

March 9, 2023

The Honorable Nancy Skinner Chair, Joint Legislative
Bdgt. Cmte.
1021 O Street, Suite 8630
Sacramento, CA 95814

The Honorable Josh Becker
Chair, Senate Bdgt. Subcommittee 2 1021 O Street,
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Sacramento, CA 95814

The Honorable Brian Dahle
Chair, Senate Bdgt. Subcommittee 2 1021 O Street,
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The Honorable Philip Ting
V. Chair, Joint Legislative Bdgt. Cmte. 1021 O Street,
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The Honorable Steve Bennett
Chair, Assembly Bdgt. Subcommittee 3 1021 O
Street, Suite 4170
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The Honorable Vince Fong
Chair, Assembly Bdgt. Subcommittee 3 1021 O
Street, Suite 4630
Sacramento, CA 95814

Dear Chairs and Members of the Budget Subcommittees:

RE: Streets and Highways Code (SHC) Section 114.5

On behalf of the Madera County Transportation Authority (MCTA) we write to ask for your support to reinstate Streets and Highways Code (SHC) Section 114.5, which capped the Department of Transportation (Caltrans) indirect cost recovery rate (ICRP) at 10 percent for projects financed by local, voter- approved special taxes for transportation.

As you are aware, Caltrans and Self-Help Counties Coalition (SHCC) member agencies like ours partner to deliver transportation infrastructure for all Californians, with the SHCC member agencies investing over \$5 billion annually in the State Highway system. These investments are a critical component of our efforts to improve mobility, equity, and safety for all those traveling on state highway infrastructure.

Currently, the Budget Act prescribes a variety of overhead rates when Caltrans does work for others. For some projects, the department is required to charge both their direct rate (actual costs) and an indirect rate.

However, for certain work that Caltrans performs for other transportation partners – the High-Speed Rail Authority, Project Initiation Documents, and a limited number of State Transportation Improvement Program (STIP) projects the department only charges the direct rate.

Self-help county transportation authorities like ours are important partners for Caltrans. Like Caltrans, we work to deliver and fund projects on the state highway system using a variety of funding sources, including funds they raised locally through an increased local voter approved sales tax. In the absence of the 25 self-help counties and the work we perform on the state highway system, this would be solely a state financial responsibility.

We believe it is time to recognize the joint role the state and self-help counties play in state highway project delivery and treat self-help counties like true funding partners we are. This partnership means charging for costs directly associated with project delivery, not costs that would continue to exist whether or not Caltrans is performing reimbursed work.

In 2021, the Senate and Assembly Budget Committees passed the transportation TBL (AB 149) that added SHC sec. 114.5. It reads: "The department shall not charge any self-help counties with countywide sales tax measures dedicated to transportation improvements more than 10 percent for administration indirect cost recovery, as outlined in the department's Indirect Cost Recovery Proposal. The department shall charge those self-help counties for functional overhead." This section expired on January 1, 2023.

While we would prefer the elimination of the ICRP, the 10 percent cap contained in SHC 114.5 is a reasonable compromise and we respectfully request it be reinstated.

Thank you for your consideration.

Waseem Ahmed, Chair

MADERA COUNTY TRANSPORTATION AUTHORITY

cc: Genevieve Morales, Committee on Budget and Fiscal Review, California State Assembly
Eunice Roh, Committee on Budget and Fiscal Review, California State Senate