

Volume 2: Form Follows Function

Chapter 7: The Infrastructure Department

INTRODUCTION

One of government's most important functions in promoting sustainability and economic development is to provide a well-maintained infrastructure system that includes roads, air and water ports, public utilities, water facilities, public buildings and schools.

During the 1960s, California built three major infrastructure systems: aqueducts, highways and universities. Each of these systems was planned and built by a single state agency with substantial federal aid.

In 1960, 22 state agencies were responsible for infrastructure issues. Today, infrastructure development policy is spread across 64 state agencies and multiple local government entities participate in deciding what, where and if infrastructure projects should be built. These multiple agencies result in a lack of singular accountability for infrastructure.

Accommodating California's growing population, in a way that is sustainable while attracting and retaining businesses will require the construction of major public infrastructure projects over the next decade and require ongoing funding for operations and maintenance. In addition, California's infrastructure is aging and much of it is in need of repair and renovation. The need for renovation has been exacerbated by insufficient spending for routine maintenance and repair of facilities, with resources suddenly advanced or withdrawn on an annual basis. Even if demand for government services does not grow, there will be an ongoing need to renovate California's aging public infrastructure. For example, almost one-third of the California's highway system is in need of corrective maintenance or rehabilitation and more than 50 percent of state's highway bridges are more than 30 years old.

FINDINGS OF THE CALIFORNIA PERFORMANCE REVIEW

The California Performance Review found the following four problems with the existing infrastructure system, all of which are due to a lack of coordination:

- 1. California lacks an integrated infrastructure policy.**
Infrastructure is not viewed as an integrated issue in California. Instead, transportation, housing, water, energy and telecommunications operate as separate areas. The organization of government reflects this, with infrastructure responsibilities split between the Business, Transportation and Housing Agency, the Resources Agency and a variety of boards and commissions.
- 2. Infrastructure projects are not centrally managed or coordinated.**
Decisions about which competing projects to fund are typically made within a particular type of infrastructure, rather than among all infrastructure projects. In short, the decision of whether or not a road is built is considered independently of other infrastructure needs.
- 3. Necessary infrastructure investment lacks stable funding.**
Building a sound infrastructure system is a task that requires consistent and long-term financial support. The existing system leaves infrastructure planning within departments focused on recent developments and annual budgets. In such a system, spending on

infrastructure projects gets short-changed in difficult years, undermining the infrastructure management process.

4. Multiple agencies involved in infrastructure make it difficult to complete projects.

For example, school construction requires between four and 40 reviews by different state entities, many of which must be completed sequentially.

PROPOSED ORGANIZATIONAL IMPROVEMENTS

To address these problems, an integrated Infrastructure Department should be created from the different infrastructure operations currently spread across 32 departments, agencies, boards and commissions. The Department should have six operating divisions:

1. Water;
2. Energy;
3. Transportation;
4. Housing, Buildings and Construction;
5. Telecommunications; and
6. Boating and Waterways.

In addition to a central Infrastructure Authority, there should be a division for planning, programming and evaluation and a division for research and development.

This organizational framework is depicted in Exhibit 8.

The mission of the Department should be to provide for and manage the full life cycle of the state's infrastructure network to achieve the best value for the people of California, the business community and the environment. Its strategic goals should include:

- Integrating transportation and housing to achieve sustainable communities;
- Delivering energy and water where needed and when needed;
- Managing state infrastructure assets to obtain maximum use and revenue; and
- Delivering resources to maintain infrastructure, not fund overhead.

Infrastructure Department Scope and Responsibilities

All infrastructure programs in California should be managed by the Department and led by the Infrastructure Authority. The powers, authorities and responsibilities of the various organizations (e.g., Department of Water Resources, Infrastructure Bank, California Transportation Commission, California Energy Commission and State Lands Commission) that now affect infrastructure should be transferred to the Department and the Infrastructure Authority.

The Infrastructure Authority and the Secretary

The Infrastructure Authority should serve as the Board of Directors for the Infrastructure Department. Members of the Authority should serve 6-year terms and should bring to the Authority expertise in finance, infrastructure planning and design, the building and maintenance of infrastructure, as well as the program areas of transportation, water, energy, housing and asset management. The Secretary of the Infrastructure Department should serve as the Chairperson of the Infrastructure Authority.

The Infrastructure Authority should adopt a long range infrastructure plan, approve infrastructure policy and coordinate infrastructure projects based on biennial fund estimates. The Authority

should also assume the responsibility for power generation and transmission line site approval from the Public Utilities Commission and the Energy Commission.

To ensure that infrastructure development decisions are based on the best available information and address the state's highest priorities, an integrated statewide infrastructure plan should be developed as envisioned by AB 1473 (Hertzberg) and AB 857 (Wiggins). This plan should include providing an assessment of the comparative value of diverse and competing capital outlay projects among the various programs based on statewide priority setting criteria. This should be closely coordinated with the Department of Natural Resources and Department of Environmental Protection.

The Office of the Secretary for the Infrastructure Department should have the following divisions:

A. Planning, Programming and Evaluation Division

1. **Management Goal:** The goal of the Division should be to consolidate all of the policy and administrative functions of the Department to address the highest priorities for the full life cycle of the state's infrastructure.
2. **Proposed Functions:** The Division should provide staff support for the Secretary and for the Authority and its meetings. The Division should also develop a long range infrastructure plan in conjunction with the other divisions of the Department in consultation with the Department of Natural Resources and the Department of Environmental Protection. The plan should analyze the full life cycle cost of the infrastructure and should address operations, maintenance and rehabilitation as well as new capacity. The Division should develop a 7-year program of projects to be funded consistent with a 7-year estimate of funds adopted by the Authority every two years. The Division should also be responsible for evaluating the performance of the other Divisions and preparing the Department budget for approval by the Authority. Other responsibilities should include developing general plan guidelines, formulating regional transportation plan guidelines, conducting state and federal legislative outreach, and managing state assets. The Planning, Programming and Evaluation Division should also carry out the legal, public information and legislative liaison functions of the Department.
3. **Transferred Functions:** Programming functions from the California Energy Commission, California Transportation Commission and the Departments of Transportation and Water Resources should be transferred to this Division. In addition the general plan functions, infrastructure plan functions and intergovernmental review functions of the Governor's Office of Planning and Research and the Department of Finance should be transferred to this Division.

B. Research and Development Division

1. **Management Goal:** The goal of this Division should be to consolidate all research and development activities to take advantage of expertise, streamlined administration and enhanced priority setting.

2. **Proposed Functions:** The Division should work closely with the other divisions within the Department to develop a 7-year infrastructure research program. It should also be the one-stop-shop for all infrastructure research and development including the administration of a standardized process for project management, intellectual property, overhead rates and contracts with universities. In addition, the Division should be responsible for developing public/private partnerships for technology transfer, commercialization and market transformation.
3. **Transferred Functions:** The research and development functions of the Department of Water Resources, the Energy Commission and the Department of Transportation should be transferred to this Division.

C. Infrastructure Financing Division

1. **Management Goal:** The goal of the Division should be to maximize and leverage all available funding sources for infrastructure development.
2. **Proposed Functions:** The Division should perform the duties of the Infrastructure Bank and provide similar functions and services for all bond programs and financing programs implemented for infrastructure projects. Consolidation of these activities into one unit should allow for the concentration of expertise in this specialized field.
3. **Transferred Functions:** The infrastructure financing functions of the Infrastructure Bank, the Department of Water Resources, the Transportation Commission, the Department of Transportation, the Consumer Power and Conservation Financing Authority, the High Speed Rail Authority and the Energy Commission should be transferred to this Division.

The Department should contain six operating divisions:

A. Transportation Division

1. **Management Goal:** This Division should perform and manage the operation, maintenance and construction of the state's transportation infrastructure.
2. **Proposed Functions:** This Division should set transportation system performance and maintenance standards and should be responsible for providing grants and technical assistance to local governments and their transportation agencies.
3. **Transferred Functions:** All existing functions of the Department of Transportation, except for Outdoor Advertising Permitting, research and development, legal, some administrative functions and planning and programming functions, should be transferred to this Division. The functions of the High Speed Rail Authority should also be transferred to this Division.

B. Water Division

1. **Management Goal:** The goal of this Division should be to perform and manage the operation, maintenance and construction of the state's water infrastructure.

2. **Proposed Functions:** This Division should be responsible for the operation and construction of the State Water Project. It should also provide input on water infrastructure bonds and statewide water planning and be responsible for local assistance grants management.
3. **Transferred Functions:** The Water Division should consolidate the functions of the State Water Project from the Department of Water Resources, as well as the functions of the Water Commission. The Bay Delta Authority, and its functions, should be transferred intact to this Division.

C. Energy Division

1. **Management Goal:** The goal of the Division should be to develop and implement a single and coordinated energy policy that ensures adequate supply and predictable prices.
2. **Proposed Functions:** The Energy Division should provide staff support for the approval of power plants and transmission lines, manage and promote conservation and efficiency and administer renewable energy and green bank programs. It should provide input for the planning and forecasting of energy supply and infrastructure. It should also prepare the filings and represent the State of California before the Federal Energy Regulatory Commission.
3. **Transferred Functions:** The functions of the Electricity Oversight Board, the Energy Commission, the Consumer Power and Conservation Financing Authority, the Department of Water Resources, the Department of Conservation, the State Lands Commission and selected functions of the Public Utilities Commission should be transferred to this Division.

D. Housing, Buildings & Construction Division

1. **Management Goal:** The goal of the Division should be to consolidate all functions related to the maintenance, operation and construction of facilities, including California's housing and school construction programs.
2. **Proposed Functions:** This Division should be responsible for developing building standards and policies for the operation, maintenance and construction of state financed facilities. The Division should also administer and develop housing policies and standards, administer grants and enforce housing regulation programs. This Division should provide input to the Planning, Programming and Evaluation Division on general plan guidelines and the housing element. It also should provide a fee-for-service facilities program to other state divisions. The Housing, Buildings and Construction Division should manage all school construction permitting and provide comprehensive training and certification programs for state, city and county agencies and contractors.
3. **Transferred Functions:** The functions of the Department of Housing and Community Development; the Department of General Services, State Building Standards Commission, Department of Finance, State Public Works Board, State Lands Commission, Public Library Construction and Renovation Board, Department of Community Services and Development, Department of Toxic

Substances Control, the State Allocation Board and the Office of the State Architect should be transferred to this Division. The California Housing Finance Agency should maintain a relationship with the Infrastructure Department for purposes of staff support similar to its current arrangement with the Business, Transportation and Housing Agency.

E. Telecommunications Division

1. **Management Goal:** The goal of the Division should be to develop and implement innovative telecommunications policies.
2. **Proposed Functions:** The Division should assume the functions of the Telecommunications Division of the Public Utilities Commission.
3. **Transferred Functions:** The telecommunication functions of the Public Utilities Commission should be transferred to this Division.

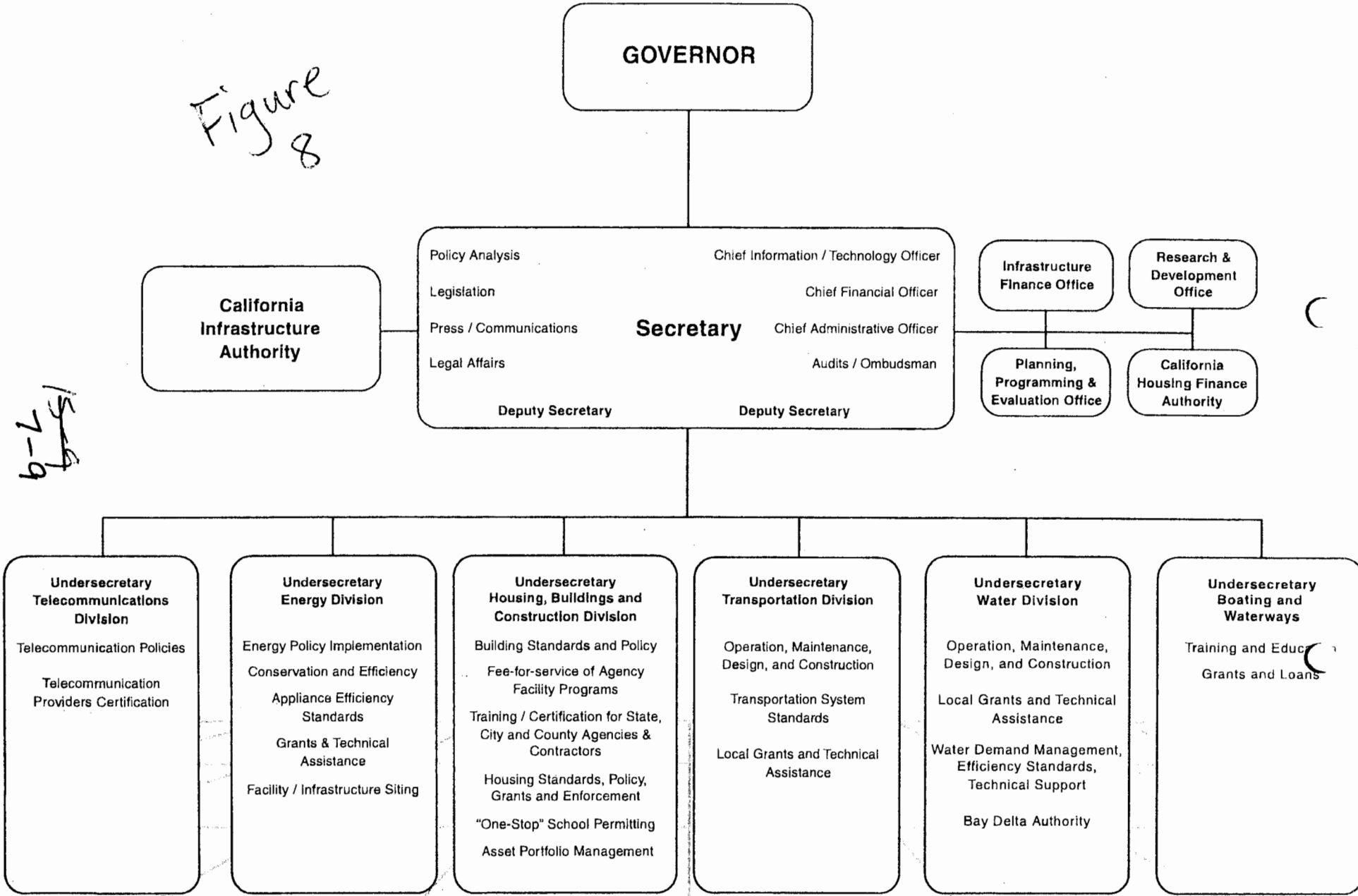
F. Boating and Waterways Division

1. **Management Goal:** The goal of this Division should be to promote safe, recreational aquatic activities for all residents of California.
2. **Proposed Functions:** The Boating and Waterways Division should achieve its goal by:
 - Providing training for local boating law enforcement agents;
 - Educating children and adults about boating and boating safety; and
 - Making infrastructure loans and grants for the construction of aquatic infrastructure facilities including marinas, boat launching ramps, and vessel sewage pump-out stations.
3. **Transferred Functions:** The non-licensing functions of the Department of Boating and Waterways should be transferred from the Resources Agency. The oversight functions of the Boating and Waterways Commission should also be transferred to this Division.

Proposed Infrastructure Department

Figure 8

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Undersecretary Telecommunications Division
Telecommunication Policies
Telecommunication Providers Certification

Undersecretary Energy Division
Energy Policy Implementation
Conservation and Efficiency
Appliance Efficiency Standards
Grants & Technical Assistance
Facility / Infrastructure Siting

Undersecretary Housing, Buildings and Construction Division
Building Standards and Policy
Fee-for-service of Agency Facility Programs
Training / Certification for State, City and County Agencies & Contractors
Housing Standards, Policy, Grants and Enforcement
"One-Stop" School Permitting
Asset Portfolio Management

Undersecretary Transportation Division
Operation, Maintenance, Design, and Construction
Transportation System Standards
Local Grants and Technical Assistance

Undersecretary Water Division
Operation, Maintenance, Design, and Construction
Local Grants and Technical Assistance
Water Demand Management, Efficiency Standards, Technical Support
Bay Delta Authority

Undersecretary Boating and Waterways
Training and Education
Grants and Loans