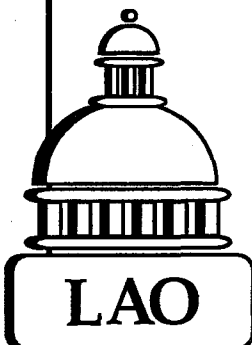


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The 1991-92 Budget:  
Perspectives and Issues

# *State Rail Program*



Elizabeth G. Hill  
*Legislative Analyst*

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## State Rail Program

### What Major Issues Does the Legislature Face in Implementing the State's New Rail Program?

#### Summary

*Propositions 108 and 116 provide a total of nearly \$3 billion in bond funds for rail capital outlay, thereby greatly expanding the state's rail program. With this increase in funding, the state has gone from providing limited financial assistance for local rail projects to providing major funding in support of a strategy of statewide expansion and improvement of the state's rail network. The Legislature needs to clarify the state's expanded role vis-a-vis this statewide rail system. To this end, we recommend legislation to further define the state's role, including a requirement to develop a long-term rail plan to guide development of the overall statewide rail system.*

*In the near term, the Legislature will want to consider two other issues involving the state's expanded rail program. First, the Legislature needs to address a lack of coordination in the implementation of the Propositions 108 and 116 rail programs, particularly relating to rail project evaluation and database management. Second, the Legislature needs to address the subject of the two additional rail bond measures scheduled to be placed before the voters in November of 1992 and 1994.*

In 1989, the Legislature enacted several measures that significantly redefined the state's role in rail transportation. In enacting these measures, the Legislature provided some new funding for expanded rail systems, sought to encourage better coordination between land use and transportation decisions (including rail transportation decisions), and allowed transit and local street projects to compete with state highway projects for state funding.

In June 1990, the voters approved Proposition 108—*The Passenger Rail and Clean Air Bond Act of 1990*—placed on the ballot by Ch 108/89 (AB 973, Costa). At the same election, voters also approved Proposition 116—*The Clean Air and Transportation Improvement Act of 1990*—placed on the ballot through the initiative process. Both measures authorize the state to issue general obligation bonds, which significantly expand the amount of state funds available for rail capital outlay projects.

In this analysis, we (1) provide background on the state's existing rail system, how rail systems have been financed up until 1990, and the key features of the new rail programs financed by bond funds; (2) review the state's role in the planning, development, and implementation of the state's rail system; (3) discuss the coordination of the state's rail capital outlay programs; and (4) review issues related to two future rail bond measures scheduled for the November 1992 and 1994 elections.

## THE STATE'S PASSENGER RAIL SYSTEM AND ITS FUNDING

### Types of Rail Systems

The passenger rail transportation system in California includes two major components—intercity rail, and commuter and urban rail.

**Intercity Rail.** This system primarily serves business or recreational travelers going between cities in California and to other parts of the country. The system is entirely Amtrak-related. (Amtrak is the national rail system.) Five of the state's Amtrak lines are completely federally supported, while the state contributes partial support for two lines: the *San Diegans* (which run from San Diego to Santa Barbara) and the *San Joaquins* (which run from Bakersfield to Oakland).

**Commuter and Urban Rail.** Commuter rail generally offers frequent service during commute hours to serve commuters, and urban rail provides regular service throughout the day, generally within an urban or metropolitan area.

The only major *commuter service* in the state is the Peninsula Commute Rail Service (Caltrain) from San Francisco to San Jose. The state currently funds most of this service, although full support of the service will shift to a local agency by July 1993. In addition, other commuter services are in various stages of planning by local agencies throughout the state.

In general, *urban rail services* are provided by local transportation agencies. Existing urban rail services include:

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- The San Francisco Bay Area Rapid Transit (BART) system.
- The San Francisco Municipal Railway.
- The Sacramento Light Rail System.
- The Santa Clara County Light Rail System.
- The Los Angeles Metro Blue Line (Long Beach—Los Angeles).
- The San Diego Trolley.

In addition, some system expansions are currently under construction, including the Los Angeles Metro Red Line and Green Line, the San Francisco Municipal Railway, and the San Diego Trolley.

#### **Funding for Rail Comes Mainly From Nonstate Sources**

As noted above, intercity rail service has been primarily funded by Amtrak, with partial support from the state. In the case of commuter and urban rail (with the exception of Caltrain), both capital outlay and operating costs have traditionally been funded primarily from nonstate (local and federal) sources. Specifically:

- Local sources include fare revenues, funds generated by local sales taxes dedicated to transportation purposes (including funds under the Transportation Development Act), and a variety of other sources.
- The federal Urban Mass Transportation Administration (UMTA) also provides capital and operating support for commuter and urban rail services. (Because UMTA capital funds flow directly to the local agencies, the state has virtually no influence in the distribution of these funds.)

The primary role played by the state in funding commuter and urban rail has been to provide annual capital grants for rail projects.

As an example of the relative importance of these three sources in funding commuter and urban rail, in 1988-89 nearly 100 percent of BART operating funds came from local sources. Local and federal funds provided about 87 percent of capital funds, and state sources made up the remaining 13 percent.

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### **Bond Measures Expand State Funding of Rail Capital Program**

Until 1990, the state's rail capital outlay program was provided under the Transit Capital Improvement (TCI) program. While annual amounts have varied, state funding for the program was about \$100 million in 1989-90. These funds are mainly from state sales taxes on motor vehicle fuels and from state gas tax revenues.

The passage of Propositions 108 and 116 provides a major infusion of state funds to expand the state rail capital outlay program. Additionally, the increase in the state gas tax triggered by the passage of Proposition 111 (*The Traffic Congestion Relief and Spending Limitation Act of 1990*) in June 1990 will increase funds available for the annual TCI program. Figure 1 summarizes the three program components that comprise the current state rail capital outlay program—Proposition 108, Proposition 116, and the TCI program components.

**Proposition 108.** Assembly Bill 973 legislatively authorized three general obligation bond measures of \$1 billion each to be voted on by the voters. Proposition 108, adopted in June 1990, was the first of these three measures. The other two are scheduled to be voted on in the November 1992 and 1994 elections. If all three measures are adopted, there will be a total of \$3 billion available for rail capital improvements. The California Transportation Commission (CTC) assumed the passage of the two remaining \$1 billion bond measures authorized in AB 973 in developing the seven-year 1990 State Transportation Improvement Program (STIP). Thus, it programmed the full \$3 billion in rail projects for construction during the period 1990-91 through 1996-97.

**Proposition 116.** Proposition 116 authorizes the state to issue nearly \$2 billion in general obligation bonds, mostly for rail projects in specific geographic areas. However, bond money also is authorized for other types of projects, such as capital improvements to ferry and bicycle facilities. Unlike Proposition 108-funded projects, Proposition 116-funded projects do not have to be included in the STIP.

### **State Program Will Be Part of at Least \$10 Billion in Rail Investment**

If the additional two AB 973 bond measures are approved by voters in 1992 and 1994, the state's bond funding for rail projects will total about \$5 billion. When matching funds are included, the total investment of federal, state, and local funds in rail projects envisioned by these measures would be *at least* \$10 billion over the next 10-plus years, and likely would be more.

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**Figure 1**

**Components of State Rail Capital Outlay Program**

**Proposition 108**

- Provides for \$1 billion in state general obligation bonds to be appropriated by the Legislature. (Additional bond authorizations for \$1 billion each are scheduled for the November 1992 and 1994 elections.)
- All projects must be programmed in the State Transportation Improvement Program (STIP).
- At least 15 percent of these funds are for intercity rail projects, with no local match requirement. Caltrans designs and manages projects.
- The remaining funds—up to 85 percent—are for commuter and urban rail transit projects, with a dollar-for-dollar local match required. Local transportation agencies design and construct projects.

**Proposition 116**

- Provides for nearly \$2 billion in state general obligation bonds, continuously appropriated to the California Transportation Commission (CTC).
- Specifies funding amounts for projects in specific geographic areas, with a dollar-for-dollar local, federal or private matching requirement on some projects.
- CTC administers the program, and reviews and approves grant applications.

**TCI Program**

- Provides grants to local entities which are appropriated annually by the Legislature (over \$100 million in 1989-90).
- Program is funded mainly from sales taxes on motor vehicle fuels and state gas tax revenues.

To provide a better sense of the magnitude of this investment, it is helpful to compare it to prior investments or investments currently under way that involve rail transportation. For example:

- The 18.5-mile Sacramento Light Rail system cost about \$180 million to build.
- The existing 71.5-mile BART system would cost about \$6.5 billion in current dollars to construct.
- The 17.4-mile Los Angeles Metro Rail Red Line (subway) system currently under construction is projected to cost \$4 billion.

Figure 2 shows the projects that are programmed in the 1990 STIP from Proposition 108 and the projects specified in Proposition 116, along with the amount of state funding for each. As the figure shows, about 89 percent of Proposition 116 funds will be available for rail projects (58 percent for commuter and urban rail and 31 percent for intercity rail), while Proposition 108 funds will be used entirely for rail projects. The figure also shows that, in most projects and regions shown, funds are planned to be available from both propositions.

## THE STATE'S ROLE IN RAIL TRANSPORTATION

### State Role to Date Has Been Limited

In addition to the state's *funding* role for rail projects discussed above, the state also has had responsibilities in the areas of planning, development, and implementation of the statewide rail system. However, prior to 1990 these roles were limited.

**System Planning.** The state's role in the planning of rail services has mainly been focused on intercity and commuter rail service. Current law requires the California Department of Transportation (Caltrans) to prepare biennially a five-year Rail Passenger Development Plan that examines intercity and commuter rail service in the state, including operating and capital costs for existing and proposed services. Since 1985, the Legislature has also authorized studies in four rail corridors to develop plans to initiate or improve intercity or commuter rail service. The corridors studied are: Los Angeles-San Diego, Santa Barbara County-Los Angeles, Los Angeles-Fresno-San Francisco Bay Area-Sacramento, and San Francisco Bay Area-Sacramento-Auburn.

**System Development and Implementation.** The state's role in developing and funding intercity rail projects has basically

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Figure 2

## Propositions 108 and 116 Projects

(dollars in millions)

System	Proposition 108 <sup>a</sup>	Proposition 116
<b>COMMUTER &amp; URBAN RAIL</b>		
L.A. Basin:		
• L.A. Metro Red Line	\$95	\$80 <sup>b</sup>
• L.A. County light rail	350	-- <sup>c</sup>
• Valley transit project	495	-- <sup>c</sup>
• Southern CA commuter rail	581	177 <sup>b</sup>
<b>Subtotals—L.A. Basin</b>	<b>(\$1,521)</b>	<b>(\$406)<sup>d</sup></b>
San Diego County light rail and commuter rail	\$345	\$77
S.F. Municipal Railway	180	35
Santa Clara County light rail	88	47 <sup>d</sup>
BART	202	108 <sup>d</sup>
Caltrain	60 <sup>e</sup>	190 <sup>f</sup>
Sacramento light rail	154	100 <sup>d</sup>
City of Irvine Guideway	--	125
Miscellaneous	--	60
<b>Totals - Commuter &amp; Urban Rail</b>	<b>(\$2,550)</b>	<b>(\$1,148)</b>
<b>Percent of grand total</b>	<b>(85%)</b>	<b>(37%)</b>
<b>INTERCITY RAIL</b>		
L.A.—San Diego	\$61	\$202 <sup>g</sup>
Santa Barbara—L.A.	36	81 <sup>g</sup>
L.A.—Bay Area—Sacramento	99	140
Auburn—Sacramento—Oakland—San Jose	22	85
S.F.—Eureka	7	10
Rolling stock & maintenance facilities	225	100
<b>Totals - Intercity Rail</b>	<b>(\$450)</b>	<b>(\$618)</b>
<b>Percent of grand total</b>	<b>(13%)</b>	<b>(19%)</b>
<b>OTHER NONRAIL</b>		
Rural-county, bicycle, ferry, grade separations	--	\$203
Miscellaneous	--	21
<b>Totals - Other</b>	<b>(-)</b>	<b>(\$224)</b>
<b>Percent of grand total</b>	<b>(-)</b>	<b>(7%)</b>
<b>GRAND TOTALS</b>	<b>\$3,000</b>	<b>\$1,990</b>
	<b>100%</b>	<b>100%</b>

<sup>a</sup> The 1990 STIP programmed \$3 billion—\$1 billion from Proposition 108 and \$1 billion each from similar, scheduled bond measures in 1992 and 1994.

<sup>b</sup> Minimum amount specified in measure.

<sup>c</sup> A specific amount is not allocated for this project.

<sup>d</sup> Allocated to a county transportation agency for expenditure within that county. Most likely will be expended on project(s) listed.

<sup>e</sup> Includes interconnection of Caltrain to BART and Muni Metro.

<sup>f</sup> Includes \$17 million that could be used on projects in Monterey County.

<sup>g</sup> Includes commuter rail.



been limited to the expansion of passenger service provided by Amtrak. With regard to commuter service, the state's role has been limited to the operation of Caltrain under contract with the Southern Pacific Transportation Company. Under current law, Caltrans is required to transfer operation of that service to a local agency by July 1992. In addition, full funding of the service will shift to the local agency by July 1993.

### **Recent Legislation Has Changed the State's Role**

The approval by voters of Propositions 108 and 116 modified the state's role in statewide rail programs. With the substantial increase in state bond funding for rail programs provided by these measures, the state has gone from providing limited financial assistance for essentially local rail projects to providing major funding in support of a strategy of statewide expansion and improvement of the overall rail network.

The state's role in planning and promoting coordination of a statewide rail system also has been broadened. Chapter 106, Statutes of 1989 (AB 471, Katz), requires the CTC to adopt guidelines to ensure that intercity, commuter, and urban rail projects funded under the AB 973 bond program provide for an efficient system of rail services in the state. Thus, the state will not only grant local assistance on a project-by-project basis, but also will be concerned with how projects fit into an overall statewide system.

In addition, Proposition 116 makes the state responsible for promoting standardization in the state's rail system by requiring the state to develop specifications for standardized rail equipment. Proposition 116 also specifies that \$100 million in reserved rolling stock funds can only be used on equipment that conforms with the standardized specifications.

### **Should the State's Role Be Further Defined?**

The Legislature will need to continue to review the implementation of the state rail program and consider whether the state's role should be further expanded or redefined. Such a reexamination is important because:

- Rail has assumed a much more prominent position as a *state-level* strategy for addressing transportation demands.
  - With the major expansion of rail systems, issues of interregional and intermodal planning and coordination are likely to take on greater importance. Because the
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state has a broader perspective, these are appropriate issues for the state to address.

- With increased funding, the state now has a much greater stake in the success of statewide rail programs and greater ability to influence overall rail system development.

Figure 3 summarizes five key concerns related to ensuring development of an effective overall rail system, and potential actions the state could take in these areas, consistent with its newly expanded role in the statewide rail program. These actions range from broad policy level actions, such as development of a long-range statewide rail system plan, to activities related more to implementation, such as providing for consolidated financial data on projects. In considering which of these actions to take, the Legislature will need to further consider what is the appropriate role for the state, versus local governments, in the overall development of the state's rail system.

The potential actions the state can take in each of the areas shown in Figure 3 are discussed below.

**Planning.** While local and regional agencies currently maintain short-term (five-year) plans for local rail systems and the state develops a five-year plan for intercity and commuter rail service, there is no statewide long-term *system plan* to: (1) set out the objectives for the overall rail program, (2) define the relationship between rail policies and other state policies (such as land use and air quality), and (3) define the role of the rail system within the overall transportation network in order to guide system development. Without such a plan, the state cannot determine the relative priorities in rail projects and make decisions regarding funding of the system. As there currently is no requirement for such a plan, legislation would be needed to provide for one.

The Legislature could also choose to provide direction and oversight in the overall acquisition of rights-of-way. Chapter 1039, Statutes of 1989 (SB 1562, Presley), initiated the first step towards a rights-of-way preservation plan by requiring an inventory of rights-of-way. A well coordinated plan to acquire or develop rights-of-way could facilitate local agencies' development of rail projects, and potentially help in negotiations for rights-of-way acquisition.

**Assessing Economic Merit.** To date, the CTC and Caltrans have not reviewed individual rail projects, prior to their inclusion in the 1990 STIP, to ensure that they merit state funding based on an analysis of the expected benefits and costs of those projects.

**Figure 3**

**Potential State Actions in Rail System Development**

**Planning**

- Develop a statewide rail system plan to guide rail system development.
- Develop a related statewide rights-of-way acquisition plan.

**Assessing Economic Merit**

- Ensure that the expected benefits of rail projects are greater than their costs, thereby justifying public investment in the projects.

**Coordinating**

- Promote coordinated development of projects on an interregional basis.
- Ensure coordination between rail systems and other passenger transportation modes.
- Encourage coordination of operating policies.
- Coordinate rights-of-way negotiations statewide to ensure that rights-of-way valuation is conducted consistently and that negotiations are carried out in a manner most advantageous to the state.

**Financing**

- Ensure that agencies have provided for adequate funding of rail operations prior to approval of state funding for construction.
- Ensure that financial plans for projects programmed for state funding are reasonable and, in aggregate, do not oversubscribe federal, state or local funds.
- Provide for consolidated financial data on all proposed projects.

**Promoting Efficiency**

- Encourage joint procurements, shared maintenance facilities, and similar measures among rail operators to economize on overall system costs.

It is essential that such reviews be conducted. The Legislature could require such assessments through legislation, including specifying the various factors that should be taken into account in them.

**Coordinating.** The linkage of a rail system interregionally, as well as the system's linkage with other modes of transportation, such as bus transit, is essential in order that the state's investment in the rail system works most efficiently. Coordination among systems may relate not only to the physical characteristics of the systems, but could also include coordination of policies and procedures among operators to encourage greater systemwide use. For example, this might include improved intersystem transfer policies or creation of regional or statewide uniform rail passes.

Coordination in these areas may be achieved most effectively by the state because of the broader perspective needed for this function. The Legislature could enact legislation to specify the responsibilities of Caltrans, the CTC, and other state and regional agencies in addressing coordination issues.

**Financing.** In order to carry out an effective program for financing rail projects, the state will need to review project financial plans. In our view, two kinds of financial reviews should be done. First, the state should review individual projects in terms of their capital funding plans and cash flow projections. In addition, the state should review system operating plans to ensure that agencies have adequately provided for funding of system operations. Caltrans performs this kind of review on a regular basis for TCI projects.

Second, a financial review of all projects applying for funds should be performed to ensure that the program, *as a whole*, does not make unreasonable assumptions about available funds, including state, federal, local, and private funds. For example, although an *individual project* may make a reasonable assumption about the potential level of federal funding available, the program *as a whole* may assume an unreasonably high level of total potential federal funds. This problem could be addressed by the use of consolidated financial reviews for projects. The Legislature could enact legislation to require the above reviews.

**Promoting Efficiency.** The Legislature could also consider actions to encourage efficiency in the overall rail system, such as measures to encourage joint procurements and shared maintenance facilities. The Legislature could direct state and local agencies to report on options available in the overall development of the rail system to achieve such efficiencies.

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Given the above, we believe that there are a variety of steps the Legislature could take to ensure that the state develops an efficient and effective rail system. As a first step, *we recommend that the Legislature enact legislation further defining the state's role involving rail transportation.* Specifically, we recommend that the legislation:

- Require development of a long-term rail plan to guide development of the state's overall rail system.
- Require review of the economic merits and financial plans for projects.
- Specify the responsibility of Caltrans, the CTC, and other state and regional agencies in the areas of project review and system coordination.

#### **COORDINATION BETWEEN RAIL PROGRAMS NEEDS IMPROVEMENT**

The CTC administers Proposition 116, while Proposition 108 and the TCI program are the joint responsibility of the CTC and Caltrans. This arrangement makes coordinating these program components inherently complicated.

While both agencies indicate that program coordination is important and have taken some steps in this direction, for the most part, they still have to determine how coordination will be accomplished in implementing the three components of the state rail program. In particular, our review shows that two areas—project evaluation and database management systems—definitely need better coordination.

#### **Project Evaluation**

Figure 4 summarizes the project evaluation process for each program component. As the figure shows, projects will be evaluated differently in each case. These differences, however, are *not* the result of statutory requirements. For instance, TCI projects that will be funded in 1991-92 have been reviewed by Caltrans according to CTC policy. Proposition 108 commuter and urban rail projects were not reviewed by either the CTC or Caltrans prior to their inclusion in the 1990 STIP (for a further discussion see the 1991-92 *Analysis*, Item 2660). Finally, the CTC tentatively plans for Proposition 116 projects to be reviewed by private consultants.

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Figure 4

**Rail Capital Outlay  
Project Evaluation Process**

	Proposition 108	Proposition 116	TCI Program
Program requirements	<ul style="list-style-type: none"> <li>• CTC and Caltrans review projects according to program guidelines prior to inclusion in STIP.</li> <li>• Projects must first be nominated by regional transportation agencies or Caltrans.</li> </ul>	<ul style="list-style-type: none"> <li>• CTC reviews grant applications according to Proposition 116 guidelines.</li> <li>• CTC can contract with Caltrans for application review.</li> </ul>	<ul style="list-style-type: none"> <li>• Caltrans reviews projects according to CTC policy and makes recommendations to the CTC.</li> </ul>
Actual process used for project evaluation	<ul style="list-style-type: none"> <li>• \$2.5 billion in commuter and urban rail transit projects were programmed in 1990 without prior review by either CTC or Caltrans.</li> <li>• Caltrans plans to perform project review at time local agency requests funds.</li> </ul>	<ul style="list-style-type: none"> <li>• CTC tentatively plans to use private consultants to review projects.</li> </ul>	<ul style="list-style-type: none"> <li>• Caltrans reviews projects according to CTC policy, and makes project recommendation to CTC.</li> </ul>

### Database Management Systems

Currently, the only comprehensive database system for tracking TCI projects is Caltrans' accounting system. However, the system does not function adequately to provide information on the status of projects. For example, the system is not capable of providing automated reporting on a particular (local) agency's projects that have received funds over a number of years. Such reports must be created manually.

Caltrans recognizes the deficiency of the current system, but nonetheless intends to use the same database system, with some improvements, for Proposition 108 projects. Additionally, it is not clear whether projects funded with Proposition 116 funds will be tracked using the same database.

### Lack of Coordination Could Be Detrimental

A lack of coordination between program components in terms of project evaluation and database management could have the following negative effects:

- **Duplicative review.** The same project applying for different sources of funds may be reviewed twice—once by the CTC and once by Caltrans—resulting in duplication of review at the state level. At the same time, duplicative reviews create a cumbersome process for local agencies applying for funds.
- **Inconsistent project assessment.** Because projects may be evaluated by different agencies, they may be assessed based on nonuniform application of evaluation guidelines—even where guidelines across program components are the same. This could result in inconsistent project rankings for funding purposes.
- **Lack of consistent project information.** At present, it is not clear whether the state will develop a uniform database management system for all three program components. Absent such a system, it will be difficult to (1) make funding decisions based on complete information, (2) track a project's use of multiple state fund sources, and (3) obtain comprehensive program information.

### How Can Coordination Be Improved?

Given the above, it is clear that there needs to be improved coordination between the state's rail programs. In the 1991-92 *Analysis*, we have recommended that the CTC report at budget hearings on its plans for the administration of Proposition 116,

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and that the CTC and Caltrans report at budget hearings on issues related to the review of Proposition 108 projects (please see 1991-92 *Analysis*, Items 2600 and 2660). At that time, the Legislature could also examine the issue of coordination of rail project evaluations.

***In addition, we recommend that the Legislature enact legislation directing the CTC to delegate to Caltrans the review of all Proposition 116 projects, and allow Caltrans, in turn, to contract with consultants where necessary to perform project evaluation.*** This would ensure that the same agency applies a consistent set of criteria for project reviews and would eliminate duplication of work. It would also be consistent with the intent of Proposition 116, which allows the CTC to contract with Caltrans for that work.

***In order that there is a sound database to provide necessary management and financial information regarding rail projects, we also recommend that the Legislature direct Caltrans and the CTC to jointly establish a comprehensive database for this purpose, and to utilize the same database for the evaluation and tracking of all rail capital outlay projects receiving state funds.***

#### **SCHEDULED BOND MEASURES WARRANT FURTHER REVIEW**

As noted earlier, AB 973 places before the voters two general obligation bond measures of \$1 billion each for rail capital outlay at the November 1992 and 1994 elections. During 1991-92, the Legislature will need to review the amount and timing of these measures in light of three developments that occurred subsequent to the enactment of AB 973.

- Voters approved Proposition 116, thereby increasing current state rail funds available to \$3 billion. If voters approve both the additional AB 973 measures, state funds available will increase to almost \$5 billion.
  - The Legislature enacted Ch 1435/90 (SB 1825, Beverly), requiring the Director of Finance to report annually, beginning February 1, 1991, on projected state needs for financing *all* types of major capital outlay projects (including rail projects) over a 10-year period.
  - Voters rejected 12 of 14 general obligation bond measures on the November 1990 ballot, thereby raising concerns over the amount of general obligation bonds that can be counted on to be approved and available to meet infrastructure needs.
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Voter rejection of most bond measures in November 1990 makes the review of statewide capital outlay financing plans mandated by Chapter 1435 even more urgent to aid the Legislature and the administration in deciding when and how many bonds to present to voters at future statewide elections. (Please see our piece on state infrastructure elsewhere in this part.)

The amount of state funding needed over the next 10 to 20 years for rail projects will depend on the Legislature's *long-term* plans for rail development in California. However, in the *near term*, as the Legislature considers which bond measures to place before voters in 1992 and 1994, it will need to review the projects to be funded from the rail bonds currently scheduled for November 1992 and 1994, alongside all other types of capital outlay projects.

#### **What Should the Legislature's Review Focus On?**

The Legislature's review should consider three issues related to the *amount* and *timing* of the two additional bond measures.

First, the Legislature should consider the *merits* of the projects to be funded from the \$3 billion in bond funds currently authorized and the merits of the additional projects which would be funded under the larger \$5 billion program. As in the case of all governmental projects, whether financed with or without bonds, these rail projects should be undertaken only if their benefits exceed their costs.

Second, the Legislature will need to decide the *relative priority* of rail capital outlay projects versus other statewide capital outlay projects to be funded from general obligation bonds.

Third, as regards the *timing* of the rail bond measures, the Legislature should consider whether Caltrans and local agencies will have projects ready in time to use bond funds promptly, once the bonds are approved by the voters, and whether a series of smaller bond authorizations may be adequate to maintain project schedules.

#### **Basic Information Is Needed**

In order to arrive at a decision on the AB 973 bond measures, the Legislature will need additional information from Caltrans and the CTC. In particular, the Legislature will need to know which projects are to be funded from the scheduled bond measures, why each project merits funding, and when those projects are expected to require funding.

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As discussed in further detail in the 1991-92 *Analysis* (please see Item 2660), \$2.5 billion in commuter and urban rail projects were not reviewed by Caltrans or the CTC prior to being adopted in the 1990 STIP. Additionally, the CTC has not yet determined which projects will be funded under Proposition 116. Consequently, the Legislature does not have the information it will need to review the amount and timing of the AB 973 bond measures currently scheduled for the 1992 and 1994 ballots. In order that the Legislature can effectively review the AB 973 measures, *we recommend that the CTC develop this information and report to the Legislature no later than August 1, 1991 on (1) the projects scheduled to be funded from currently authorized bond funds, and projects proposed for funding from the additional AB 973 bond measures; (2) why each project merits funding; (3) the total proposed funding by source for each project; and (4) the CTC's best assessment of when bond funds will be needed.*

#### SUMMARY AND CONCLUSIONS

Passage of Propositions 108 and 116 have created major new state rail programs. The Legislature will face several important issues in implementing these new programs.

***Further Definition of State's Role.*** The Legislature will need to consider what further changes in, or definition of, the state's role in development of the state's rail system may be appropriate. In our view, there are several actions the Legislature should take in this regard.

***We recommend that the Legislature enact legislation to:***

- ***Require development of a long-term rail plan to guide development of the overall rail system.***
- ***Require review of the merits and financial plans for projects.***
- ***Specify the responsibilities of Caltrans, the CTC, and other agencies in the areas of project review and system coordination.***

***Rail Program Coordination.*** The Legislature will also need to address problems in the implementation of the new rail programs by Caltrans and the CTC. In particular, we believe that improvements in project evaluation and database management systems are needed.

***We recommend that the Legislature enact legislation directing the CTC to delegate to Caltrans the review of all***

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**Proposition 116 projects.** This would promote greater consistency in implementation of Proposition 116 and other state rail programs.

***We also recommend that the Legislature direct Caltrans and the CTC to jointly establish a comprehensive database to adequately support the rail programs.***

***Review of Bond Measures.*** The Legislature will need to review the amount and timing of the rail bond measures currently scheduled by AB 973 for the November 1992 and 1994 ballots. This is needed to ensure that the projects to be funded have merit, are of high state priority, and will be ready for funding once bond funding is authorized by the voters. To carry out this review, the Legislature will need additional information.

***Therefore, we recommend that the CTC report to the Legislature by August 1, 1991 on projects scheduled to be funded from the AB 973 bond measures and the Proposition 116 program, why each project merits funding, the total proposed funding by source for each project, and an assessment of when funding will be required.***

*This analysis was prepared by Emily Burstein and Mark Taylor, under the direction of Dana Curry. For information concerning this analysis, please contact the authors at (916) 445-5921.*