **better** because of two commitments in the plan. First is the commitment to build not just an initial construction segment but in fact an Initial Operating Section (IOS) of high-speed rail. This IOS, which can be completed within 10 years, will connect the Central Valley to the Los Angeles Basin. This segment will bring high-speed, electric passenger operations to California, tying together the Central Valley with the Los Angeles Basin as a first step toward a statewide high-speed rail system. Second, the Revised Plan provides for the integration, or blending, of high-speed rail improvements with existing and upgraded rail systems. Passengers will have more options, faster travel times, and greater reliability and safety. By leveraging new infrastructure and systems with existing and upgraded systems, taxpayers will benefit from greater cost efficiency and more effective use of state investments dollars.

Benefits will be delivered **faster** through the adoption of the blended approach and through investment in the bookends. Across the state, transportation systems will be improved and jobs will be created through the implementation of those improvements. The Central Valley will see the initial construction of the nation's first high-speed rail system and will benefit from an expanded and integrated passenger rail system that uses that infrastructure. The San Francisco Bay Area will see the benefits of improved safety, reliability, efficiency, and air quality through the long-awaited electrification of the Caltrain corridor, targeted by Caltrain for 2020. Southern California will see near-term improvements in the Metrolink system, better connectivity of transit and rail services in Los Angeles, San Diego, and the Inland Empire through cooperative early investments, using allocations from the \$950 million in Proposition 1A connectivity funds and other sources.

Exhibit ES-1. Summary of key changes in Revised 2012 Business Plan

Revision from Draft Plan	Description	Benefits
Commitment to blended system	Focuses new high-speed infrastructure development between the state's metropolitan regions while using, to the maximum extent possible, existing regional and commuter rail systems in urban areas.	Cost reduction, reduced community impacts, better leverage of resources/ investments
Commitment to blended operations	At all phases of development, seeks to use new and existing rail infrastructure more efficiently through coordinated delivery of services, including interlining of trains from one system to another, as well as integrated scheduling to create seamless connections.	Maximizes benefits of all investments, accelerates improvements, provides seamless travel for users, enhances connectivity to system
Investment in bookends	Makes improvements in existing rail systems in the metropolitan regions prior to or, in some cases, in lieu of, high-speed infrastructure. Connects high-speed rail to already existing modes of transportation.	Delivers improved service—reliability, safety, efficiency—to users of existing rail systems, providing tangible benefits in the near-term and building rail ridership for the long-term
Initial Operating Section (IOS)—South	<p>Based on factors including ridership and revenue forecasts, capital and operating costs, public input, and potential for private-sector investment, the Revised Plan identifies the IOS-South as the preferred implementation strategy. This will close the gap between Bakersfield and Palmdale and connect the Central Valley to the Los Angeles Basin at San Fernando Valley, creating the first fully operational high-speed rail system. This will be coupled with investments in Northern California to provide near-term benefits and lay the foundation for high-speed rail service to San Jose and San Francisco. Upgrades to the existing San Joaquins service will provide further time savings.</p> <p>Cap and trade funds are available, as needed, upon appropriation, as a backstop against federal and local support to complete the IOS.</p>	<p>Clarity of focus for development work, development of funding strategies, engagement with private sector interests, connecting the regions via a statewide rail network</p> <p>Close the rail gap between Northern and Southern California, the state's highest priority for intercity rail</p> <p>Connect the state's largest population (Los Angeles Basin) with the fastest growing part of the state (Central Valley)</p>
IOS First construction segment—put into service	Through collaborative planning and implementation with the California Department of Transportation (Caltrans), Amtrak, Altamont Commuter Express (ACE), BNSF Railway, and Union Pacific, the San Joaquin rail service (fifth busiest in the nation) will be shifted to the first construction segment upon its completion, resulting in a 45-minute time savings; through complementary improvements, this will tie with ACE to provide new, expanded, and improved rail service throughout northern California, connecting the Central Valley with the San Francisco Bay Area and Sacramento regions.	Enhanced utility of initial investment, providing improved service to the more than 1 million San Joaquin riders, and opening up regional rail service

The benefits of investing in high-speed rail will be delivered far *cheaper* than previously estimated. Through the adoption of a blended approach, the Authority has confidence that the cost of delivering the San Francisco-to-Los Angeles/Anaheim system, in accordance with Proposition 1A performance standards, is reduced by almost \$30 billion, now estimated at \$68.4 billion. Under the phased approach, and consistent with Proposition 1A, construction of any segment would only proceed when funding is identified and the Legislature has approved the use of additional state funding.

A blended system with broader, earlier benefits

The most consistent and widespread recommendation from those commenting on the Draft Plan was to fully adopt the “blended” approach in which existing metropolitan rail infrastructure would be used as much as possible and upgraded as needed to provide connections into the urban areas. For example, the legislatively mandated California High-Speed Rail Peer Review Group, in its January 3, 2012, letter to the Legislature (www.cahsrprg.com/index.html), stated the following,

We congratulate the CHSRA on its recognition of the viability of the blended option. Given the adamant environmental opposition to the full build-outs on either end of the system and the enormous added costs involved, we question the value of retaining the full Phase 1 build-out at all in any of the CHSRA’s more immediate plans.

The implementation strategy in the Revised Plan draws on international experience in building high speed rail systems and has been tailored to address the unique circumstances in California through collaboration with state, regional, local, and private transportation partners. It is a phased strategy with three key elements:

- **“Blending”** high speed with existing rail systems to accelerate and broaden benefits, improve efficiency, minimize community impacts, and reduce construction costs while enhancing rail service for travelers throughout the state
- Making **early investments** in the “bookends,” or San Francisco Bay Area and Los Angeles Basin regions, to upgrade existing services, build ridership, and lay the foundation for expansion of the high-speed system
- Delivering **early benefits** to Californians by using and leveraging investments as they are made

After issuing the Draft Plan which introduced the Phase 1 Blended option, the Authority prepared additional analysis on the capital costs, the operating and maintenance plan and costs, and ridership/revenue forecasts for this option. In addition, the Authority collaborated with other transportation providers, including Caltrans, Caltrain, ACE, and Metrolink, to further develop this option for implementation. This additional work and analysis has enabled the Authority to fully embrace the Phase 1 Blended option in this Revised Plan.

For Phase 1, as described in Proposition 1A, the blended system means building the “Bay-to-Basin” system, with new, dedicated HSR infrastructure connecting San Jose and the San Fernando Valley, and then to Los Angeles’ Union Station. Improvements will be made to the existing Amtrak/Metrolink rail corridor between Union Station and Anaheim to improve safety, reliability, capacity, and travel times in that corridor. In the San Francisco Bay Area, the existing Caltrain corridor will be upgraded through

grade separations, electrification, and passing tracks (to be studied) to provide the connection north from San Jose to the new Transbay Transit Center in Downtown San Francisco. This blended system will allow a one-seat ride (meaning passengers will not have to change trains) between San Francisco and Los Angeles and provide greater connectivity with existing regional and local transit systems. These benefits will be the foundation for implementation of a high-speed program in phases, as described in detail in Chapter 2, The Implementation Strategy: Blending, Phasing, Investing in Early Benefits, as follows:

- (1) **Early investments/statewide benefits**—First construction of the IOS, improvements to existing regional/commuter systems, new Northern California unified passenger service, and an accelerated closure of the rail service gap between Northern and Southern California
- (2) **Initial high-speed rail operations**—Completion of the IOS and operation of the first high-speed rail revenue service in the United States
- (3) **The Bay-to-Basin system**—Linking the state’s major metropolitan areas with high-speed rail service while incorporating improved regional service

What does “blended” mean?

The 2012 Business Plan refers to blended systems and blended operations, which describe the integration of high-speed trains with existing intercity and commuter/regional rail systems via coordinated infrastructure (the system) and scheduling, ticketing and other means (operations).

Blended systems—*integrated infrastructure investments*

Existing rail systems already serve intercity, commuter, and regional trips throughout California. A blended system would leverage these systems by tying them together with a HSR backbone through the Central Valley and connecting to major metropolitan areas. Although improvements to the regional and commuter rail systems are intended to improve or facilitate connections and integration with the high-speed rail system, they do not need to be implemented sequentially. Regional or local improvements to the existing systems, such as elimination of at-grade crossings and the addition of new passing tracks, have independent utility that will benefit regional and commuter passengers prior to connection to the high-speed rail system. Where possible, these improvements should move ahead independently and as quickly as feasible to accelerate benefits to California travelers.

Blended operations—*integrated service*

The blended system will allow rail operators to take advantage of new and improved infrastructure to enhance existing service, delivering benefits sooner. Blended operations will evolve over time, as infrastructure is developed. Utilization will progress from the operation of existing services over new high-speed rail infrastructure prior to the initiation of revenue service, to the coordination of high-speed and conventional rail services, to the interoperability of high-speed and conventional rail over shared infrastructure. In each phase, the goal will be to maximize and accelerate the benefits of investments in the most cost-effective manner.

- (4) **The Phase 1 system**—Connecting San Francisco, the Central Valley, and Los Angeles/Anaheim through a combination of dedicated high-speed rail infrastructure blended with existing urban systems
- (5) **Phase 2 expansion**—Bringing high-speed rail to Sacramento, San Diego, and the Inland Empire. Through the blended approach to Phase 1, these areas will see improvements in rail service and access to high-speed rail service far earlier than previously planned

Early investments, statewide benefits

Under the Draft Plan, the initial investments of Proposition 1A bond proceeds and matching federal funds were focused primarily in the Central Valley, with subsequent extensions reaching other areas of the state in phases. This Revised Plan retains the start of construction of new high-speed infrastructure in the Central Valley but introduces simultaneous investments to produce immediate benefits throughout the state (Exhibit ES-2). Working collaboratively with regional transportation partners, advanced investments will be made in the existing Los Angeles Basin and San Francisco Bay Area rail systems. These early improvements will accomplish two key goals:

- First, these improvements will lay the foundation for the high-speed rail system as it expands to reach those areas and connect the state.
- Second, because these improvements can proceed independently of the high-speed rail system, they will provide near-term benefits to travelers in metropolitan areas.

Benefits will be realized sooner and more efficiently, not only in metropolitan Los Angeles and the San Francisco Bay Area, but also in the Los Angeles–San Diego corridor, the Inland Empire, and the Sacramento region—all of which would see improvements much earlier than under any previous plan. This approach represents a significant evolution of thinking about how high-speed rail best fits into California’s transportation system and best serves the people of the state. More specifically, rather than being planned, designed, and implemented largely as a stand-alone system, high-speed rail in California will be integrated into a comprehensive and seamless statewide passenger rail network. Leveraging and partnering with intercity and regional systems results in a wide range of benefits, including the following:

- Accelerated delivery of advantageous investments
- Expanded early benefits for rail passengers
- Reduced costs
- Greater cost-effectiveness
- Fewer construction and operating impacts on communities
- Coordinated planning and investments among state, regional, and local agencies
- Improved transportation and reduced congestion in metropolitan areas
- Reduced air pollution, including greenhouse gas emissions

Exhibit ES-2. Early investments/statewide benefits



Early Investments/Statewide Benefits

- ◆ Begin construction of IOS HSR infrastructure
- ◆ Start Northern California unified service
- ◆ Invest in the “bookends”
- ◆ Advance early priority:
 - Close rail gap to LA Basin

New Northern California Unified Service

The first construction segment of the IOS will be put into use immediately upon completion for improved service on the San Joaquin intercity line. This service, the fifth busiest Amtrak line in the nation, already serves more than 1 million riders a year and will link with other systems, such as ACE and Caltrain, to create a new, improved network reaching from Bakersfield to the San Francisco Bay Area and Sacramento. Immediately, California’s rail network will be able to carry passengers faster and more reliably than ever before.

Begin building the Initial Operating Section

The IOS of the California high-speed rail system will connect Merced to the San Fernando Valley gateway to Los Angeles. This facility will be transformational in creating a passenger rail nexus between one of the fastest growing regions in the state with the state’s largest population center. Among its many benefits will be the realization of the state’s highest intercity passenger rail priority— closing the state’s single largest gap in intercity rail service—linking north and south at Bakersfield to Palmdale. Immediate steps toward this goal include the prioritization of environmental clearance and other preliminary work necessary for this gap closure.

Improve service in the “bookends”

This will be achieved by putting the \$950 million in Proposition 1A funding for connectivity to work. The Authority will work with the California Transportation Commission, Caltrans, and regional rail systems to gain approval this fiscal year for funds that can be used to make near-term improvements that will tie to eventual HSR service. Millions of travelers throughout the state will benefit from faster, more frequent, and more reliable services associated with the expansion of key transit investments throughout the state.

Additionally, the Authority is working with regional transportation agencies through memoranda of understanding and other mechanism to identify and implement additional improvements beyond the \$950 million in connectivity funds that can provide near-term benefits to commuters on Metrolink and Caltrain and pave the way for the future HSR system.

Electrify the Caltrain corridor

Electrifying Caltrain will result in a faster, more efficient, and more environmentally friendly rail system that will eventually allow for a one-seat ride between San Francisco and Los Angeles.

Electric trains can stop and start faster than diesel trains, which can reduce travel time and/or increase service to stations between San Francisco and San Jose. As Caltrain has already demonstrated, decreased travel time results in increased ridership. As more people ride Caltrain, congestion on freeways and surface streets in the San Francisco Bay Area will be reduced. In addition, the switch to electric power will lower air pollutant emissions from trains by up to 90 percent while significantly reducing power consumption. Electric-powered trains also are significantly quieter, which will benefit those living and working near the rail corridor.

Investing for California’s next generations

The need for a new generation of transportation improvements in California is clear. Today, the state’s transportation systems are straining to meet current demand. Congestion on roads results in \$18.7 billion annually in lost time and wasted fuel. Air flights between the Los Angeles and San Francisco metropolitan areas—the busiest short-haul market in the U.S.—are the most delayed in the country,

with approximately one of every four flights late by an hour or more.

Continued population and economic growth will place even more demands on California’s already overburdened mobility systems. Over the next 30 to 40 years, California is projected to add the equivalent of the current population of the state of New York. There is no question: meeting the demands of that growth will require *major* investments in transportation infrastructure over the next generation. Those investments will measure in the tens of billions of dollars. The question



will not be *if* those investments need to be made, but *how* those investments can provide the greatest benefits.

As has been proven around the world, high-speed rail, when integrated into a balanced transportation system, can meet a significant portion of increased demand in a manner that is sustainable and cost-effective.

As detailed in this Revised Plan, a statewide HSR system can be delivered to the citizens of California that will produce economic benefits, enhance and support environmental and energy goals, create near and long-term employment, improve mobility, and save money. Such a system also advances the state toward the attainment of goals established by landmark legislation such as California Senate Bill 375, the Sustainable Communities and Climate Protection Act of 2008, and Assembly Bill 32, the Global Warming Solutions Act of 2006. In its scoping plan for implementation of AB 32, the California Air Resources Board supports implementation of a high-speed rail system as “part of the statewide strategy to provide more mobility choice and reduce greenhouse gas emissions.”¹

Chapter 9 of this Revised Plan, Economic Analysis, shows that the benefits of high-speed rail far outweigh the costs of building, operating, and maintaining it. Californians will begin to see these benefits next year, when initial construction of the IOS will provide a much needed economic boost to the Central Valley, the fastest growing part of the state and the region hardest hit by unemployment. Almost 100,000 job-years of employment will be generated by the initial construction work. The \$2.7 billion initial investment will give the state a net economic impact of \$8.3 to \$8.8 billion—a 3:1 return on its initial investment—and state and local governments would earn more than \$600 million back in tax revenue, or nearly 25 percent of how much the state will spend.

It also has become clear that the key to a successful high-speed rail program is to focus on putting an operational, high-speed segment in place and then using that segment as a building block for the full system. The IOS can be built within 10 years, generating positive cash flows from operations, carrying millions of riders, and serving as a launch pad for private participation in the construction and operation of the system.



With 20 million more people expected to be in California within the next 40 years, we can't build enough highways and airport runways to accommodate the demand.

Joseph C. Szabo, Federal Railroad Administrator

The two keys to cost-effective and timely achievement of a statewide high-speed rail system are as follows:

- Dividing the program into a series of smaller, discrete projects that build upon each other but also provide viable high-speed rail service independently
- Making advance investments in regional and local rail systems to leverage existing infrastructure and benefit travelers by providing interconnecting blended services



Phasing the California State Water Project: “50 Years and Counting”

The California State Water Project is the largest state-built and state-operated multipurpose water and power system in the United States. It encompasses 701 miles of canals and pipelines that provide drinking water for 25 million people and irrigation for 750,000 acres of farmland. It began in 1960 and its expansion continues today, with the newest reservoir beginning construction in 2006.

Funding began with the approval of \$1.75 billion in bonds. Since that time, the 29 contracting agencies that deliver the water locally have made cumulative payments totaling more than \$9 billion.

By implementing the program in phases, work can be matched to available funding. Each segment can be delivered through a business model that transfers significant design, construction, cost, and schedule risks to the private sector and maximizes efficiency by capturing the advantages of private-sector innovation. Importantly, the phased approach means that decisions made today will not tie the state’s hands tomorrow. With the state’s success in securing over \$3 billion in federal funding, the first step can be taken now toward construction of the IOS. This money will be used to create jobs, obtain right-of-way, position the system for future expansion, and preserve options for future decision makers.

The decision to move ahead with the initial step does not commit the state to proceeding with the full program as outlined in this Revised Plan. By providing decision-makers with the flexibility to change course or timing, the plan preserves flexibility and can adapt to changing economic and budgetary realities or new opportunities. This approach is consistent with how other major infrastructure programs are implemented. The Interstate Highway System was designated in whole at the outset but constructed in phases over more than 50 years based on availability of funds, economic conditions, and other factors. The same has been true with the California freeway system and the state water project. HSR systems in other countries have been delivered this way as well. In Japan, for instance, initial plans provided an outline for full development, but implementation took place in segments, sometimes with years between the completion of one segment and the initiation of the next.

This Revised Plan has been developed by applying this and other successful implementation strategies that have evolved over the last half-century of experience throughout the world.

“Starting up a new high-speed service is challenging, as was the case in Japan in 1964; however, it is very rewarding for the country in the longer term Step-by-step extension of high-speed rail construction is common in Japan, too. For example our Tohoku-Shinkansen line, which runs through the northern part of Japan, has been constructed step-by-step. The initial section up to Morioka was completed in 1982, and the line was extended to Hachinohe in 2002 and to Aomori in 2011.

Masaki Ogata, Vice Chairman, East Japan Railway Company

How will California benefit from high-speed rail?

Economy

High-speed rail will bring significant benefits to California, both in the near term and in the long run. Benefits will be realized statewide and will encompass both economic and environmental concerns.

The Central Valley will experience the earliest positive impacts of this investment. Indeed, the economic growth associated with construction of the first segment of the IOS will create jobs in a region that is home to the highest unemployment rate in the state. As noted earlier, moving forward with initial construction will generate approximately 100,000 job-years of employment for people who need them most.

Along these lines, California’s construction industry, the sector hardest-hit by the economic recession, will see a boost in business associated with high-speed rail construction.

Connecting the Los Angeles and San Francisco metropolitan areas will generate approximately 800,000 to 900,000 job-years and will eventually result in more than 1 million job-years. High-speed rail is a major job generator, both in the short and long terms.

Transportation infrastructure

With the completion of high-speed rail, California’s drivers will see significant relief in traffic congestion. HSR will lead to a reduction of 320 billion vehicle miles traveled over the next 40 years. That will translate into 146 million hours saved for Californians each year—time spent doing better things than sitting in traffic. Similarly, airport congestion will be reduced. Ample precedent for this exists around the world.

“SFO is a strong supporter of High-Speed Rail. Connecting SFO to HSR will provide outstanding service to our passengers, providing quick and convenient connections to the rest of California. HSR will put SFO on [a] par with other world airports already benefiting from HSR, including Hong Kong, Shanghai, Tokyo, Frankfurt, and Zurich.

John L. Martin, San Francisco Airport Director

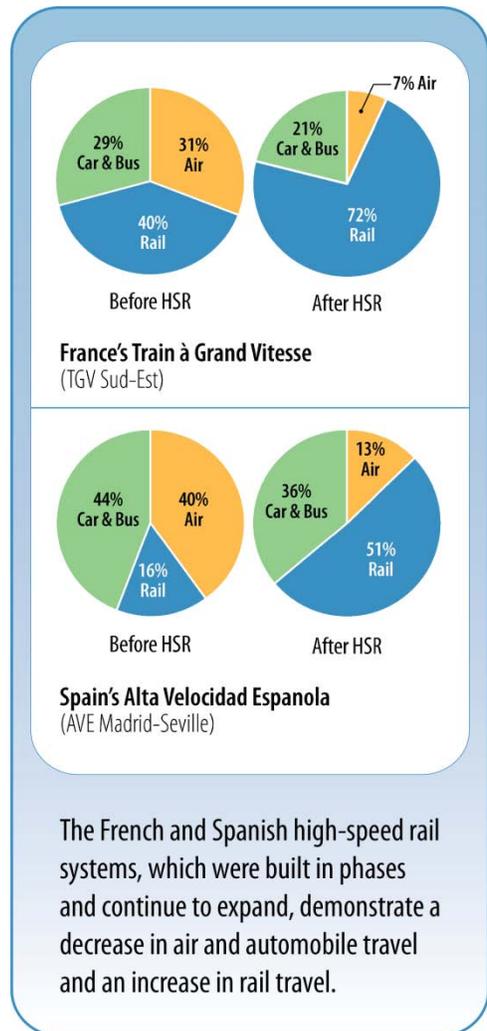


When high-speed rail service was introduced between Madrid and Seville, Spain, the share of trips taken by plane was reduced from 40 percent to 13 percent, and rail trips grew from 16 percent to 51 percent. This reduction in air travel means that limited airport capacity can be used more efficiently for longer-haul routes where aviation is more cost-effective and energy efficient. This type of shift from automobiles and airplanes to high-speed trains has been the consistent experience internationally, from Taiwan to Germany, France, and Spain.

Moreover, HSR also has generated an overall growth in travel, not just a reallocation between modes. The increased mobility from HSR prompts greater travel, generating more economic activity. On the high-speed route between Paris and Lyon, France, for example, half of the trips taken were new trips. The efficiency, reliability, and connectivity between economic centers provided by HSR contribute to long-term economic benefits. With implementation of the HSR system in California, as many as 400,000 long-term jobs could be created as the state’s economy becomes more efficient.

Funding and finance

Funding for the system will come from a mix of federal, state, and private sources and will benefit from innovative program delivery models that allow the private sector to design, build, and operate the system. Specific funding approaches are detailed in this Revised Plan; potential program delivery models are explained as well. Delivery approaches rely on the private sector to perform the final design and to provide operations, ultimately resulting in a concession to operate the full system and private capital to support construction of future phases. This private-sector involvement is feasible because each of the operating sections generates a positive cash flow from operations. Chapter 4, Business Model, includes a discussion of proven delivery and financing methods applicable to the high-speed rail program. Based on projected cash flows from operations, over \$10 billion in potential private-sector capital is anticipated once the IOS is in operation. These funds can provide a significant contribution toward completion of the Bay-to-Basin system.



Phased implementation provides two additional benefits with respect to project funding and finance:

- The funding required to advance any individual section is significantly less than if the system were to be constructed all at once.
- Risk is reduced for each subsequent section because of the successful performance of HSR operations on prior sections. In this way, success feeds on success and enhances the ability to attract private capital and operating expertise.

Exhibit ES-3. Summary of each phased implementation section

Section	Length (approx)	Endpoints	Service Description	Service Start	Cumulative Cost (YOES, billions)
Initial Operating Section	300 miles	Merced to San Fernando Valley	<ul style="list-style-type: none"> • One-seat ride from Merced to San Fernando Valley • Closes north-south intercity rail gap, connecting Bakersfield and Palmdale and then into Los Angeles Basin • Begins with construction of up to 130 miles of HSR track and structures in Central Valley • Private sector operator • Ridership and revenues sufficient to attract private capital for expansion • Connects with enhanced regional/local rail for blended operations, with common ticketing 	2022	\$31
Bay to Basin	410 miles	San Jose and Merced to San Fernando Valley	<ul style="list-style-type: none"> • One-seat ride between San Francisco and San Fernando Valley¹ • Shared use of electrified/upgraded Caltrain corridor between San Jose and San Francisco Transbay Transit Center • First HSR service to connect the San Francisco Bay Area with the Los Angeles Basin 	2026	\$51
Phase 1 Blended	520 miles	San Francisco to Los Angeles/ Anaheim	<ul style="list-style-type: none"> • One-seat ride between San Francisco and Los Angeles¹ • Dedicated HSR infrastructure between San Jose and Los Angeles Union Station • Shared use of electrified/upgraded Caltrain corridor between San Jose and San Francisco Transbay Transit Center • Upgraded Metrolink corridor from LA to Anaheim 	2029	\$68

¹ One-seat ride means that passengers do not need to switch trains, even if the train operates over two systems (e.g., moving north on dedicated high speed rail infrastructure and then moving onto Caltrain tracks at San Jose, assuming electrification of Caltrain corridor by 2020 as proposed by Caltrain)

Funding for the initial construction of the IOS will be a combination of federal funding and Proposition 1A funding. As the program proceeds, the state will continue to see significant federal support and private-sector capital investment once operations have commenced. Cap and trade funds are available, as needed, upon appropriation, as a backstop against federal and local support.

Planning scenario

This Revised Plan includes a planning scenario for use in projecting performance of the system. In order to generate key performance data, this planning scenario includes several basic assumptions regarding the Bay-to-Basin and Phase 1 Blended operating sections:

- The system will be completed by 2028.
- The average ticket fare between San Francisco and Los Angeles will be \$81 (83 percent of anticipated airline ticket prices) in 2010 dollars, with up to eight trains per hour during the peak period (four trains per hour from San Francisco, two trains per hour from San Jose, and two trains per hour from Merced).

For this Revised Plan, a planning schedule (Exhibit ES-4) was adopted that extended the date for completion of Phase 1 Blended from 2020 to 2028 to mitigate funding and other risks. Based on this schedule, costs have been inflated to assess the total costs in the year-of-expenditure.

Exhibit ES-4. Construction schedule

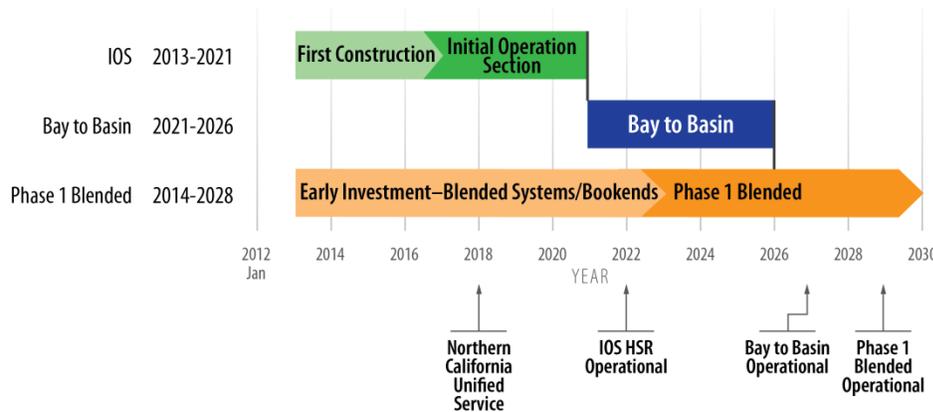


Exhibit ES-5 presents a planning case showing the impact of a 2028 schedule on year-of-expenditure cost.

If required, a Full Build option for Phase 1 could be completed by 2033 at an incremental cost of \$23 billion in year-of-expenditure dollars, for a cumulative cost of \$91.4 billion.

Exhibit ES-5. Planning case showing impact of planning schedule on year-of-expenditure cost

Section	Incremental Capital Cost (billions 2011\$)	Cumulative Capital Cost (billions 2011\$)	Completion of Section	Incremental Year-of-Expenditure Capital Cost	Cumulative Year-of-Expenditure Capital Cost
IOS	26.9	26.9	2021	31.3	31.3
Bay to Basin	14.4	41.3	2026	19.9	51.2
Phase 1 Blended	12.1	53.4	2028	17.2	68.4

Ridership and revenue

As is the case with any similar program, the forecasts of ridership and revenue continue to be the subject of extensive and intense review. Areas of focus include the model used to generate the forecasts, the assumptions and data used as inputs to the model, and the outcomes of the model. A number of steps have been taken to respond to comments and to continue to improve the reliability of the forecasts, and they are reflected in this Revised Plan. Those steps include the following:

- Inputs to the model have been updated and refined to use recent data reflect a broader range of scenarios.
- An independent panel of experts continues to review the model and its inputs.
- Post-model adjustments have been eliminated to reduce the potential for error, bias, or inconsistency.
- The model itself has been tested against actual conditions and external forecasts and demonstrated its reliability.
- Data and reports have been made available for public review.

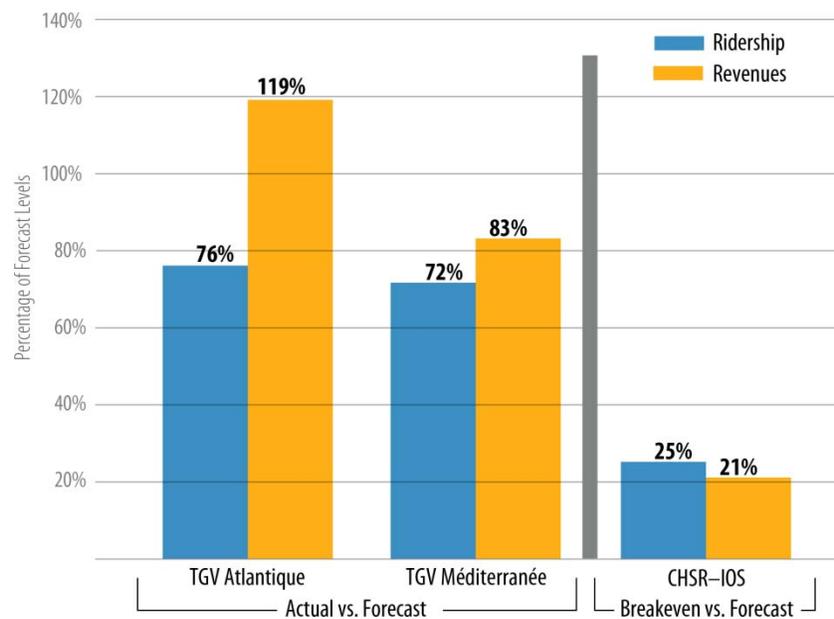
Details of these actions are provided in Chapter 5, Ridership and Revenue. An important step forward to demonstrate the viability of the model and the reliability of its outputs was the use of it to test actual conditions in the Northeast Corridor. This test demonstrated the sensitivity of the model to inputs and the reasonableness of the outcomes.

Another important aspect to consider is the performance of both domestic and international rail systems against their forecasts. Studies have been conducted on toll roads, high-speed rail systems, and quasi-high-speed rail systems. One of the most widely cited is a 2003 Cambridge University report titled *Megaprojects and Risk* by Flyvbjerg, et al. This report found that a common element in projects that failed to reach forecast results was an optimistic assumption of a particular event that would lead to higher ridership. For example, ridership forecasts for the French TGV system assumed significant spikes in motor fuel prices, which would cause more people to leave their cars and use high-speed rail. When the anticipated increase in prices did not occur, ridership did not materialize as projected.

This and other lessons were considered in developing the ridership and revenue modeling for the California high-speed rail program. Accordingly, there is no such reliance on singular and unsubstantiated factors such as an assumed spike in gasoline prices. Key inputs that are drivers of ridership, such as fuel prices, airline ticket prices, and population, are all conservative and based on external sources.

It is also important to understand what the performance of other HSR systems against forecasts might mean for the California system. In particular, international experience illustrates that disciplined management through a private-sector operator leads to stronger financial performance, even in the face of changing circumstances. For example, the French TGV Atlantique line initially was 24 percent below projected ridership, but exceeded revenue forecasts by 19 percent. Similarly, the TGV Méditerranée line ridership fell 28 percent below initial forecasts, but revenues were off by only 17 percent. As shown in Exhibit ES-6, the performance of California’s system against forecasts would have to be approximately three times worse than the French examples to fall below the breakeven point at which the system will function without an operating subsidy.

Exhibit ES-6. Percentage of forecast levels



Three ridership scenarios were modeled in this Revised Plan: Low, Medium, and High. As described in Chapter 5, Ridership and Revenue, conservative assumptions for key factors, such as population and the cost of driving, were used throughout the modeling. Operating and maintenance costs are highly correlated to the number of riders and use of the system; that is, the more riders, the more trains needed and the higher the cost of operating and maintaining them.

Analysis of the three scenarios shows that there is a net positive cash flow from operations (revenues minus operating and maintenance costs) from the first year of operation under each phasing scenario (Exhibit ES-7). This is a consistent finding across operating segments, phases, and development scenarios once an IOS is achieved.

Exhibit ES-7. Operating results for IOS, year 2025

Ridership Scenario	Ridership (millions)	Revenue (millions)	Operating and Maintenance Cost (millions)	Net Cash Flow from Operations (millions)	Operating Subsidy?
High	10.5	\$1,096	\$556	\$540	No
Medium	8.1	\$844	\$499	\$345	No
Low	5.8	\$591	\$376	\$215	No

Projections demonstrate that high-speed rail in California will be viable, even at the very conservative low scenarios. Under all forecasted scenarios, each operating section of the California high-speed rail system is projected to operate without a subsidy. This is not only important in terms of achieving the Proposition 1A criteria, but it supports investment of private capital for construction.

Cost control

Implementation of the program will be affected by a range of external factors over time. As such, this and future business plans should be seen as part of a dynamic process. One area where this will be especially pronounced is the continual process of managing the program to deliver benefits more cost-effectively.

The Authority will maintain and reinforce internal cost-control procedures and use external reviews to regularly evaluate options for reducing costs and accelerating improvements. Ongoing value engineering, collaborative planning, and focused use of procurement tools to incentivize efficiencies are among the tools that will be used.

The role of the private sector

The Authority's long-term business model is founded on a strong public-private partnership relying on the private sector to design, build, operate, and maintain a high-speed system that is funded by a combination of government investments and future revenues from riders that support the investments of capital from the private sector. Risk is transferred to the private sector immediately beginning with design and construction, and the transfer of risk increases as the system is developed and opened to incorporate operating performance and profit and loss.

The private sector will be brought on board through design-build contracts to finalize the design of the first segment of the IOS and then construct it. This will result in the transfer of key risks from the public to the private sector, where they can be better managed—an important part of the program's cost-containment strategy.

As explained in Chapter 7, Financial Analysis and Funding, this Revised Plan assumes capital investment when the IOS is in place and generating revenues. This is the point in the program at which risks have been reduced sufficiently to allow access to more private capital at lower costs. Following up on recent questions posed by stakeholders, the Authority reevaluated private-sector interest in early 2012 by interviewing a number of the respondents who indicated interest in investing in the project and through

one-on-one interviews with firms that responded to the Request for Qualifications for the first construction package. Responses from the Request for Expressions of Interest and recent discussions with interested companies confirmed the private sector's interest in the project and the conditions and timing required to attract the significant private-sector investment reflected in the Revised Plan.

Alternative financing and delivery processes, including early investment by the private sector, continue to be developed and adapted both domestically and in other countries. Although more prevalent outside the United States, innovative public-private partnerships are being introduced and used more frequently here. Adoption of a policy to encourage unsolicited proposals for private-sector involvement in the high-speed rail program will be an important tool to accelerate the development of the IOS and projects related to blended system improvements.

Summary

This Revised Plan considers the comments on the Draft Plan and reflects those calls for change. It presents a **better** way to build the system incrementally and in partnership with regional/commuter rail systems. Implementation of the plan will deliver benefits to Californians **faster**. By leveraging existing systems, it will be significantly **cheaper** to deliver the high-speed rail program. The revisions go beyond these important improvements. By investing in electrification of the San Francisco Peninsula rail system and paving the way for more efficient operations around the state, HSR will help contribute to a **cleaner** transportation system. In addition, focusing early investments on the elimination of high-priority at-grade crossings and other improvements will help make California's growing passenger rail network **safer**.

Contents of the Revised Plan

This Revised Plan addresses the requirements in Section 185033 of the Public Utilities Code and includes summaries of key changes in implementation strategy, ridership, and costs from the 2009 Business Plan. In addition to the major revisions discussed previously, throughout this Revised Plan there are modifications that respond to comments and address technical, editorial, and other issues. Supporting technical documents and appendices have been updated both to reflect and provide expanded explanation of these changes. Those documents will be posted on the Authority's website at www.cahighspeedrail.ca.gov/business_plan_reports.aspx.

As part of the Authority's commitment to transparency and accountability, a new supporting document, *Addressing Comments from Reviewing Entities*, summarizes the comments from the Legislative Analyst Office and the California High-Speed Peer Review Group on the Draft Plan and how the Revised Plan addresses those comments. The Draft Plan remains available as a reference document. Both of these and other supporting technical documents can be found at www.cahighspeedrail.ca.gov/business_plan_reports.aspx.

Central Tenets of the 2012 Business Plan

Analysis

- A thorough re-evaluation and review of ridership models, with international peer review of the model and methodology
- An update of project capital and operating costs, using conservative inflation assumptions and a large contingency budget
- A re-examination of whether a revenue guarantee would be required
- A re-thinking of the critical relationships between HSR and local/regional transit systems
- An analysis of whether the system could be built in segments, with each having independent utility
- A reassessment of the federal and state funding environment, particularly over the short term
- A realistic appraisal of when and how private capital will be available

Conclusions

- The ridership model is sound and can be used for business planning. Projections show that the Initial Operating Section will generate a net operating profit.
- The capital costs have grown, as more engineering and environmental analysis has been done. However, the new capital costs are an accurate, current reflection of the cost of building out the segments and the system, with sufficient contingency to address foreseeable changes.
- Under this plan an operating subsidy will not be required. California HSR will be able to sustain operations going forward, consistent with HSR systems around the world. Profits will be able to contribute to future construction costs.

- Criticism that HSR has failed to leverage existing regional rail systems has been justified. The 2012 Business Plan moves toward a much fuller integration with those systems toward realizing the benefit of advanced investment in upgrading those existing lines. The Authority plans to use those systems for strategic connections in the early years and to run “blended service” (i.e., HSR trains running at appropriate urban-area speeds on existing or improved tracks where possible).
- It is both desirable and necessary to construct HSR in phases—adding lateral segments and later service-level upgrades. This can be done so that each segment has independent value and so that funding confidence can be achieved before each segment is commenced.
- The Authority realizes that the current funding environment is challenging. However, there are sufficient funds to construct the foundation segment of HSR and secure important rights-of-way. Moreover, progress toward fully funding the all-important Initial Operating Section can be secured from a variety of potential sources.
- The private sector will play a major role in HSR. This project neither can nor should be built entirely with public funds. We expect private-sector operations and maintenance in the near term. Significant private capital is available upon completion of the IOS and demonstration of ridership, and the Authority actively working with the private sector to explore innovative, cost-effective ways to secure private participation for all elements of the program.

End notes

¹ *Climate Change Scoping Plan: A Framework for Change*. Prepared by the California Air Resources Board for the State of California Pursuant to AB 3, The California Global Warming Solutions Act of 2006. December 2008.

Transportation, Communications, and Public Works Policy Committee
June 2012
California Statewide Transportation System Needs Assessment

Summary:

Identifying Process and Regulatory improvements at the local, state and federal level and potential funding scenarios to address the funding shortfall for California's transportation system.

Background:

In 2010 and 2011, a group of transportation stakeholders, led by the California Transportation Commission, embarked on an effort to compile a comprehensive report on the total needs of California's transportation system. The total cost of all system preservation, system management, and system expansion projects during the study period (2011-2020) is nearly \$538.1 billion. Of this total, the cost of system preservation alone is \$341.1 billion. Unfortunately, it is expected that transportation revenues during that same time period will only be \$242.4 billion, or 45% of the need.

Staff notes that the needs of city streets were able to be included in the report in large part due to the findings of the Local Streets and Roads Needs Assessments, which is funded by cities, counties, and regions to track to ongoing needs of the local system.

Attached are the Table of Contents (to illustrate scope) and Executive Summary of the report. The entire report can be found at <http://www.catc.ca.gov/reports/index.htm>.

Now that the needs assessment has been completed, attention is now being directed at identifying process and regulatory improvements at the local, state and federal level, as well as potential funding sources.

Report Recommendations:

In an early draft of the report, eight policy recommendations were included. These recommendations were later removed because consensus was not reached among the stakeholders. While staff is listing the "recommendations" below, this is for solely for the purposes of discussion. They do not represent official recommendations at this time. The draft recommendations with short summaries were:

Ensure The Long-Term Stability And Sustainability Of Highway and Transit Funding.

The financial integrity of the transportation trust fund is at a crossroads. Current user fees are not keeping pace with needs or even the levels authorized by law. The next federal reauthorization will need to stabilize the existing revenue system and prepare the way for the transition to new methods of funding our nation's transportation infrastructure.

Strengthen The National Commitment To Transportation State Of Good Repair.

Conditions on California's surface transportation systems are deteriorating while demand is increasing. This is adversely impacting the operational efficiency of our key transportation assets, hindering mobility, commerce, the quality of life, and the environment. The national commitment to maintain our transportation system in a state of good repair should be performance-driven, cost-effective, and multimodal; it should reward states, metropolitan areas, and transit agencies that demonstrate progress in reducing maintenance backlogs; and it should establish a ten-year target to restore the nation's surface transportation infrastructure to a state of good repair.

Establish Goods Movement As A National Economic Priority.

The efficient movement of goods, across state and international boundaries, increases the nation's ability to generate jobs and remain globally competitive. California has achieved much, collaboratively and cooperatively, to tackle the goods movement challenges that impact our state specifically and the national economy in general. National policies on goods movement must be designed to recognize and reward states, regions, and local entities that are making investments in this area, despite the fact that the challenges go well beyond their boundaries.

Create A Program Focused On Metro Mobility.

California is home to six of the 25 most congested metropolitan areas in the nation. These areas represent a large majority of the population that is impacted by travel delays and exposed to air pollutants. Congress can ensure that federal funds are sent to areas that generate the majority of the nation's economic activity. Investing in a more efficient and balanced transportation system will yield national, as well as regional, economic benefits.

Improve Mobility between California's Regions and between California and Neighboring States and Countries.

Interregional mobility is essential to California, particularly to its economy. Travel between the state's regions enables access to resources, manufacturing facilities, markets, ports of international trade, and other critical locations. A statutorily designated Interregional Road System provides highways that facilitate interregional travel, and a continued focus on the system is needed to maintain and improve mobility between California's regions.

Strengthen The Federal Commitment To Safety and Security, Particularly With Respect To Rural Roads and Access.

California recognizes that traffic safety involves saving lives, reducing injuries, and optimizing the flow of traffic on roadways. California has completed a comprehensive Strategic Highway Safety Plan that is being implemented and influencing innovative safety and security efforts by regions, local governments, and transit agencies across the state. We need to ensure that there is adequate funding for important safety projects.

Strengthen Comprehensive Environmental Stewardship.

Environmental analysis is an important component of nearly every transportation project and program in California. With large projects, which take many years from conception to completion, reforming environmental review and permitting processes can result in faster and more efficient project delivery - without compromising critical environmental mitigation.

Ensure That Social Equity Goals Are Being Met.

The nation's planning and investment in transportation must be oriented to support national goals of efficient mobility, economic competitiveness, energy security, a healthy populace, environmental protection, and social equity. Sustainable economies and healthy communities are those with access to jobs, education, healthcare, adequate and affordable housing, parks and open space, and more. Providing equitable access to these crucial needs in a resource-constrained environment will require new ways of integrating policy, planning, and infrastructure funding.

Accelerate Project Delivery.

Extended processing time for environmental clearances, federal permits, and reviews increases project costs and delays the creation of thousands of jobs. These delays need to be addressed, without undermining the intent of the requirements. With resources constrained, now is the time to modernize current processes so that transportation systems can be improved faster. Delivering cost-effective programs should be a policy goal.

Staff Recommendation:

Discuss policy recommendations presented in the report, and provide additional recommendations on path forward to staff.

2011 Statewide Transportation System Needs Assessment



STATEWIDE TRANSPORTATION SYSTEM NEEDS ASSESSMENT

**FINAL REPORT
NOVEMBER 2011**

Prepared for:
California Transportation Commission

ACKNOWLEDGEMENTS

CALIFORNIA TRANSPORTATION COMMISSION TRANSPORTATION FINANCE EXECUTIVE WORKING GROUP (PARTICIPATING ORGANIZATIONS)

Alameda Corridor-East Construction Authority
California Airports Council
California Assembly Transportation Committee Staff
California Association of Councils of Governments
California Association of Port Authorities
California Department of Transportation
California High-Speed Rail Authority
California Senate Transportation and Housing Committee Staff
California State Association of Counties
California Transit Association
California Transportation Commission
Council of Fresno County Governments
El Dorado County Transportation Commission
Federal Highway Administration
Federal Transit Administration
Los Angeles County Metropolitan Transportation Authority
League of California Cities
Metropolitan Transportation Commission
Orange County Transportation Authority
Port of Long Beach
Port of Los Angeles
Port of Oakland
Riverside County Transportation Commission
Rural Counties Task Force
Sacramento Area Council of Governments
San Bernardino Associated Governments
San Diego Association of Governments
San Joaquin Council of Governments
Southern California Association of Governments
Transportation Agency for Monterey County

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CHAPTER 1

EXECUTIVE SUMMARY

BACKGROUND

California's transportation system is the largest and most complex in the nation. Historical investments in freeways, roads, bridges, rail systems, airports, public transit, and other transportation infrastructure have fueled the state's phenomenal economic growth in recent decades. But times have changed.

Today, California's transportation system is in jeopardy. Investments to preserve transportation systems simply have not kept pace with the demands on them, and this underfunding - decade after decade - has led to the decay of one of the state's greatest assets. Failing to adequately invest in the restoration of California's roads, highways, bridges, airports, seaports, railways, border crossings, and public transit infrastructure will lead to further decay and a deterioration of service from which it may take many years to recover. The future of the state's economy and our quality of life depend on a transportation system that is safe and reliable, and which moves people and goods efficiently.

These new investments are necessary at a time when the national economy is struggling to recover from the financial shocks of 2008, and when many states today, California included, face huge budget shortfalls for many programs and services. Now, more than ever, it's critical for state governments to set clear budget priorities, and to effectively communicate what's needed most. It is also important to recognize that funding needed transportation system improvements will positively affect California's economy.

The goal of this report is to detail what is needed for California's transportation system and how we can pay for it. The report, therefore, allows transportation agencies and stakeholder groups to provide a consistent message to decision makers on these important subjects.

The last needs assessment for California's transportation system was published in 1999 for the State Senate Transportation Committee and the State Senate President pro Tempore. In 2010, the California Transportation Commission (CTC) launched an effort to update the assessment. This effort was led by the state's Metropolitan Planning Organizations (MPOs) and Regional Transportation Planning Agencies (RTPAs). This report is the result of that effort.

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One of the first steps in preparing this report was the formation of an Executive Group to oversee the work. This group included staff from the CTC; executive staff representatives from the California Department of Transportation (Caltrans) as well as several MPOs and RTPAs; and representatives from a number of other transportation agencies and stakeholder organizations. These members brought together staff resources and consultants to produce this ambitious study in a spirit of collaboration.

SUMMARY OF FINDINGS

Table 1-1 summarizes the overall results of the transportation systems needs analysis for the ten-year period from 2011 to 2020. The total cost of all system preservation, system management, and system expansion projects during the ten-year study period is nearly \$538.1 billion. Of this total, the cost of system preservation projects (both rehabilitation projects and maintenance costs) during the study period is \$341.1 billion. It should be emphasized that the costs for system preservation contained in the report are based on the goal of meeting accepted standards that would bring transportation facilities into a “state of good repair” within the ten-year study period. These goals would lead to higher levels of investment in system preservation than are typically reflected in existing transportation plans and capital improvement programs.

The cost of system management projects and system expansion projects over the same period is estimated at \$197 billion; these cost estimates are taken primarily from adopted Regional Transportation Plans (RTPs), which are “fiscally constrained.” This means that the number and types of projects are limited to those for which revenues can be reasonably identified during the planning period.

The total estimated revenue from all sources during the ten-year study period is \$242.4 billion. This represents about 45 percent of the overall estimated costs of projects and programs that were identified in the needs analysis, and leads to a shortfall of about \$295.7 billion over the ten-year period. If it is assumed that revenues for preservation (rehabilitation and maintenance) are provided at historical levels (43.4%), then the amount of revenue available for system expansion and system management projects during this period is \$94.7 billion, or only about 48 percent of the estimated costs of needed projects.

In addition to the transportation systems summarized in Table 1-1, this report also addresses the needs of California’s new high-speed rail system.

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The total estimated revenue from all sources during the ten-year study period is \$242.4 billion.

Table 1-1. Ten-Year Cost-Revenue Summary

	A. Preservation - Rehabilitation	B. Preservation - Maintenance	C. Preservation - Subtotal	D. System Management	E. System Expansion	F. Subtotal (D+E)	Total
Costs:							
Highways	\$70,380,000	\$9,280,000	\$79,660,000	\$7,544,777	\$78,740,144	\$86,284,921	\$165,944,921
Local Roads	NA	NA	\$102,900,000	\$2,294,798	\$24,155,968	\$26,450,766	\$129,350,766
Public Transit	\$32,675,000	\$109,682,000	\$142,357,000	\$1,270,308	\$30,903,798	\$32,174,106	\$174,531,106
Inter-city Rail	NA	NA	\$170,000	\$94,045	\$6,143,864	\$6,237,909	\$6,407,909
Freight Rail	\$64,420	\$0	\$64,420	\$387,332	\$21,924,017	\$22,311,349	\$22,375,769
Seaports	\$4,600,000	\$0	\$4,600,000	\$402,550	\$7,097,466	\$7,500,016	\$12,100,016
Airports	\$10,420,000	\$0	\$10,420,000	\$953,892	\$4,553,791	\$5,507,683	\$15,927,683
Land Ports	NA	NA	\$935,000	\$0	\$33,798	\$33,798	\$968,798
Intermodal Facilities	NA	NA	\$0	\$0	\$5,946,876	\$5,946,876	\$5,946,876
Bike / Ped	NA	NA	\$0	\$577,816	\$3,935,565	\$4,513,381	\$4,513,381
Total Costs*			\$341,106,420	\$13,525,518	\$183,435,287	\$196,960,805	\$538,067,225
Revenues:							
Federal	NA	NA	NA	NA	NA	NA	\$30,900,000
State	NA	NA	NA	NA	NA	NA	\$53,100,000
Regional / Local	NA	NA	NA	NA	NA	NA	\$158,400,000
Total Revenues			\$147,707,000			\$94,693,000	\$242,400,000
Net Revenues			(\$193,399,420)			(\$102,267,805)	(\$295,667,225)
% Funded			43.30%			48.08%	45.05%

NOTE: Amounts reported in \$ thousands (\$000's)

* Includes \$3.81 billion in SHOPP Mobility Program costs under (D) System Management

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Over the next ten years, Phase 1 will include the construction of about 520 miles of rail between San Francisco and Anaheim. When completed, Phase 1 will provide 2-hour-and-40-minute nonstop service from San Francisco south to Los Angeles. The estimated cost for the Phase I full HSR service, as reported in the Draft 2012 Business Plan, is \$98.5 billion in the year of expenditure with expected completion by 2033. The estimated available revenue for the project as of November 2011 is \$6.3 billion, including \$3.5 billion in federal funding and \$2.8 billion in state funding.

This report also includes an analysis of the transportation needs of Native American tribes in California. This analysis is limited in scope because Caltrans did not receive adequate survey responses from Native American communities in the short time available. As a result, more research is needed.

PERFORMANCE ANALYSIS

In addition to detailing statewide needs, estimating what they will cost, and discussing what revenues will be available, the Executive Group felt that it also would be important to try to quantify the outcomes that would result if these transportation system improvements were implemented by 2020.

With direction from the Executive Group and input from the MPO/State Agency Planning Working Group on California's Senate Bill 375 (Steinberg, 2008) (SB 375) implementation, a set of 12 performance measures representing a broad range of desired outcomes was identified (see Table 1-2). Each of the 18 MPOs was asked to provide information for an analysis of these performance measures.

Economic Performance Measures

For the first two measures, "Increase in Jobs" and "Value Added to Gross State Product," the results were estimated by Caltrans economists who used transportation model outputs provided by the MPOs. The results for the first ten years indicate that Total Value Added to the Gross State Product (GSP) would range from an additional \$110 billion (Low) to an additional \$140 billion (High). This represents about 5 to 7 percent of the current GSP (estimated at \$1.9 trillion).

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Table 1-2. Statewide Transportation Needs Assessment - Selected Performance Measures

SMART MOBILITY 2010 GOALS	CATEGORIES	PERFORMANCE MEASURES
Robust Economy	Employment	Increase in jobs
Robust Economy	Economic Output	Value added to Gross State Product
Reliable Mobility	Multimodal Travel Mobility	Change in average per-trip travel time
Reliable Mobility	Asset Condition	Conformance with accepted standards for maintaining system in state of good repair
Environmental Stewardship	Climate and Energy Conservation	Systemwide Vehicle Miles Traveled (VMT) per capita
Environmental Stewardship	Emissions Reductions	Greenhouse gas (GHG) emissions per capita
Environmental Stewardship	Air Quality/Public Health	Criteria Pollutant emissions per capita
Social Equity	Equitable Distribution of Access and Mobility	Comparison of outcomes for Low Income and Minority (LIM) and non-LIM communities
Health and Safety	Multimodal Safety	Number of injuries and fatalities per capita from all collisions (including bicycle and pedestrian)
Health and Safety	Pedestrian and Bicycle Mode Share	Percent of total trips per capita taken by biking or walking
Location Efficiency	Support for Sustainable Growth	Percent of total dwelling units in Transit Priority Areas
Location Efficiency	Transit Mode Share	Percent of total trips per capita taken by transit

We estimated that over the same period, the projects would add between 77,000 and 108,000 jobs annually, compared with the No-Build alternative. The annual job growth would continue throughout the evaluation period. Another way of looking at this benefit is that the investments would generate between 770,000 and more than 1 million job-years (a “job-year” equals one person working in one job for a full year). For the entire twenty-year period (2011-2030), Total Value Added to GSP would be between \$290 billion and \$370 billion. This represents 15 to 19 percent of the current GSP. The added jobs for the entire period would be between 102,000 and 143,000 jobs annually.

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Chapter 6 also estimates the short-term economic impacts during project construction.

Non-Economic Performance Measures

Of the other ten selected performance measures that are listed in Chapter 6, Table 6-2, comparable quantitative results were obtained for seven of the measures. These results are reported in Chapter 6, Table 6-3.

Change in Average Travel Time

The category of “multimodal travel mobility” was evaluated by looking at the change in average per-trip travel time for all trips, from the base year to 2020. The results vary, both in direction and magnitude from region-to-region. In most cases, there would be a slight increase in travel time (in most cases less than one minute). Three of the regions reported decreases in travel time.

Vehicle Miles Traveled

The category of “climate and energy conservation” was evaluated by looking at changes in per-capita vehicle miles traveled (VMT), from the base year to 2020. Again, the results vary from region-to-region, with most regions reporting increases in per-capita VMT.

Greenhouse Gas Emissions

The category of “emissions reductions” was evaluated by looking at changes in per-capita greenhouse gas (GHG) emissions, from the base year to 2020. Ten regions reported reductions in per-capita GHG emissions. Six regions reported increases.

Criteria Pollutant Emissions

The categories of “air quality” and “public health” were evaluated by looking at changes in criteria pollutants per capita, from the base year to 2020. In this case, 14 of the regions reported reductions in per-capita pollutants. Two regions reported no change.

Multimodal Safety

The category of “multimodal safety” was evaluated by looking at changes in the number of injuries and fatalities, per capita, due to all collisions, from the base year to 2020. Of the six MPOs that reported on this measure, two of them reported reductions in per-capita rates. The other four regions reported no change.

Pedestrian and Bicycle Mode Share

The category of “pedestrian and bicycle mode share” is evaluated by looking at the change in the percentage of total trips (or in some cases just work trips) that are taken by walking or bicycling. Of the 14 MPOs reporting results in this category, 5 reported increases in mode share, 2 reported reductions, and 10 reported no change.

Transit Mode Share

The category of “transit mode share” is evaluated by looking at the change in the percentage of total trips (or in some cases just work trips) taken by public transit. Of the 14 MPOs reporting results in this category, 8 reported increases in mode share, 1 reported a reduction, and 5 reported no change.

Performance Analysis Summary

Overall, the results of this initial performance analysis indicate that the transportation system investments identified in the ten-year needs assessment would have significant positive impacts for the state. The cumulative economic benefits, both in terms of growth in jobs and growth in Gross State Products, would be significant. In addition, these investments would appear to support certain non-economic benefits, such as reductions in criteria air pollutants and increases in transit mode share. In addition, as discussed previously, funding of the system preservation projects and programs described in this report would lead to significant improvements in asset conditions. These would lead to greater long-term efficiency and lower ongoing maintenance costs for transportation systems.

The transportation system investments identified in the ten-year needs assessment would have significant positive impacts for the state.

At the same time, there are several possible categories of performance measures for which results are mixed, or for which data are not currently available. This may be explained in part by the fact that all of the existing RTPs were adopted prior to the enactment of SB 375, which has placed a greater emphasis on the relationship between transportation planning and certain performance outcomes such as GHG emission reductions.

In addition, this report also highlights the need for additional research in the area of performance analysis, as well as improvements in standards for reporting such information through updates to regional transportation plans and other planning and programming documents.