California Proposition 1B General Obligation Bond Case Study

Governor Schwarzenegger’s leadership, championing of his Strategic Growth Plan, and persistence in making the bond package the number one issue of his reelection campaign culminated in the passage of Proposition 1B

Background

Initiative Description

In November 2006, voters in California passed the largest general obligation bond package ever offered on a single ballot. The $37.3 billion package comprised four separate sectors of state infrastructure—transportation, housing, education, and flood control—each with its own measure placed on the ballot by the State Legislature and Governor. The following table briefly summarizes each bond.

Table 1

<table>
<thead>
<tr>
<th>Ballot Measure1</th>
<th>Sector</th>
<th>Types of Projects</th>
<th>Funding (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 1B</td>
<td>Transportation</td>
<td>See Table 2</td>
<td>$19,925</td>
</tr>
<tr>
<td>Proposition 1C</td>
<td>Housing</td>
<td>Affordable housing development programs including homeownership assistance, multifamily housing, and new development</td>
<td>$2,850</td>
</tr>
<tr>
<td>Proposition 1D</td>
<td>Education</td>
<td>K-12 public school improvements; funding for state colleges and universities</td>
<td>$10,416</td>
</tr>
<tr>
<td>Proposition 1E</td>
<td>Flood Control</td>
<td>Flood control and levee repairs and maintenance; stormwater flood management; flood protection; floodplain mapping</td>
<td>$4,090</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$37,281</strong></td>
</tr>
</tbody>
</table>

Source: LAO¹

A fifth infrastructure bond to fund $5.4 billion in various environmental resource projects was placed on the ballot by initiative statute and also passed, but it was not part of legislative package that contained the transportation bond—the focus of this case study. This bond, Proposition 84, funded various water quality, water resource protection, flood control, parks, and forest and wildlife protection initiatives, and brought the total bond funding passed in the November 2006 election to $42.7 billion.
The largest of these four bond measures and the focus of this case study is Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Nearly $20 billion in new funding for transportation was made available to a broad range of new and existing programs as summarized in Table 2.

### Table 2

<table>
<thead>
<tr>
<th>Funding Program or Account</th>
<th>Types of Projects</th>
<th>Funding (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Congestion Reduction—Highway and Local Road Improvements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corridor mobility</td>
<td>Reduce congestion on state highways and major access routes (capital projects)</td>
<td>$4,500</td>
</tr>
<tr>
<td>State Transportation Improvement Program</td>
<td>Increase capacity on highways, roads, and transit (capital projects)</td>
<td>$2,000</td>
</tr>
<tr>
<td>Local roads</td>
<td>Enhance capacity, safety, and operations</td>
<td>$2,000</td>
</tr>
<tr>
<td>State Highway 99</td>
<td>Enhance capacity, safety, and operations</td>
<td>$1,000</td>
</tr>
<tr>
<td>State-Local Partnership</td>
<td>Grants to match locally funded transportation projects</td>
<td>$1,000</td>
</tr>
<tr>
<td>State Highway Operations and Protection Program</td>
<td>Rehabilitate and improve operation of highways and roads (rehabilitation and maintenance projects)</td>
<td>$750</td>
</tr>
<tr>
<td><strong>Subtotal Congestion Reduction</strong></td>
<td></td>
<td>$11,250</td>
</tr>
<tr>
<td><strong>Transit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local transit</td>
<td>Purchase vehicles and right-of-way</td>
<td>$3,600</td>
</tr>
<tr>
<td>Intercity rail</td>
<td>Purchase railcars and locomotives for state system</td>
<td>$400</td>
</tr>
<tr>
<td><strong>Subtotal Transit</strong></td>
<td></td>
<td>$4,000</td>
</tr>
<tr>
<td><strong>Goods Movement and Air Quality</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade corridors</td>
<td>Improve movement of goods on highways and rail, and in ports</td>
<td>$2,000</td>
</tr>
<tr>
<td>Air quality</td>
<td>Reduce emissions from goods movement activities</td>
<td>$1,000</td>
</tr>
<tr>
<td>School bus retrofit</td>
<td>Retrofit and replace polluting vehicles</td>
<td>$200</td>
</tr>
<tr>
<td><strong>Subtotal Goods Movement and Air Quality</strong></td>
<td></td>
<td>$3,200</td>
</tr>
<tr>
<td><strong>Safety and Security</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transit security</td>
<td>Improve security and facilitate disaster response</td>
<td>$1,000</td>
</tr>
<tr>
<td>Grade separation</td>
<td>Grants to improve railroad crossing safety</td>
<td>$250</td>
</tr>
<tr>
<td>Local bridges</td>
<td>Grants to seismically retrofit local bridges and overpasses</td>
<td>$125</td>
</tr>
<tr>
<td>Port security</td>
<td>Grants to improve security and disaster planning in publicly owned ports, harbors, and ferry facilities</td>
<td>$100</td>
</tr>
<tr>
<td><strong>Subtotal Safety and Security</strong></td>
<td></td>
<td>$1,475</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$19,925</strong></td>
</tr>
</tbody>
</table>

Source: LAO¹
Some programs such as the State Transportation Improvement Program (STIP) and State Highway Operation and Protection Program (SHOPP) were already in existence and received an augmentation, while others were new programs or direct funding grants. Many of these funding mechanisms would still require future legislative authorization through the state’s annual budget cycle to expend the funds or trailer legislation to further define the programs’ purpose and then expend the funds. Proceeds from the sale of these bonds were intended to be spent over 10 years.

It should also be noted that a joint measure related to transportation funding was passed by the State Legislature and Governor and approved by the voters as Proposition 1A on the November 2006 ballot. It enacted strong protective measures for the sales tax on gasoline—a significant source of California transportation funding worth about $1.4 billion per year at the time of the proposition’s passage—which had been previously subject to legislative diversions to the state’s General Fund. (As will be noted later, the presence of the Proposition 1A measure on the ballot was cited by some observers as having had a positive effect on the passage of the 1B funding measure.)

California’s Transportation Background
California’s state department of transportation, Caltrans, operates and maintains about 50,500 lane-miles of highways, while cities and counties operate and maintain about 327,000 lane-miles of local roads. Much of the current state highway system was built during the “Golden Age” of infrastructure investment under Governor Pat Brown in the 1960s. As detailed in the following section, highway and other investments have tapered off despite significant population growth, growth in travel, and the aging of the system, much of which is currently 40 to 50 years old.

In 2003-04, 1.3 billion passenger trips were made on various modes of transit including bus, rail, and ferry. About 70 percent of these trips were by bus, with nearly the remainder on light rail, commuter rail and intercity Amtrak service.¹

Development
Demonstrated Need
As with the rest of the country, but at levels that are unsurpassed in other states, California’s traffic congestion and associated demands on all forms of transportation infrastructure have been growing faster than revenues necessary to meet them. Traditional sources of transportation funding, especially the gas tax, have been decreasing in purchasing power due to inflation, fuel efficiency gains, and rapidly rising construction costs.²³ Another traditional, but no longer significant source of transportation revenue—local property taxes—have been held to a constant rate of increase since 1978 by Proposition 13. As a result, municipalities in California have no power to increase property
taxes in response to infrastructure needs (or in response to any other service needs). Municipalities have increasingly turned to optional increases in their sales taxes—local options sales taxes—as well as developer fees, and vehicle registration surcharges, to fund transportation projects. The revenues from these taxes account for half of all money spent on transportation in the state, and are currently the largest single source of funding for local transportation projects. At the state level, only the sales tax on gasoline and diesel fuel has provided a relatively constant or increasing source of funding, but its availability to transportation had been unreliable through 2006; the gasoline sales tax’s dedication to transportation was made permanent four years prior in 2002 but had been subject to diversion to the state’s General Fund until the significant protective measures enacted by Proposition 1A.

In 2004, the California Transportation Commission (CTC) estimated that the state would have a backlog of unfunded transportation projects worth $160 billion by 2009. Physically supporting this vast financial deficit, the Bureau of Transportation Statistics (BTS) reported in 2004 that only 2 percent of roads in California were in “very good” condition compared to 13 percent nationwide. Conversely, 19 percent were rated “poor” compared to 7 percent nationwide. Travel also had been increasing significantly—vehicle miles traveled increased at three times the rate of population growth between 1965 and 2005. Delay on urban highways nearly doubled from 262,000 hours per day in 1992 to 512,000 hours per day in 2002. The two most congested cities in the nation in 2005 were Los Angeles and San Francisco, with Riverside, San Diego and San Jose also in the top ten. These significant demands had not been limited to passenger travel alone. In 2005, 39 percent of the freight arriving by containership in the U.S. went through the Ports of Los Angeles, Long Beach, or San Francisco. Most of this cargo was then shipped across California highways on trucks, the primary source of wear and tear on roads. Overall, California’s investment in transportation infrastructure has languished since the 1960s, the last period of major road building. Its spending per road mile traveled decreased by 75 percent from 1965 to 1980 and has remained roughly constant since, despite the increase in travel.

**Initiative Development**

Prior to the development of the Proposition 1B bond package in 2006, significant statewide transportation planning initiatives dated back to 2004. The economic recovery following the dot-com bust and the change in governorship placed a renewed emphasis on comprehensive transportation planning and investment. In 2004, Caltrans staff was formulating a draft of the California Transportation Plan (CTP), a comprehensive statewide planning document. Following Governor Arnold Schwarzenegger’s appointment of a new secretary to head Caltrans’ parent agency (Business, Transportation and Housing [BTH]), Caltrans’ planning division began to reshape the CTP into GoCalifornia, a new statewide vision for transportation policy based on investments that would lead to performance-driven outcomes.
GoCalifornia’s vision consisted of a transportation system that achieved the so-called “3-Es,” a prosperous economy, quality environment, and social equity. Emphasis was placed on system operations and preservation ahead of capacity expansion. GoCalifornia also laid out a 10-year mobility implementation plan designed to meet the state’s transportation needs over the 20-year period from 2005 to 2025. The plan included goals for particular systems and modes, performance targets, improvements in Caltrans’ accountability, and accelerated project delivery. However, new sources of revenue were not explicitly identified in the plan. Rather, it relied upon previously diverted gasoline sales tax revenue through Proposition 42 and federal funding to spur investment. By the end of 2005, the Governor’s Office had become involved in the rollout of GoCalifornia and used it as the basis to formulate its Strategic Growth Plan (SGP), which itself expanded proposed investments to other sectors of infrastructure.

Early in January 2006, Governor Schwarzenegger unveiled his SGP in his annual State of the State speech. Citing expected population growth of 30 percent and $500 billion of needed infrastructure over 20 years, the Governor proposed a two-phased 20-year investment, the first of which was the SGP. The SGP would leverage $68 billion in general obligation bonds as well as other federal and private sector monies in investing $222 billion over 10 years in the state’s transportation, education, water, public safety, and public services infrastructure. This was big, even for California.

The bonds would require approval at the ballot over a series of elections between 2006 and 2014, and be implemented with a 6 percent statutory cap on the state’s debt service. Specific to transportation, the Governor proposed constructing 1,200 new miles of highway and 600 miles of mass transit to reduce current congestion levels by 18 percent over 10 years. Transportation’s proposed share of the SGP’s overall investment was nearly half, $107 billion, supported by existing revenues, authorization for public-private partnerships (PPP), and two $6 billion bonds to be placed on the ballot in June 2006 and 2008.

Reaction to the Governor’s bold, visionary plan was generally positive. There was generally no denying the importance of investing in badly needed infrastructure. Business interests, the construction industry, and a majority of the public supported the plan. However, it was necessary that the State Legislature pass legislation by two-thirds vote authorizing any bond package to be placed on a ballot. Republicans were least supportive of a plan of such magnitude, especially as it relied heavily on borrowing funds against future obligations from the General Fund. They advocated a more incentivized approach for businesses to spur investment, through PPPs, and a relaxation of often costly and time-consuming environmental review requirements. Democrats were more inclined to support investment through bonding but questioned the state’s financial capacity to support the amount proposed by the Governor and the prospect of spreading their approval over several election cycles. Specifically, Senate Pro Tempore Don Perata (D-Oakland) had already
introduced a bond package late in the 2005 legislative session, which he continued to advance after the Governor’s plan was released as a more modest $13 billion proposal for transportation, flood control, and affordable housing.

Through January and February 2006, the Governor toured the state stumping for his proposal through speeches and meetings, and with significant media attention. Meanwhile, members of the Legislature held informational hearings and conference committee meetings, and began to formulate their own plans for funding infrastructure projects. Alternative proposals began to emerge. Assembly Republicans released a proposal based on the pay-as-you-go principle rather than debt financing. Characterizing their plan as complementary to the Governor’s, they proposed a constitutional amendment that would raise $36 billion over 10 years by devoting 1 percent of the General Fund annually to infrastructure projects, with increases contingent upon revenue growth. Senator Perata championed his $13 billion plan, while in the Assembly, Speaker Fabian Nunez (D-Los Angeles) led a $30 billion proposal. An initial deadline of March 10 had been set to pass an infrastructure package in time to appear on the June ballot. A sense of urgency to achieve this date stemmed from lawmakers’ desire to finish the legislation before the annual budgetary process began in earnest in May. They also wanted to avoid the partisanship that would develop as the November gubernatorial election drew closer. Nonetheless, as the Alameda Times-Star reported in early March, there were “sharp disagreements among politicians and influential interest groups over the size, scope and fine print details, and election year politics.”

As the March deadline approached and passed, legislative proposals ballooned to nearly $50 billion as lawmakers’ sought to include programs and projects favored by their districts. The Legislature, and of course the Governor, still hoped that a deal could be struck to place a bond package on the November ballot, now with the end of April as the target. Democratic and Republican legislative leaders promised to work on a scaled-back deal focusing on transportation, education, and flood control in an effort to attract the necessary Republican votes for the two-thirds passage. By the beginning of May, a new deal emerged and a bill passed both houses of the Legislature. The final bond package (previously detailed in the Initiative Description section) totaled $37.3 billion, with $19.9 billion for transportation. Notably, the total package was roughly half of what the Governor proposed in his SGP; while the bonding component for transportation was two-thirds greater than the share he originally suggested ($12 billion as two separate bonds). Of great importance was that the compromise was struck and a single proposal emanated from what had been a collection of competing conceptions.

Despite some initially lukewarm support from the general public for the bond measures, the transportation bond was generally favorably viewed, and support for all four measures increased as the election approached. Along with the Governor and the legislative
leadership’s active campaigning, well-funded supporters from unions, the construction industry, and other business interests were far more prevalent than the opposition, which primarily consisted of taxpayer watchdog groups. Each of the measures—Propositions 1B (transportation; 61.2 percent), 1C (housing; 57.4 percent), 1D (education; 56.5 percent), and 1E (flood control; 64.0 percent)—was approved by the voters in November 2006.

Sponsors and Stakeholders

Governor Arnold Schwarzenegger

Governor Schwarzenegger was the dominant figure in the success of the 2006 infrastructure bond package. His leadership, championing of his Strategic Growth Plan, and persistence in making the bond package the number one issue of his reelection campaign culminated in the passage of Proposition 1B and its associated measures. All interviewed cited the Governor’s work as a critical success factor. And ultimately, despite numerous contributions to the package’s success from many other individuals and groups, the Governor received the most credit; one interviewee observed that the public saw the Governor as the “driving force” behind the bond package.

According to some observers, Governor Schwarzenegger’s motivations partly lay in his chances for reelection in 2006. At the end of 2005, the Governor’s approval ratings were at their lowest point since he had taken office two years before. This was largely attributable to the unpopularity of his unsuccessful “reform agenda” he sponsored in a November special election. His initiatives attempted to increase the time for teachers to become tenured, restrict campaign contributions from union dues, impose various state budgetary spending limits, and alter the process for legislative redistricting.

Heading into his reelection year, the Governor’s approval rating stood at 37 percent through the second half of 2005, and he had not as yet established “legacy” accomplishments on which he could make his case for reelection. Having succeeded recalled-Governor Gray Davis on a platform of “recovery, reform, and rebuilding,” Governor Schwarzenegger was keen to move on to the “rebuilding” of critical state infrastructure after the economy had begun to perform well again in 2004 and 2005 and his reform agenda had failed to gain traction. As a result, he unveiled his ambitious Strategic Growth Plan in his 2006 State of the State speech on which he pinned his election year hopes.

It appeared that the Governor’s reelection year strategy was succeeding. An editorial in the Sacramento Bee discussed how Governor Schwarzenegger was recovering from his flagging ratings:

There’s no question that legislative approval of a revised package, coming after negotiations on bonds for the June ballot broke down two months ago, is a huge political gain for the
The two Democratic candidates did support the bond package but credited Democratic legislators for producing the measure rather than the Governor. In the end, however, it did not matter, as the party’s nominee, Phil Angelides, was defeated by 17 percentage points and the Governor’s popularity was renewed. As one interviewee put it, the Governor had successfully run “an apolitical campaign on a leadership platform.”

Whatever Governor Schwarzenegger’s political motivation, what is important to infrastructure advocates is that in a state known for referenda that deflate governmental initiatives, a state where at times paralyzing political divisions run long and deep, and a state where environmental and growth management forces are strong, this Governor provided the leadership that led to a consensus funding package for transportation. That he did it in a very personal way that staked no less than his political future on the outcome makes it all the more interesting, particularly compared to most initiatives that are advanced in a much more dispassionate and much more arms-length fashion.

**Senator Don Perata and the Legislature**

Shortly after the November 2005 special election, Senate President Pro Tem Perata began to publicize a $10.3 billion bond proposal for the June 2006 ballot to fund roads, ports, high-speed rail, and flood protection. Governor Schwarzenegger had also begun to advocate for a bond package as well, although as it turned out, one that was bigger and more comprehensive in nature. However, because Senator Perata had introduced his bill in September 2005 following statewide meetings he had held with civic groups and business leaders, he took credit for the idea, noting that the Governor’s proposal was only theoretical in nature at that time late in 2005.17

After the Governor’s proposal was released, Senator Perata continued to advocate his own plan, revalued at about $13 billion and referred to as the “Perata Plan” on television ads that ran in February. At this time, interest began to peak among legislators in the Senate and Assembly as they held informational hearings and formulated their own bills. At this stage, ownership of a bond package providing substantial funding for infrastructure through bonding had effectively merged, as interest for it emanated from both parties in the Legislature and from within the Governor’s Office.

Despite his efforts to work with the Democratic leadership in the Senate and Assembly, the Governor did not generate the necessary Republican votes to achieve a two-thirds majority during the first attempt in March. The Legislature then took a more isolated approach during the second go-around in April, realizing that the first attempt had established some
common ground, but knowing the package had become too bloated for acceptance by a
two-thirds majority. As described earlier, they formulated a scaled-back package, this time
largely without the Governor’s direct input. In this manner, greater bipartisan support
within the Assembly and Senate was fostered. Of great importance, the Governor remained
supportive during this second attempt and continued to publicly promote the prospect of
delivering an infrastructure package.

**Caltrans**

Caltrans leadership and staff were intimately involved in the supporting technical
development and deployment of GoCalifornia, the Strategic Growth Plan, and the
infrastructure bond packages. Two critical events taking place throughout 2005 were the
formulation of GoCalifornia under the overall leadership of the Secretary of Business,
Transportation and Housing, Sunne Wright McPeak, and the rejuvenation of Caltrans’
credibility under Director Will Kempton.

Secretary McPeak’s prior experience at the Bay Area Council, a business-sponsored public
policy advocacy organization, brought fresh thinking to comprehensive planning at
Caltrans that meshed well with Governor Schwarzenegger’s philosophy of thinking big
and emphasizing infrastructure investments as critical to a strong economy. As
GoCalifornia was being unveiled and discussed among stakeholders across the state in late
2005, and in turn becoming a vehicle for the Governor’s SGP, a diverse range of
transportation projects were proposed to satisfy the plan’s identified goals of relieving
congestion and improving safety and air quality. Expanding investment opportunities into
other sectors of infrastructure—water, housing, education, and other public services—was
a natural outgrowth of these discussions and endorsed by the Governor for inclusion in the
SGP.

Director Kempton had been appointed by Governor Schwarzenegger in late 2004. An
immediate priority of the new director was to reform and improve Caltrans’ credibility
with the public, political leaders, industry, and media. One interviewee cited Director
Kempton’s tireless efforts to market the positive aspects of the Department and address
directly and swiftly perceived and real negatives. Targeted areas of improvement included
on-time project delivery, more timely environmental review processes, and improved
project cost estimates. Although there was a limited period of time for these improvements
to take hold prior to the November 2006 vote on the bond package, interviewees agreed
that these reforms had begun to have a positive effect on Caltrans’ reputation, and in turn,
credibility. Several simultaneous initiatives at Caltrans played important roles in
supporting the formulation of the SGP and ultimately the bond packages. These initiatives,
as well as Director Kempton’s direct involvement of marketing and communicating
GoCalifornia to regional partners across the state, are discussed further in the
Communications & Marketing section.
Particularly those closest to Caltrans—legislators and industry leaders—were best able to experience the improvement in Caltrans’ reputation that Director Kempton was able to bring about. The perception that under his leadership Caltrans had become more responsive and more credible in its ability to implement and manage the major investments proposed under the SGP and bond packages were important factors in the State-led campaign for funding.

**Business and Industry**

Well financed and influential organizations, especially from the construction industry, pressed state legislators and the Governor to come to an agreement on passing an infrastructure package in spring 2006 and later provided the financial support to assist in a fall campaign. The main private sector organization championing the bond package, and under which many regional and local business and industry groups operated, was California Alliance for Jobs.

California Alliance for Jobs represented an alliance of construction industry business and labor, with more than 1,700 heavy construction companies and 50,000 union construction workers in Central and Northern California. Their unified goal was to promote greater investment in transportation and water infrastructure through advocacy and information dissemination. The group brought together labor unions and management, including carpenters, laborers, operators, and their employers, and had helped pass local option sales taxes for transportation in various counties and Proposition 42, the statewide dedication of gasoline sales tax revenues to transportation in 2002.18

However, as noted earlier, revenue from Prop 42 sales tax receipts had not been realized for transportation, having been diverted for General Fund purposes through the state’s annual budgetary processes. At the time of the Governor’s announcement of the SGP and the Legislature’s formulation of the bond package in early 2006, the Alliance for Jobs had been in the process of qualifying an initiative to better protect Prop 42 sales tax revenue for transportation. This widely-supported effort became the basis for the inclusion of Proposition 1A among the proposed infrastructure bonds. In fact, the Alliance for Job’s early work in support of this protective legislation became a springboard that provided political leverage in support for the bond measures, especially Proposition 1B for transportation. The Alliance for Jobs moved to the forefront of the legislative and public campaigns for the bond measures, not just Proposition 1A, as discussed in the next section.

The Alliance for Jobs also helped to convince large geographic stakeholders such as the Metropolitan Transportation Commission (MTC), San Francisco’s Metropolitan Planning Organization, and the Los Angeles Metropolitan Transportation Authority (Metro) to refrain from tying 1B funding to specific projects, making what proved to be a persuasive case that taking a general approach was the best means to win statewide public support.
Communications/Marketing

Several interviewees remarked that passing the bond package was a two-part campaign, one for the Legislature and one with the public. However, from others interviewed, it was clear that a third campaign had started prior to these two, a campaign to rebuild Caltrans’ credibility and engage its regional partners throughout the state using GoCalifornia as an outreach vehicle. To some extent these three campaigns overlapped one another as the bond package evolved.

Caltrans and the Regional Partner Campaign

As discussed earlier, Caltrans’ credibility was an important issue in building stakeholder, legislative, and public confidence in the Department’s ability to manage and deliver an unprecedented commitment to increased transportation investment, and Director Kempton’s leadership was key to Caltrans’ improved credibility.

Director Kempton placed special emphasis on implementing and communicating his department’s accomplishments by highlighting improvements in accountability, transparency, and project delivery. While getting his messages across to the public in general and to the media in particular was very important, Director Kempton focused on political leaders in the Legislature as well as local officials across the state. During the rollout of GoCalifornia, Director Kempton personally participated in a series of regional forums across the state presenting the plan to regional partners, such as Regional Transportation Planning Authorities (RTPAs—California’s MPOs), counties, and cities. Interviewees noted that from this work, he built support and solicited constructive input on the plan’s vision and policies, which subsequently fed into the development of the SGP. A partnership between RTPAs and other local entities would become a significant early step in the ultimate bond package’s formulation and acceptance, because it laid the groundwork for formulating Proposition 1B on a broad programmatic basis. Specific project earmarking would be avoided. Instead the California Transportation Commission would be directly involved in developing program policies and selecting projects from RTPA input, much like the mechanisms for existing state transportation funding policies. While the term “illustrative projects” was used to signify a number of priority projects that were almost certain to be funded, there were no explicit commitments in the ballot measure.

In addition to Caltrans’ leadership, interviewees cited three specific department initiatives that had a positive impact on the development of GoCalifornia, the SGP, and the formulation of Proposition 1B:

- Industry Capacity Expansion Group – An outreach effort by Caltrans’ Construction Group that began as an effort to attract businesses within the construction industry back to California following the economic slump of the dot-com crash. Subsequently, its aim was to ensure that there would be sufficient capacity within the industry during the economically robust 2004 to 2006 period to accomplish the
work proposed in the SGP. This forum provided the opportunity for industry to see Caltrans as the “customer of choice,” as one interview put it, and resolve any issues that might prove to be a hindrance to a positive working relationship.

- Research Advisory Committee – Started after the formulation of GoCalifornia, a technical group chaired by Caltrans Chief Deputy Director Randell Iwasaki. It engaged scientists and researchers from around the state with the goal of ensuring increased transportation funding would be spent effectively and would capitalize on current technological advances such as intelligent transportation systems.

- Short-term Congestion Relief Projects – An investment of $100 million in 29 high-visibility projects across the state. Simple, immediate congestion reduction solutions, such as restriping or highway shoulder use, were applied to these select projects to demonstrate what the bond’s longer range investments could ultimately achieve on a much broader scale. Although results of these improvements were only beginning to occur at the time of the bond’s passage, one interviewee felt momentum had been built from this effort.

With these initiatives underway and GoCalifornia evolving into the SGP, Director Kempton maintained a consistent message in marketing the plan to the Legislature, the next phase in producing and passing the bond package. Consistently citing the SGP’s vision, goals, and specific, quantified targets for congestion reduction (in terms of reduced person hours of delay) and system performance left a positive impression with the Legislature, unaccustomed to such a level of commitment and detail from Caltrans’ leadership.

**Legislative Campaign**

California Alliance for Jobs played an active role in the legislative campaign to convince lawmakers to support a comprehensive bond package. Individuals interviewed stated that the Alliance for Jobs leveraged its significant membership, which included both labor and management, to convince state lawmakers to reach an agreement on formulating the comprehensive measure. Their cohesive voice was able to engender bipartisan support between Democrat and Republican legislators; employers typically lobbied Republicans and labor lobbied Democrats. A consistent message was stressed and kept simple, focusing on goods movement, traffic flow, and jobs. One interviewee noted that this message was kept simple to prevent individuals—when lobbying their elected representatives—from “adding their own spin to an otherwise complicated message.” Overall, individual constituents maintained their own relationships within a unified campaign.

Several other organizations were active at running public awareness campaigns, through television and other media, directed at urging the Legislature to come to an agreement and place the bond package on the statewide ballot. These included the U.S. Chamber of Commerce, supported by local business interests, and the California Infrastructure
Coalition, supported by a wide range of public and private sector interests that advocate for increased investments in infrastructure facilities and systems.

The prospect of the approaching election season also helped spur resolution among legislative leaders and the Governor, as well as both parties within the Legislature. No faction wanted to continue negotiating a deal on the infrastructure bond package as the June primary election and November general election approached and partisan politics were expected to set in.

**Public Campaign**

Prior to the Legislature’s passage of Proposition 1B (as well as after) the Governor and Director Kempton had been campaigning across the state emphasizing three goals of the transportation component of the SGP—congestion reduction, air quality improvements, and roadway preservation—with an overarching fourth issue of increased jobs through the plan’s investments. This simple approach was employed rather than focusing on the “strategic” components of the SGP (for example leveraging public-private partnership investment or achieving specific targets in person hours of delay). The Governor also tailored his speeches and engagements to specific areas of the state in which he campaigned, citing region-specific, illustrative improvements that localities and the local public could expect from the bond’s funding.

Once the implementing legislation for Propositions 1A through 1E was passed by the Legislature and signed by the Governor in May 2006, the focus shifted fully to a public campaign to win approval in the November election. The primary campaign coalition was Let’s Rebuild California, chaired by the Executive Director of the Alliance for Jobs, Jim Earp. The coalition raised money for the passage of the bond measures, receiving significant contributions from the Alliance for Jobs, the California Building Industry Association, the California Association of Realtors, and Californians to Improve Traffic Now, among other organizations.

Polling, focus groups, and research performed by the coalition indicated that a cohesive approach was required to win support across the diverse group of infrastructure packages. Transportation, though, was the driving force among them. Ultimately, broad-based support was gained, as Mr. Earp estimated that of the $16 million in total financing raised by the Let’s Rebuild California campaign, approximately $1 million came from supporters of the housing measure, another $1-2 million from supporters of the education measure (who also raised another $12 separately under their own campaign), approximately $7 million from supporters of transportation (contractors, labor, and engineering firms), and about $7 million from Senator Perata’s own campaign efforts.
Two political action committees were formed to fundraise—one dedicated to Proposition 1A to better protect gasoline sales tax receipts for transportation purposes (which, as discussed earlier was a precursor issue to the bond funding initiatives), and another, the United Campaign, derived from multiple sources in support of the bond packages. In addition, Senator Perata wielded his influence with businesses and labor groups outside the construction industry to contribute significantly to the campaign effort.

Targeted radio, television, and print ads were the primary vehicles of the public campaign. The Alliance for Jobs designed, produced, and paid for campaign literature that its labor union membership was able to customize and distribute. Job creation and a positive impact on an average person’s daily life were frequently-used messages.

In the fall as the election approached, Senator Perata, Speaker Nunez, and Governor Schwarzenegger campaigned aggressively for the measures across the state, often focusing on how the benefits would be felt locally. For example, Senator Perata, Governor Schwarzenegger and local leaders campaigned together in the state’s Central Valley, a fast-growing but more conservative region, promoting the $1 billion in dedicated upgrades along 400 miles of Highway 99, a critical north-south corridor through this agricultural center of the state. As part of the Let’s Rebuild California campaign, 13 billboards were placed along a 140-mile stretch of the road’s southern half.

**Lessons Learned**

Those interviewed remarked that they would have done little differently with respect to the campaigns to bring the comprehensive bond package before the voters. Interviewees felt that communication and marketing efforts were quite successful, whether referring to Caltrans’ effort at publicizing their improvements as a credible state agency, to making the case among regional partners and subsequently the Legislature to support and formulate a massive investment in transportation and other infrastructure, and finally to the public campaign to achieve voter approval. The success of the bond measures benefited from well funded and well managed public campaigns as well as a lack of significant opposition.

**Governor’s Personal Engagement**

Although it is fairly common to find among the case studies the need for champions who are passionate and committed to supporting a transportation initiative, and in almost all cases (Minnesota notwithstanding) the support of an elected leader—usually a Governor or Mayor—is essential, it is certainly not always the case that the “booster-in-chief” turns out to be that very same elected leader. In this case it did. For the Governor of California, not only to support the initiative, but to adopt the issue as the centerpiece for his reelection year political campaign to the point where observers were saying that he was not campaigning for Governor, he was campaigning for the success of this initiative, is a notable characteristic of the California initiative. Governor Schwarzenegger in effect bet his
political future on infrastructure in general, and transportation in particular, and in large part as a result of his personal engagement, the campaign for transportation as well as his campaign for Governor both succeeded.

**A Tight Team at the Top**

Director Kempton goes out of his way to credit both Governor Schwarzenegger for his personal leadership, and also his direct boss, Secretary of Business, Transportation and Housing, Sunne Wright McPeak with having masterminded the visionary ideas behind, and the strategies for succeeding in passing this complex array of measures in support of unprecedented funding commitments. It is clear that this was a team at the very top that had their act together. Given the number of key steps along the way where this initiative might have foundered, as well as its inherent breadth and complexity of the communications strategy, it is clear that the tightness of this team at the top was a key success factor.

**Unified Strategy of Labor and Industry Stakeholders**

The degree of unity and focus between labor and business in the transportation construction industry and their well-organized campaign through the California Alliance for Jobs and the Let’s Rebuild California coalition was above and beyond the norm as they succeeded in having a favorable impact on the Legislature and the Governor in the initial phase, and the public at large when it came to the ballot box.

**Economic Factors and Timing**

The timing of seeking approval for an unprecedented investment in infrastructure also benefited from a robust economy. Despite structural deficits still plaguing the state budget, revenue was strong in 2004 and 2005 as a post-dot-com bust recovery brought in healthy individual, corporate, and capital gains taxes. Accordingly, the timing was good for significant investments in infrastructure, especially transportation, that had long been neglected and among the top concerns of the public and local and state leaders. Despite concern from some of the more fiscally conservative lawmakers as well as from taxpayer watchdog groups, the relatively prosperous economy fostered an environment in which the state could afford to commit general fund resources to borrowing substantial new funds.

**Effect of a Comprehensive Infrastructure Package**

One unique feature of the Proposition 1B transportation funding initiative was its packaging within a larger set of infrastructure investments backed initially by the Governor’s comprehensive SGP.

One interviewee stated that having the SGP behind the bond packages’ development was beneficial. The Governor and Legislature fundamentally agreed on the issue to pursue far-reaching investments in transportation and other infrastructure, which directed the debate from a question of, “Do we need it?” to, “How do we do it?” The presence of the SGP also
impressed upon the public that the prime focus of this effort was directed at the state as a whole and did not represent limited colloquial or special interests.

However, there was no consensus among interviewees that packaging transportation alongside other investments in flood control, housing, and education was beneficial once the measures made it to the ballot. One individual felt that had transportation been offered as a standalone proposal, it would have passed by a greater margin; in fact its presence within the overall package helped carry the others. Also, some who voted against the bonds may have done so on the grounds that its overall size was too large and not a prudent financial commitment to make. However, another interviewee who stated that it would be hard to judge the outcome had transportation been presented alone, felt that opposition might have been greater had transportation been put forth by itself. Indeed another individual observed that broader and greater support, especially from within the construction industry, was generated by bringing other infrastructure sectors together with transportation.

**Avoiding the Need for Specific Project Commitments**

The transportation component of the California bond package did not rely on project specificity or earmarks, instead directing the funding to broadly-defined, regional-scale programs. All interviewees agreed though that within the transportation component of the bond package, employing relatively unencumbered, broadly defined programs and selling the package using an “illustrative list of projects” were generally positive strategies—only one facility in the package (State Highway 99) received specific project funding.

One interviewee remarked that having the funds unencumbered was desired to build broad-based support, especially from rural regions. The interviewee also stated that the use of an illustrative list of projects helped to bring awareness to the potential improvements the bond package would be able to fund. At the local level, needed projects had been identified for some time and simply required new financing. In this regard, the illustrative list of projects acted as a proxy for a local region’s desired list of projects, in turn helping to build support behind the idea of actually having them implemented without being tied down to a state-level prescribed list. Another interviewee did acknowledge, however, that it is generally easier to market an initiative when a guaranteed project-specific expenditure plan is used. In California, this strategy is employed on a local level, when local option sales tax measures are voted upon and a specific list of projects accompanies the authorizing measure on the ballot. However, for this statewide initiative, it was agreed that the less prescriptive approach taken was the right one.
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