

Date of Hearing: June 7, 2012

ASSEMBLY SPECIAL COMMITTEE ON THE  
GOVERNOR'S REORGANIZATION PLAN NO. 2  
Joan Buchanan, Chair  
GRP 2 - As Introduced: May 3, 2012

SUBJECT: GRP 2: California Transportation Agency.

SUMMARY: Creates the new California Transportation Agency (CTA) which consolidates transportation-related entities. Specifically, the GRP 2:

- 1) Creates CTA, which consolidates transportation-related entities into a single agency.
- 2) Eliminates the Business, Transportation and Housing Agency (BTH).
- 3) States that CTA includes the following:
  - a) Department of Transportation;
  - b) Department of Motor Vehicles;
  - c) California Highway Patrol;
  - d) Board of Pilot Commissioners;
  - e) Office of Traffic Safety;
  - f) High Speed Rail Authority; and,
  - g) California Transportation Commission (CTC).

EXISTING LAW:

- 1) Establishes BTH, whose portfolio addresses issues that directly impact the state's economic vitality and quality of life. Elements include transportation, public safety, affordable housing, international trade, financial services, and tourism.
- 2) Includes the following transportation-related entities within BTH:
  - a) Department of Transportation;
  - b) Department of Motor Vehicles;
  - c) California Highway Patrol;
  - d) Board of Pilot Commissioners; and,
  - e) Office of Traffic Safety.
- 3) Establishes the following as independent entities:
  - a) California High-Speed Rail Authority; and,
  - b) California Transportation Commission.

FISCAL EFFECT: Unknown.

COMMENTS:

Purpose of this bill: According to the Governor, “The State’s transportation entities will be consolidated into one agency that will focus solely on California’s transportation needs. Aligning these entities will facilitate more effective coordination in addressing the critical transportation issues the state will face in the coming years.”

Arguments in support: There exists widespread support for the creation of CTA. Advantages of having transportation related entities under a single agency include:

- The opportunity to gain a better understanding of overall transportation needs;
- The leadership benefit of a CTA secretary who reports directly to the Governor, and who may be able to develop long term solutions to the state's transportation funding shortfall; and,
- The ability to prioritize transportation needs and coordinate cost-effective uses of limited transportation funds.

Arguments in opposition: There are two primary concerns with CTA as configured in GRP 2:

- The inclusion of the previously independent CTC, which some fear will lose its independence.
- The separation of transportation and housing. Under current law, the two major housing-related entities in the state—the Department of Housing and Community Development and the California Housing Finance Authority—reside in BTH along with the major transportation-related entities.

CTC: CTC was established in 1978 by AB 402 (Chapter 1106, Statutes of 1977) out of a growing concern for a single, unified California transportation policy.

CTC is responsible for programming and allocating funds for the construction of highway, passenger rail and transit improvements throughout California. The Commission advises and assists the Secretary of BTH and the Legislature in formulating and evaluating state policies and plans for California’s transportation programs. CTC is also an active participant in the initiation and development of State and federal legislation that seeks to secure financial stability for the State’s transportation needs.

CTC approves funding for projects via the State Transportation Improvement Program and approves the State Highway Operation and Protection Program, among other duties. The CTC allocated over \$5.5 billion in state and federal transportation funding in the 2010-11 fiscal year.

CTC was created as a standalone entity to preserve its political independence. In testimony before the Little Hoover Commission, CTC vice-chair James Ghielmetti raised concerns about

CTC's independence and current statutory authority under the GRP's new "Agency-centric relationship." He argued that the role of advising both the Legislature and the Governor about transportation policy would not be compatible with placement in the administration's hierarchy.

The Administration has assured critics that the CTC could be "firewalled" to protect its independence. However, the Administration has not provided detail about how this might work, and others have expressed skepticism that this could be done effectively.

GRP 2 contains language that appears to contradict the notion of independence for boards and commissions operating within the new agency structures. GRP 2 maintains the existing ability of agency heads to review and approve the budgets and operations of each department. However, this could negatively impact the autonomy of entities which previously did not reside in agencies, such as the CTC.

Specifically, GRP 2 amends Section 12800 of the Government Code to read:

(b) The secretary of an agency shall be generally responsible for the sound fiscal management of each department, office, or other unit within the agency. The secretary shall review and approve the proposed budget of each department, office, or other unit. The secretary shall hold the head of each department, office, or other unit responsible for management control over the administrative, fiscal, and program performance of his or her department, office, or other unit. The secretary shall review the operations and evaluate the performance at appropriate intervals of each department, office, or other unit, and shall seek continually to improve the organization structure, the operating policies, and the management information systems of each department, office, or other unit.

For an entity such as the CTC, this could prove to be a very significant change. Given that it was created as an independent entity which would advise and sometimes disagree with other transportation-related entities, there is a fear that ceding this power could undermine the CTC's core mission.

The Administration further argues that numerous boards and commissions exist under agency umbrellas, yet maintain operational and political independence. An example includes the California Coastal Commission, which operates under the Natural Resources Agency. These entities do not operate with the new powers proposed for agency secretaries, however. There are additional concerns that placing CTC, whose members are already dominated by Governor's appointees (nine of 11 voting commissioners) within an agency also controlled by the Governor would unduly favor the administration.

Meanwhile, the inclusion of CTC into the new agency is also seen as a means to coordinate transportation and housing policy. Under the existing structure, CTC already communicates regularly with CalTrans and entities within BTH for this purpose. Again, critics point out that inclusion within the newly-minted Transportation Agency is not necessary for CTC to maintain this role.

Separation of Transportation and Housing: GRP 2 removes the structural support for the coordination of transportation and housing planning by separating housing and transportation elements in different agencies. As the GRP 2 is currently written, the existing housing agencies—the Department of Housing and Community Development and the California Housing Finance Authority—would be united into a single Department of Housing and Community Development that would reside under the new Business and Consumer Services Agency. Collaboration is particularly important due to the requirements of SB 375 (Chapter 728, Statutes of 2008), which requires coordination between housing, transportation and land use policies to lower carbon emissions.

It has been suggested to place housing provisions within the new Transportation Agency and rename it the Transportation and Housing Agency. However, housing and transportation elements coexisted in the previous BTH and it is unclear whether that arrangement facilitated coordination.

Administration officials have raised the possibility that another existing entity, the Strategic Growth Council (SGC), could become the coordinating body between the state's transportation and housing planning. This is a cabinet-level committee created in 2008 and tasked with advising the Governor and Legislature on sustainable community development and to manage grants that support this mission. Its mandate also includes improving air quality, public health, and promoting infill development. The members of the SGC meet quarterly and vote on variety of grant programs. SGC is not a logical fit for this role, however. Broad transportation and housing policy is not SGC's mission, and it lacks the requisite resources to become a major policy link.

Analysis Prepared by: Malcolm Maclachlan