

Date of Hearing: April 23, 2018

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 2433 (Salas) – As Introduced February 14, 2018

SUBJECT: Department of Transportation: voluntary inspection and testing services

SUMMARY: Authorizes the California Department of Transportation (Caltrans) to establish a subaccount within the State Highway Account to accommodate deposits and expenditures of moneys relative to voluntary inspection and testing services.

EXISTING LAW:

- 1) Grants Caltrans broad powers to acquire, construct, and control all state highways.
- 2) Creates the State Highway Account in the State Transportation Fund. Funds in the account are available for expenditure on work within the powers and duties of Caltrans, including, but not limited to, services, investigations, surveys, experiments, reports, right-of-way acquisitions, major and minor construction, maintenance, improvements, and equipment.
- 3) As set forth in federal regulations, requires each state transportation department to develop a quality assurance program which will assure that the materials and workmanship incorporated into each federal-aid highway construction project on the national highway system conform to the requirements of approved plans and specifications.

FISCAL EFFECT: Unknown

COMMENTS: According to the sponsor, the California Construction and Industrial Materials Association, the genesis of this bill is Caltrans' relatively recent transition to a primarily zero-based budget system where costs associated with personnel and expenses for capital outlay and support are to be assigned to a particular project. Zero-based budgeting allows Caltrans project managers to accurately monitor and report on expenditures throughout a project and helps to ensure Caltrans is accountable to stakeholders.

As a result of zero-based budgeting, Caltrans is reducing and/or eliminating many overhead charging practices. While this move will improve project accountability, it limits the department's flexibility to perform work unless the work can be attributed directly to a project. As an example, prior to zero-based budgeting, Caltrans routinely carried out certain concrete and asphalt plant and material inspection and testing functions during the winter, outside of the construction season. This practice allowed Caltrans to better manage the workload associated with these inspection and testing services, and also allowed plants and suppliers to be up, running, and certified at the beginning of construction season. Caltrans halted these pre-certification activities, however, when it went to zero-based budgeting. Now, the necessary inspections and testing do not begin until a project has been awarded. This allows Caltrans to assign the cost and personnel resources to a specific project, rather than characterize them as overhead.

This re-designed business practice is resulting in project delays. Where contractors used to be able to commence work using pre-certified concrete and asphalt plants soon after a project was

awarded, Caltrans' new zero-based budgeting process effectively prohibits this from happening at the beginning of the construction season. Plant and materials certification cannot begin until a project is awarded and a specific concrete or asphalt plant and mix design are chosen. The process of testing materials takes over 30 days to complete. The actual testing process cannot be condensed because it requires, for example, concrete to set up for a specified number of days/weeks before certain tests can be completed. As a result, contractors are idled while the certification and testing are completed.

This new process is primarily affecting projects initiated early in the construction season, when many plants need certification and testing at about the same time. Once completed, certifications are generally valid for a year, allowing future projects using the same mix designs from already-certified plants to proceed after only minimal project-specific testing. Consequently, the backlog causes further delays in Caltrans being able to conduct the necessary inspection and testing work. This backlog, along with the fixed length of time it takes to complete the actual testing, is delaying projects by about 50 days.

Caltrans and the construction industry worked collaboratively for six years to address the issues caused by the new zero-based budget process. As a result of that work, Senator Roth introduced SB 389 last year, which authorized Caltrans to develop a fee-for-service program for specific services related to concrete and asphalt plant inspection and testing. That bill effectively allowed Caltrans to return to its previous practice of pre-certifying plants and mix designs in the off season, for those plant operators that choose to participate in the program, thereby enabling plants to be up and running at the beginning of the construction season. According to industry representatives, the price of the fee to be pre-certified is more than offset by the certainty that projects will not be delayed for lack of inspection and testing. SB 389 was held on Assembly Appropriations Committee suspense file.

This bill is the industry's new attempt at a solution to the problem. This bill creates a subaccount within the State Highway Account wherein Caltrans could receive funding from plant operators to enable Caltrans to conduct pre-certification inspection and testing. It is unclear whether this proposal will enjoy any more success than SB 389, however, as it appears the real problem is not legislative but administrative and Caltrans needs to address the administrative problem through improving its business practices. The author believes that this bill is necessary to encourage Caltrans and the administration to continue trying to address the underlying problem of project delays and increased costs.

Related Legislation: SB 389 (Roth), authorized Caltrans to develop a fee-for-service program for specific services related to concrete and asphalt plant inspection and testing. SB 389 was held on the Assembly Appropriations Committee suspense file.

REGISTERED SUPPORT / OPPOSITION:

Support

California Construction and Industrial Materials Association (Sponsor)

7/11 Materials, Inc.

Basic Resources, Inc.

California Asphalt Pavement Association

California Nevada Cement Association

CalPortland Company

Central Concrete Supply Co.
Chandler's Sand & Gravel
Don Chapin Company
Escondido Materials
George Reed, Inc.
Granite Construction Inc.
National Ready Mixed Concrete
Robertson's
Sprague's Ready Mix
Syar Industries/Syar Concrete LLC
Truckee North Tahoe Materials
Teichert Materials
United Contractors
VSS International
VSS Macropaver
Vulcan Materials Company

Opposition

None on file

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