

# Memorandum

To: CHAIR AND COMMISSIONERS

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Information Item

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Subject: **FY 2007-08 3<sup>rd</sup> QUARTER FINANCE REPORT**

Attached is the Department of Transportation's 3<sup>rd</sup> Quarter Finance Report for FY 2007-08. This version is consistent with the version sent to the Commission's Executive Committee.

Attachment



# Department of Transportation Quarterly Finance Report

## Third Quarter 2007-08

**California Department of Transportation  
Quarterly Finance Report  
Schedule of Reports**

<b>Fiscal Year</b>	<b>Quarterly Report</b>	<b>Activity</b>	<b>Date</b>
<b>2007-08</b>	<b>2006-07 Q4</b>	Close of Quarter	6/30/07
		Quarterly Report to Commission Staff	8/31/07
		Presented to Commission	9/19/07
	<b>2007-08 Q1</b>	Close of Quarter	9/30/07
		Quarterly Report to Commission Staff	11/15/07
		Presented to Commission	12/12/07
	<b>2007-08 Q2</b>	Close of Quarter	12/31/07
		Quarterly Report to Commission Staff	2/15/08
		Presented to Commission	3/12/08
	<b>2007-08 Q3</b>	Close of Quarter	3/31/08
		Quarterly Report to Commission Staff	5/15/08
		Presented to Commission	6/25/08
<b>2008-09</b>	<b>2007-08 Q4</b>	Close of Quarter	6/30/08
		Quarterly Report to Commission Staff	9/1/08
		Presented to Commission	9/24/08

# Department of Transportation Quarterly Finance Report

*Third Quarter 2007-08*

## **Executive Summary**

The purpose of this quarterly finance report is to enable the California Transportation Commission (Commission) and the Department of Transportation (Department) to evaluate transportation funding policy, allocation capacity, and forecast methodology in order to ensure the efficient and prudent management of transportation resources.

### **Third Quarter Forecasts vs. Actuals**

The third quarter cash balance for the State Highway Account (SHA) ended at \$449 million (21 percent below forecast), while the Public Transportation Account (PTA) ended \$39 million higher than the forecast. The higher PTA balance is due to continued lower expenditures through the end of the third quarter.

The Transportation Investment Fund (TIF) and the Transportation Deferred Investment Fund (TDIF) ended the third quarter above forecast also from lower expenditures than forecast. The Traffic Congestion Relief Fund (TCRF) ended the quarter \$149 million (20 percent) lower than forecast. This is primarily due to recent higher expenditures from the spending of 2006-07 allocations.

<b>March 2008</b>				
<b>Actuals vs. Forecast by Fund</b>				
<b>(\$ millions)</b>				
<b>Fund</b>	<b>Forecast</b>	<b>Actuals</b>	<b>Difference</b>	
SHA	\$570	\$449	-\$121	-21%
PTA	\$1	\$40	\$39	N/A
TCRF	\$760	\$611	-\$149	-20%
TIF	\$230	\$255	\$25	11%
TDIF	\$300	\$411	\$111	37%

### Capital Allocations vs. Capacity

2007-08 Revised Capital Allocations vs. Capacity as of December 12, 2007 (\$ millions)					
	SHOPP	STIP	TCRP	BONDS	TOTAL
Total Allocation Capacity	\$1,850	\$1,092	\$303	\$2,276	\$5,521
Total Allocations	1,047	1,043	303	1,035	\$3,428
<b>Total Remaining Capacity</b>	<b>\$803</b>	<b>\$49</b>	<b>\$0</b>	<b>\$1,241</b>	<b>\$2,093</b>

The revised 2007-08 total allocation capacity is \$5.521 billion as of December 12, 2007, includes increased bond appropriations in 2007-08, and \$100 million in tribal gaming revenue. The Commission allocated a total of \$3.428 billion toward 656 projects through the third quarter of fiscal year 2007-08.

- There was \$1.047 billion of State Highway Operations and Protection Program (SHOPP) funds allocated, and \$803 million of allocation capacity available at the end of the third quarter.
- There was \$1.043 billion of State Transportation Improvement Program (STIP) allocated, and \$49 million of allocation capacity remaining at the end of the third quarter.
- TCRP allocations totaled \$303 million, using all of the allocation capacity remaining for the 2007-08 fiscal year.
- Proposition 1B bond allocations totaled \$1.035 billion with a remaining allocation capacity of \$1.241 billion through the end of the third quarter.

### Outlook for Funding & Allocations

The revenue outlook for transportation continues to look uncertain. A slowing economy, high fuel prices, and a state fiscal emergency threaten transportation funding.

**SHOPP.** Although revenues are down in the current fiscal year, the SHA can still support the rest of the 2007-08 allocation capacity. However, the 2008-09 allocation capacity will be lower than the 2007-08 level of \$1.850 billion because of lower revenues. The unresolved Federal funding issue and pending May Revision of the proposed Governor's Budget will impact the 2008-09 allocation capacity.

**STIP.** Fuel sales tax revenues for 2007-08 have been coming in lower than forecast as a result of lower prices last August and September. (Note: There is a six-month lag from revenue collections until they are deposited into transportation accounts.) However, because of the recent price increases, revenues are likely to increase in the first quarter of 2008-09, but Proposition 42 funding will only increase slightly since most of the increase will flow through the spillover formula and be diverted towards bond debt service and State Transit Assistance (STA). The current fiscal emergency for 2008-09 may result in the suspension of the Proposition 42 transfer, requiring short-

term interfund borrowing to fund ongoing commitments against the TIF and no allocation capacity in 2008-09.

**TCRP.** The TCRF is still due approximately \$1.542 billion from the General Fund (refer to Appendix G). This balance may not be completely repaid until 2016-17, delaying the program well past the original anticipated date. As previously mentioned, project delays will likely result in higher costs and jeopardize other funding. Any delays in funding from a state fiscal emergency would only worsen this problem.

### **Recommendations**

The Department recommends maintaining the current 2007-08 allocation capacity of \$5.521 billion. The Department will review the revenue outlook and expenditures, including the May Revision to the proposed Governor's Budget, and report to the Commission on any impacts to transportation funding future allocation capacity.

## Cash Forecast

### Methodology and Assumptions

The cash forecasts are used by the Department to estimate and monitor the cash balance of transportation funds to determine the level of allocations that can be authorized, and to prepare for low or high cash periods.

Cash forecasts are prepared for the SHA, PTA, TCRF, TIF, and TDIF. Actual cash balances are compared to the forecasts and variances are identified and reported to management and the Commission. If necessary, adjustments are made to capital allocation levels or forecast methodology.

The 2007-08 cash forecasts and allocation capacities are based on the following assumptions:

- Expenditures for state operations and local assistance are based on the 2007-08 Budget Act.
- Capital outlay expenditures are based on actual and projected Commission allocations, using the existing expenditure model that is based on a seasonal construction pattern.
- Proposition 42 transfers occur during the forecast period. The current forecast methodology assumes transfers occur one month after the close of the previous quarter except in the fourth quarter, which is assumed to occur in June.
- Annual Pre-Proposition 42 loan repayments from Tribal Gaming compacts are included and are repaid in annual installments of \$100M, according to Government Code (GC) Section 63048.65(e).
- Spillover revenues are transferred to the PTA during the forecast period as statutorily prescribed. The distribution of spillover revenues is based on the 2007-08 Budget Act.
- Forecast includes the 2007-08 Budget Act authorized expenditure of \$409 million to the General Fund from the PTA.
- Federal receipts, of approximately at \$2.8 billion are from the 2008 Fund Estimate and based on two years of actual receipts.
- Federal authority for Emergency relief was included at \$307 million and represents additional capacity since SHA funds had already been expended on emergency repair projects in prior years.
- Capital outlay support (COS) expenditures are based on historical spending. STIP COS and STIP right-of-way are funded from the TIF.
- The PTA 2007-08 forecast was revised to include SB 717, beginning with the Second Quarter Financial Report. (Note: This resulted in lowering of the PTA 2007-08 allocation capacity from \$600M to \$475M.)

### Third Quarter Fund Summaries

Below are the cash forecast summaries for each fund through the third quarter of 2007-08 fiscal year.

#### State Highway Account

The SHA ended the third quarter at \$449 million, including a General Fund loan of \$143 million due upon demand. This balance was \$121 million (21 percent) below forecast, narrowing the gap from the second quarter as expenditures came in line with seasonal patterns.

Year-to-date, SHA revenues were \$4.4 billion, \$17 million (1 percent) below forecast.

- Federal receipts through the third quarter were \$2.1 billion, \$38 million (2 percent) above forecast.
- The state excise tax receipts year-to-date were \$1.4 billion, \$46 million (3 percent) lower than forecast as fuel consumption continued to be stagnant between the second and third quarters.
- Weight fee receipts were \$741 million, \$17 million (2 percent) below forecast.
- Miscellaneous revenues totaled \$100 million through the third quarter, \$12 million (13 percent) above forecast. These miscellaneous revenues include Surplus Money Investment Fund (SMIF) interest, state property rentals, sale of documents and licenses/permits receipts.

Year-to-date net transfers totaled a positive \$65 million, \$23 million (26 percent) below forecast.

- Transfers from the TIF total \$192 million, with the third quarter TIF transfer of \$64 million for STIP COS occurring in March as forecast and on target.
- Miscellaneous transfers out totaled \$127 million, \$23 million (17 percent) above forecast.

Year-to-date SHA expenditures totaled \$4.7 billion, \$71 million (2 percent) above forecast.

- State operations totaled \$2.4 billion through the third quarter, \$3 million below forecast.
- Capital outlay and local assistance expenditures totaled \$2.3 billion, \$81 million (4 percent) above forecast.
- Year-to-date non-departmental expenditures totaled \$86 million, \$7 million (7 percent) below forecast.

Net adjustments represent timing differences between processed transactions and those posted by the State Controller's Office (SCO) as well as outstanding reimbursements. These adjustments were used to determine the ending cash balance. There was \$160 million at the end of the quarter, \$117 million lower than forecast, which has not been cleared but should be cleared by the end of the fiscal year.

### **Public Transportation Account**

The PTA ending cash balance for the third quarter was \$40 million, \$39 million above the projected ending cash balance of \$1 million. The higher cash balance is due to lower than forecast expenditures through the end of the third quarter. Also impacting the ending cash balance is an outstanding correction by the SCO for overpayments to STA in the first and second quarters. The SCO anticipates issuing a correction with the next STA distribution.

Year-to-date PTA revenues were \$436 million, \$15 million below forecast.

- Spillover revenues were \$123 million, on target with the forecast through the third quarter.
- Revenue from diesel sales tax was \$247 million, \$6 million (2 percent) below forecast.
- Proposition 111 gasoline sales tax revenues (derived from a sales tax on 9 cents of the excise tax) were \$50 million, \$2 million (3 percent) below forecast.
- SMIF interest was \$15 million, \$7 million (31 percent) below forecast due mainly to an overall lower PTA cash balance from the early transfer of \$409 million in the first quarter.

PTA transfers year-to-date were \$170 million, \$14 million (8 percent) below forecast.

- Year-to-date TIF transfers to the PTA were \$72 million, \$16 million (18 percent) below forecast.
- Non-Article XIX transfers pursuant to Streets & Highway Code Section 183.1 totaled \$87 million through the third quarter, \$7 million (9 percent) above forecast.
- Transfers pursuant to Streets & Highway Code Section 194 for highway planning activities were \$11 million, \$6 million (33 percent) below forecast.

Year-to-date PTA expenditures were \$1.1 billion, \$45 million (4 percent) below forecast.

- State operations expenditures were \$97 million, \$8 million (8 percent) below forecast.

- Capital outlay and local assistance expenditures totaled \$125 million, \$87 million (41 percent) below forecast. This difference is due mainly to a lack of Proposition 1B bond appropriations for transit bond funding. Allocations on multi-funded Mass Transportation and Rail projects funded from these bonds cannot be awarded until there is an appropriation for the bond funding.
- Non-departmental expenditures totaled \$923 million through the third quarter, \$51 million (6 percent) above forecast.

Total net adjustments to the PTA were \$56 million, \$23 million above forecast. The PTA net adjustments are the result of timing differences between the Department's system and SCO and include PFA's, reimbursements and items in transit.

**STA Correction Adjustment.** The STA allocations for the first and second quarters of 2007-08 were calculated incorrectly by the SCO. As a result there was an STA overpayment to the locals from the PTA of approximately \$61 million over the first two quarters. In addition, SCO is also withholding the STA portion of PTA Proposition 42 revenues because there was no appropriation in the 2007-08 Budget Act authorizing these transfers.

The SCO anticipates issuing a correction for the overpayment with the next STA allocation. There is no target date at this time, but it is expected to occur during the fourth quarter. For the Proposition 42 portion of the STA distribution, the Department of Finance (DOF) is now working on obtaining the necessary legislative approval to authorize the transfer.

Once both of these corrections are completed, the STA portion of the TIF transfer to PTA will be distributed to the locals, resulting in a net correction to the PTA of \$61 million and a projected year-end cash balance of \$38 million.

### **Traffic Congestion Relief Fund**

The TCRF ending cash balance for the third quarter was \$611 million, \$149 million (20 percent) below forecast. This includes a General Fund loan of \$100 million due upon demand. The majority of the difference is due to the \$179 million contract payment made in September 2007, that was paid as a lump sum rather than cash flowed over multiple years as forecast.

Year-to-date transfers totaled \$339 million, \$6 million (2 percent) above forecast.

- Neither the Proposition 42 debt payment of \$82 million, nor the Pre-Proposition 42 payment of \$100 million have occurred as of the end of the third quarter. Both transactions are pending DOF processing.

Year-to-date expenditures totaled \$502 million through the third quarter, \$86 million (21 percent) above forecast.

- State operations expenditures were \$25 million, \$7 million (42 percent) above forecast.

- Capital outlay and local assistance expenditures were \$476 million, \$79 million (20 percent) above forecast.

Total net adjustments for the quarter were a negative \$172 million. Net adjustments include PFA's, net reimbursements and items in transit.

### **Transportation Investment Fund**

The TIF ending cash balance for the third quarter was \$255 million, including a General Fund loan of \$8 million due upon demand. This balance was \$25 million (11 percent) above forecast due primarily to low expenditures and higher net adjustments.

Revenues year-to-date totaled \$698 million, \$23 million (3 percent) below forecast as actual sales tax revenues, based on prices six months ago, have been coming in lower.

Transfers out totaled \$603 million through the third quarter, \$22 million (4 percent) above forecast.

- Transfers to the TCRF continue to be made at \$170 million per quarter, not reflecting the lower annual statutory payment of \$602 million for 2007-08. It is expected that the next two payments will be \$170 million then \$92 million by June to complete the \$602 million.

Year-to-date expenditures totaled \$254 million, \$46 million (15 percent) below forecast.

- As a result of the consistently lower expenditures than forecast, the Department is researching project allocations and expenditures by fund to determine if appropriate funds are being charge for expenditures.

Total net adjustments for timing differences were a positive \$12 million due primarily to PFA activity.

### **Transportation Deferred Investment Fund**

The TDIF cash balance ended the quarter at \$411 million, \$111 million (37 percent) above forecast from lower expenditures.

Year-to-date revenues were \$17 million, \$66 million (79 percent) below forecast.

- The transfer in of the Proposition 42 payment to the TCRF of \$83 million has not occurred as of the end of the third quarter, but is expected to occur by the end of the year.
- Year-to-date SMIF interest totaled \$17 million.

Transfers out were zero through the third quarter. Since the transfer in of the Proposition 42 loan repayment did not occur, outgoing transfers to the TCRF and the PTA totaling \$83 million did not occur as forecast.

Expenditures totaled \$67 million, \$82 million (55 percent) below forecast. As previously mentioned, Department is researching project allocations and expenditures by fund to determine if appropriate funds are being charge for expenditures.

Total net adjustments for the quarter were a positive \$7 million due to PFA activity.

### Federal Emergency Projects

No new disasters were declared in the quarter ending March 31, 2008. The Federal Highway Administration (FHWA) acknowledged Humboldt County's Martins Ferry Bridge as a declared disaster. The bridge was damaged due to an active slide and is federally eligible for \$8.5 million in Emergency Relief (ER) funding. The Department is still waiting to learn of FHWA's ER eligibility determination for San Diego County's Mt. Soledad landslide, and the City of Oakland's Skyline Blvd. landslide.

<b>Disaster Repair Costs Approved Federal Funding and State/Local Impact (\$ millions)</b>					
<b>Disaster</b>	<b>Identified Cost of Disaster Repair <sup>a</sup></b>			<b>Federally Approved Disaster Repair Funding</b>	<b>Total Disaster Repair Needs Not Federally Funded <sup>b</sup></b>
	<b>State</b>	<b>Local</b>	<b>Total</b>		
Devil's Slide CA 83-1	\$386	\$0	\$386	\$242	\$144
Dec. 2004 Storm CA05-1	256	144	400	245	\$155
Dec. 2005 Storm CA06-1	356	61	417	392	\$25
MacArthur Maze Fire CA07-1	26	0	26	24	\$2
Newhall Tunnel Fire CA08-2	22	0	22	0	\$22
So. California Wildfires CA08-3	28	17	45	1	\$44
<b>Total</b>	<b>\$1,074</b>	<b>\$222</b>	<b>\$1,296</b>	<b>\$903</b>	<b>\$393</b>

a) The amounts shown for the Identified Cost of Disaster Repair represents the total anticipated costs to repair and restore damaged sites.

b) The amounts shown for Total Disaster Repair Needs Not Federally Funded represent the amount of emergency relief funds still needed to be allocated by the FHWA in order to fully fund the costs of disaster repairs. The amounts shown do not represent what has been spent by the State or by local agencies.

Future federal emergency relief of this type can only be used to fund emergency projects and do not represent new capacity, except to the extent that SHA funds have already been advanced for emergency projects.

## 2007-08 Allocation Capacity

The 2007-08 allocation capacity was revised at the December 12, 2007 Commission meeting to \$5.521 billion to increase bond funding capacity for the Corridor Mobility Improvement Account and Transportation Facilities Account.

2007-08 Revised Allocation Capacity as of December 12, 2007 By Fund and Program (\$ millions)					
Fund	SHOPP	STIP	TCRP	Other (Bonds)	Total
SHA	\$1,850	\$65	\$0	\$0	\$1,915
PTA	0	475	0	0	\$475
TIF	0	520	0	0	\$520
TDIF	0	32	0	0	\$32
TCRF	0	0	303	0	\$303
Bonds	382	845	0	1,049	\$2,276
<b>Total Capacity</b>	<b>\$2,232</b>	<b>\$1,937</b>	<b>\$303</b>	<b>\$1,049</b>	<b>\$5,521</b>

This allocation capacity is based on:

- The PTA allocation capacity reflects SB 717. Beginning in 2008-09, SB 717 directs 75 percent of PTA Proposition 42 resources to the State Transit Assistance (STA) with only 25 percent going to the PTA.
- The PTA allocation capacity includes the impact of \$1.3 billion of redirected PTA resources, the future distribution of spillover revenues and funding of the Regional Center Transportation Program as authorized in the 2007-08 Budget Act.
- Pre-Proposition 42 loan repayments are forecast as annual installments of \$100 million from Tribal Gaming compact revenues, pursuant to GC Section 63048.65(e).
- The annual TCRF allocation capacity is based on a dollar-for-dollar ratio of actual revenues received, as opposed to the cash flow basis used in the SHA and PTA to cover current year expenditures.
- The bond capacity increase of \$181 million in Transportation Facilities Account, and \$125 million in the Corridor Mobility Improvement Account (Proposition 1B) funds into 2007-08 fiscal year.

## **Capital Allocations**

### **Third Quarter Summary**

Through the third quarter of 2007-08, the Commission allocated \$3.428 billion toward 656 projects, including the Proposition 1B bonds and Resolution G-02-12 (G12) project cost adjustments. These allocations represent 62 percent of the \$5.521 billion total allocation capacity, leaving \$2.093 billion remaining to be allocated in 2007-08.

### **SHOPP**

The third quarter SHOPP allocations totaled \$132 million. Year-to-date allocations totaled \$1.047 billion, 57 percent of the \$1.850 billion capacity. The total number of SHOPP projects allocated to date is 326, including 60 emergency projects, 85 minor projects and 6 supplemental votes. The G12 savings have provided an additional \$86 million in allocation capacity.

### **STIP**

The STIP allocations for the third quarter were \$98 million. The total STIP allocations to date were \$1.043 billion, 96 percent of the \$1.092 billion STIP capacity. The total number of STIP projects allocated to date was 259.

### **TCRP**

The TCRP third quarter allocations were \$10 million. To date, TCRP allocations total \$303 million, 100 percent of the allocation capacity. The total number of TCRP projects allocated to date is 36.

### **Proposition 1B Bonds**

**CMIA (6055)** – To date, there was \$477 million, 66 percent of the \$719 million total CMIA capacity allocated for a total of 10 projects.

**Local Seismic (6062)** – The entire Local Seismic bond allocation of \$14 million was voted as a lump sum at the July 2007 meeting. There is no remaining allocation capacity for this fund.

**SHOPP (6064)** – To date, through the third quarter 2007-08, there was \$38 million allocated, 10 percent of the \$382 million capacity, for a total of 9 projects.

**STIP (6058)** – A total of \$506 million was allocated to date, (60 percent) of the \$845 million capacity, for a total of 16 projects through the third quarter of 2007-08.

2007-08 Allocations					
Final Allocations through March 2008 Vote					
FUNDS	SHOPP	STIP	TCRP	Other Bonds	TOTAL
<b>FUNDS</b>					
State Highway Account (SHA)	\$1,850	\$65	\$0	\$0	\$1,915
Public Transportation Account (PTA)	0	475	0	0	475
Transportation Investment Fund (TIF)	0	520	0	0	520
Transportation Deferred Investment Fund (TDIF)	0	32	0	0	32
Traffic Congestion Relief Fund (TCRF)	0	0	303	0	303
<b>Funds Subtotal</b>	<b>\$1,850</b>	<b>\$1,092</b>	<b>\$303</b>	<b>\$0</b>	<b>\$3,245</b>
<b>BONDS</b>					
CMIA (6055)	\$0	\$0	\$0	\$719	\$719
STIP (6058)	0	845	0	0	845
Intercity Rail (6059)	0	0	0	187	187
Local Seismic (6062)	0	0	0	14	14
Grade Separations (6063)	0	0	0	123	123
SHOPP (6064) <sup>1</sup>	382	0	0	0	382
Highway 99 (6072)	0	0	0	6	6
<b>Bonds Subtotal</b>	<b>\$382</b>	<b>\$845</b>	<b>\$0</b>	<b>\$1,049</b>	<b>\$2,276</b>
<b>Total Allocation Capacity</b>	<b>\$2,232</b>	<b>\$1,937</b>	<b>\$303</b>	<b>\$1,049</b>	<b>\$5,521</b>
<b>1st/2nd Quarter Allocations</b>					
State Highway Account (SHA)	\$915	\$46	\$0	\$0	\$960
Public Transportation Account (PTA)	0	472	0	0	472
Transportation Investment Fund (TIF)	0	424	0	0	424
Transportation Deferred Investment Fund (TDIF)	0	3	0	0	3
Traffic Congestion Relief Fund (TCRF)	0	0	293	0	293
CMIA (6055)	0	0	0	125	125
STIP (6058)	0	452	0	0	452
Intercity Rail (6059)	0	0	0	0	0
Local Seismic (6062)	0	0	0	14	14
Grade Separations (6063)	0	0	0	0	0
SHOPP (6064)	4	0	0	0	4
Highway 99 (6072)	0	0	0	0	0
<b>Total Allocations (1st/2nd Qtr)</b>	<b>\$919</b>	<b>\$1,397</b>	<b>\$293</b>	<b>\$138</b>	<b>\$2,746</b>
<b>3rd Quarter Allocations</b>					
State Highway Account (SHA)	\$217	\$26	\$0	\$0	\$244
Public Transportation Account (PTA)	0	0	0	0	0
Transportation Investment Fund (TIF)	0	53	0	0	53
Transportation Deferred Investment Fund (TDIF)	0	23	0	0	23
Traffic Congestion Relief Fund (TCRF)	0	0	10	0	10
CMIA (6055)	0	0	0	352	352
STIP (6058)	0	65	0	0	65
Intercity Rail (6059)	0	0	0	0	0
Local Seismic (6062)	0	0	0	0	0
Grade Separations (6063)	0	0	0	0	0
SHOPP (6064)	35	0	0	0	35
Highway 99 (6072)	0	0	0	0	0
<b>Sub-Total Allocations (3rd Qtr)</b>	<b>\$252</b>	<b>\$167</b>	<b>\$10</b>	<b>\$352</b>	<b>\$783</b>
<b>3rd Quarter Adjustments to Allocations</b>					
State Highway Account (SHA)	-\$85	\$1	\$0	\$0	-\$84
Transportation Investment Fund (TIF)	0	-1	0	0	-1
Transportation Deferred Investment Fund (TDIF)	0	-4	0	0	-4
Traffic Congestion Relief Fund (TCRF)	0	0	0	0	0
CMIA (6055)	0	0	0	0	0
STIP (6058)	0	-11	0	0	-11
SHOPP (6064)	-1	0	0	0	-1
<b>Total Project Adjustments (3rd Qtr)</b>	<b>-\$86</b>	<b>-\$15</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$101</b>
<b>Total Net 3rd Quarter Allocations</b>	<b>\$167</b>	<b>\$152</b>	<b>\$10</b>	<b>\$352</b>	<b>\$682</b>
<b>Remaining Allocation Capacity</b>					
State Highway Account (SHA)	\$803	-\$7	\$0	\$0	\$796
Public Transportation Account (PTA)	0	3	0	0	3
Transportation Investment Fund (TIF)	0	44	0	0	44
Transportation Deferred Investment Fund (TDIF)	0	9	0	0	9
Traffic Congestion Relief Fund (TCRF)	0	0	0	0	0
CMIA (6055)	0	0	0	242	242
STIP (6058)	0	339	0	0	339
Intercity Rail (6059)	0	0	0	187	187
Local Seismic (6062)	0	0	0	1	1
Grade Separations (6063)	0	0	0	123	123
SHOPP (6064)	344	0	0	0	344
Highway 99 (6072)	0	0	0	6	6
<b>Total Remaining Allocation Capacity</b>	<b>\$1,147</b>	<b>\$388</b>	<b>\$0</b>	<b>\$558</b>	<b>\$2,093</b>

<sup>1</sup> SHOPP (6064) includes budget authority of \$123M reserved for Local Assistance (Traffic Light Synchronizing).

## ***Outlook for Funding and Allocations***

The revenue outlook for transportation continues to look uncertain. A slowing economy, high fuel prices, and a state fiscal emergency threaten transportation funding for the SHOPP, STIP and TCRP.

### **SHOPP**

**State Highway Account.** The slowing economy and high fuel prices continue to drag on fuel consumption and impact SHA revenues and SHOPP funding. Gasoline consumption has decreased for seven consecutive quarters from 2006 through December 2007, and January 2008's consumption was down 4.5 percent from the previous year. Although revenues are down in the current fiscal year, the SHA can still support the rest of the 2007-08 allocation capacity. However, it is likely that the 2008-09 allocation capacity will be substantially lower than the 2007-08 level of \$1.850 billion because of the lower revenues. Furthermore, the unresolved Federal funding issue and state fiscal emergency create a great deal of uncertainty with respect to future obligation authority available to the state as well as any TCRF loan repayments to the SHA from the Tribal Gaming compact revenues.

### **STIP**

**Public Transportation Account.** Fuel sales tax revenues for 2007-08 have been coming in lower than forecast as a result of lower prices last August and September. (Note: There is a six-month lag from revenue collections until they are deposited into transportation accounts.) However, because of the recent price increases, revenues are likely to increase in the first quarter of 2008-09. The PTA is already projected to have a very low balance at the beginning of 2008-09, requiring a loan from the TCRF as proposed in the 2008-09 budget. The increase in revenues expected for 2008-09 will not likely increase allocation capacity since any additional revenues would be necessary to bring the fund back to a prudent cash balance.

**Transportation Investment Fund.** The Proposition 42 transfers have also been slightly lower than previously forecast. The higher prices we are experiencing now will only increase Proposition 42 funding slightly since most of the increase will flow through the spillover formula and be diverted toward bond debt service and STA. The current fiscal emergency for 2008-09 may result in the suspension of the Proposition 42 transfer, requiring short-term interfund borrowing to fund ongoing commitments against the TIF and no allocation capacity for 2008-09.

### **TCRP**

**Traffic Congestion Relief Fund.** The TCRF is still due approximately \$1.5 billion from the General Fund (refer to Appendix G). This balance may not be completely repaid until 2016-17, delaying the program well past the original anticipated date. As previously mentioned, project delays will likely result in higher costs and jeopardize other funding. Any delays in funding from a state fiscal emergency would worsen this problem.

## ***Recommendations***

With respect to transportation funding policy, allocation capacity, and forecast methodology, the Department recommends maintaining the current 2007-08 allocation capacity of \$5.521 billion.

The Department will continue to monitor the federal funding issue, fuel consumption, sales tax revenues, and report back on any other developments that may impact transportation funding policy or allocation capacity.

The Department is also researching project allocations and expenditures by fund to determine if appropriate funds are being charged for expenditures, and will report on any necessary adjustments to the funds.

On May 14, 2008, the Governor will release the May Revisions to the 2008-09 proposed budget. This will include revised revenues and funding proposals that may impact transportation. The Department will review this new information and report to the Commission on any impacts to transportation funding future allocation capacity.

**Appendix**

**Appendix A**

**2007-08 State Highway Account 24-Month Forecast**

**Appendix B**

**2007-08 Public Transportation Account 24-Month Forecast**

**Appendix C**

**2007-08 Traffic Congestion Relief Fund 24-Month Forecast**

**Appendix D**

**2007-08 Transportation Investment Fund 24-Month Forecast**

**Appendix E**

**2007-08 Transportation Deferred Investment Fund  
24-Month Forecast**

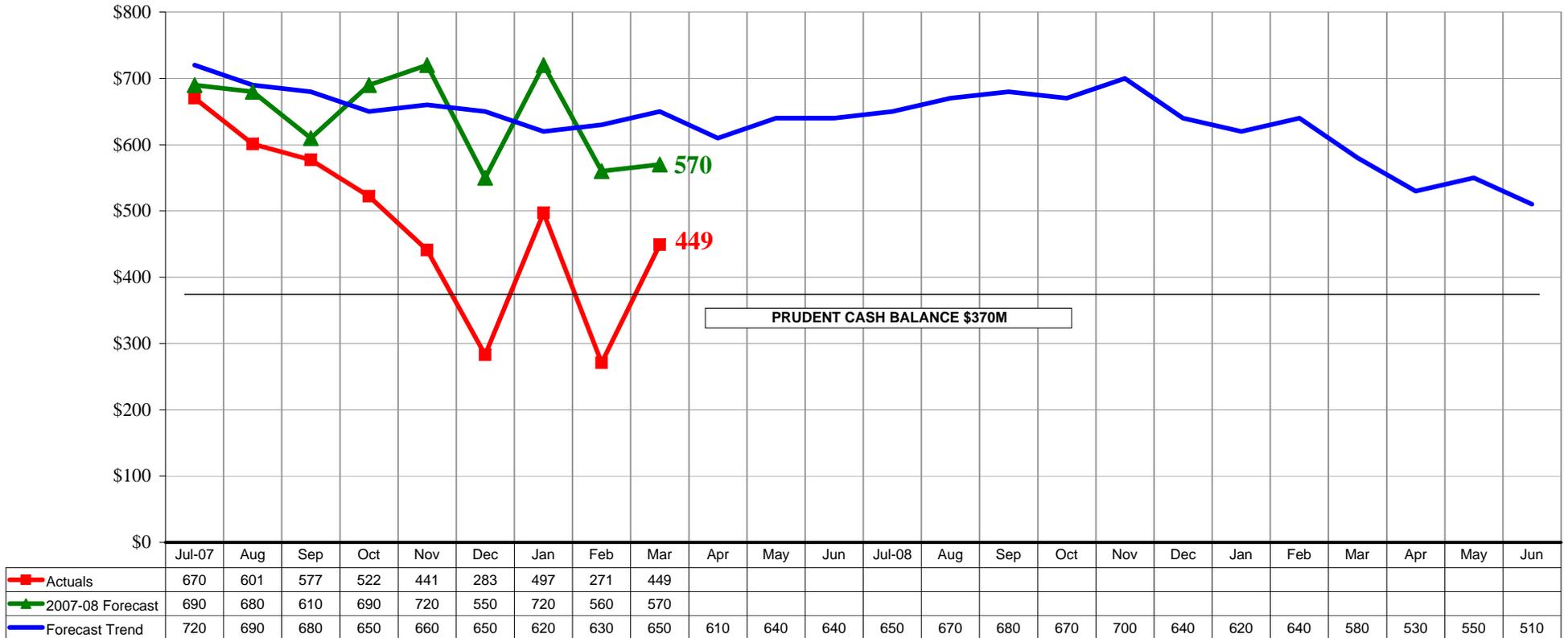
**Appendix F**

**2007-08 State Highway Account Five-Year Forecast**

**Appendix G**

**Status of Outstanding Transportation Loans**

### 24-Month State Highway Account (SHA) Cash Forecast (\$ millions)



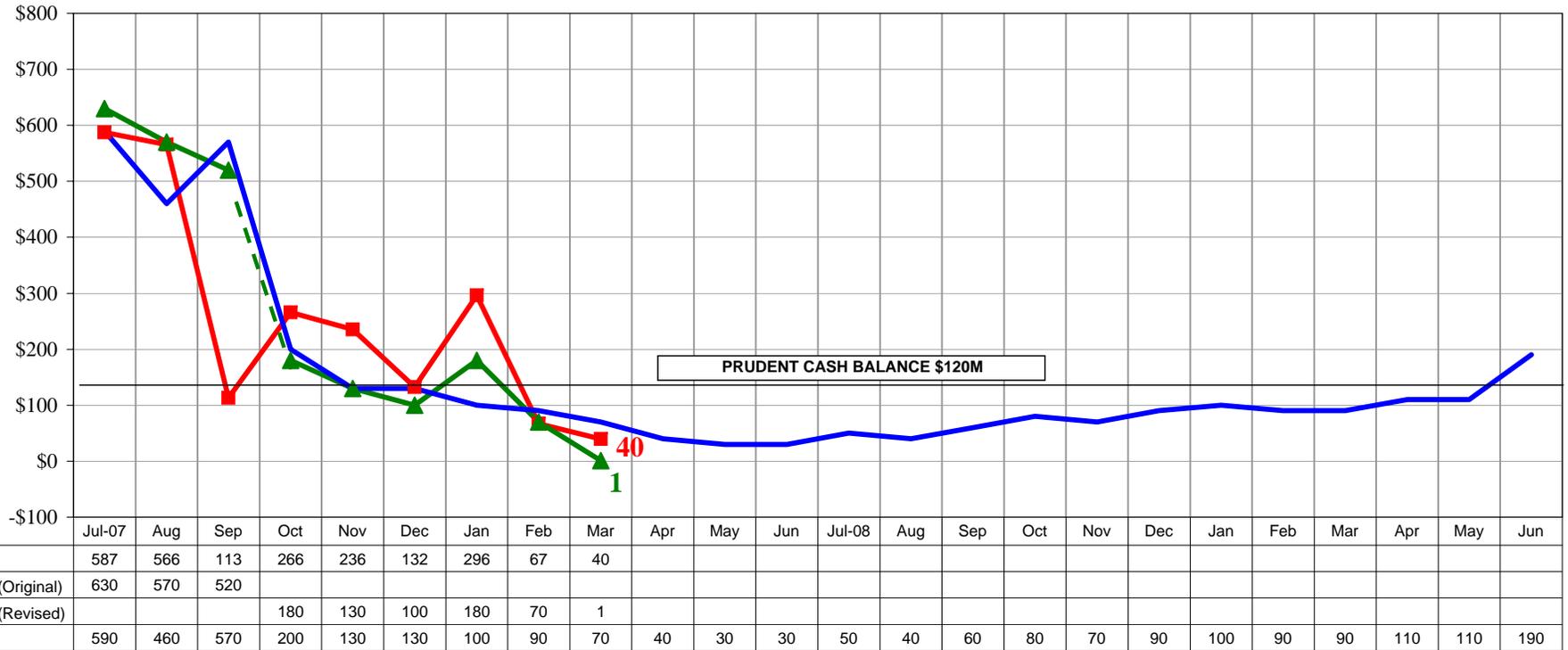
**Base FY 2007-08 Forecast Assumptions:**

- ▶ Includes \$100 million Tribal Gaming loan repayment.
- ▶ Includes \$256 million transfer from TIF.
- ▶ Forecast trend line is a five-month moving average.

**Allocation Assumptions:**

- ▶ The current allocation recommendation proposes \$1.915 billion for 2007-08. All remaining years are \$1.750 billion.

### 24-Month Public Transportation Account (PTA) Cash Forecast (\$ millions)



**Base FY 2007-08 Forecast Assumptions:**

- ▶ Based on 2007-08 Budget Act.
- ▶ PTA expenditure to General Fund of \$409 million.
- ▶ From the Spillover transferred to the PTA for 2007-08, \$100 million is allocated to STA in quarterly sums of \$25 million.

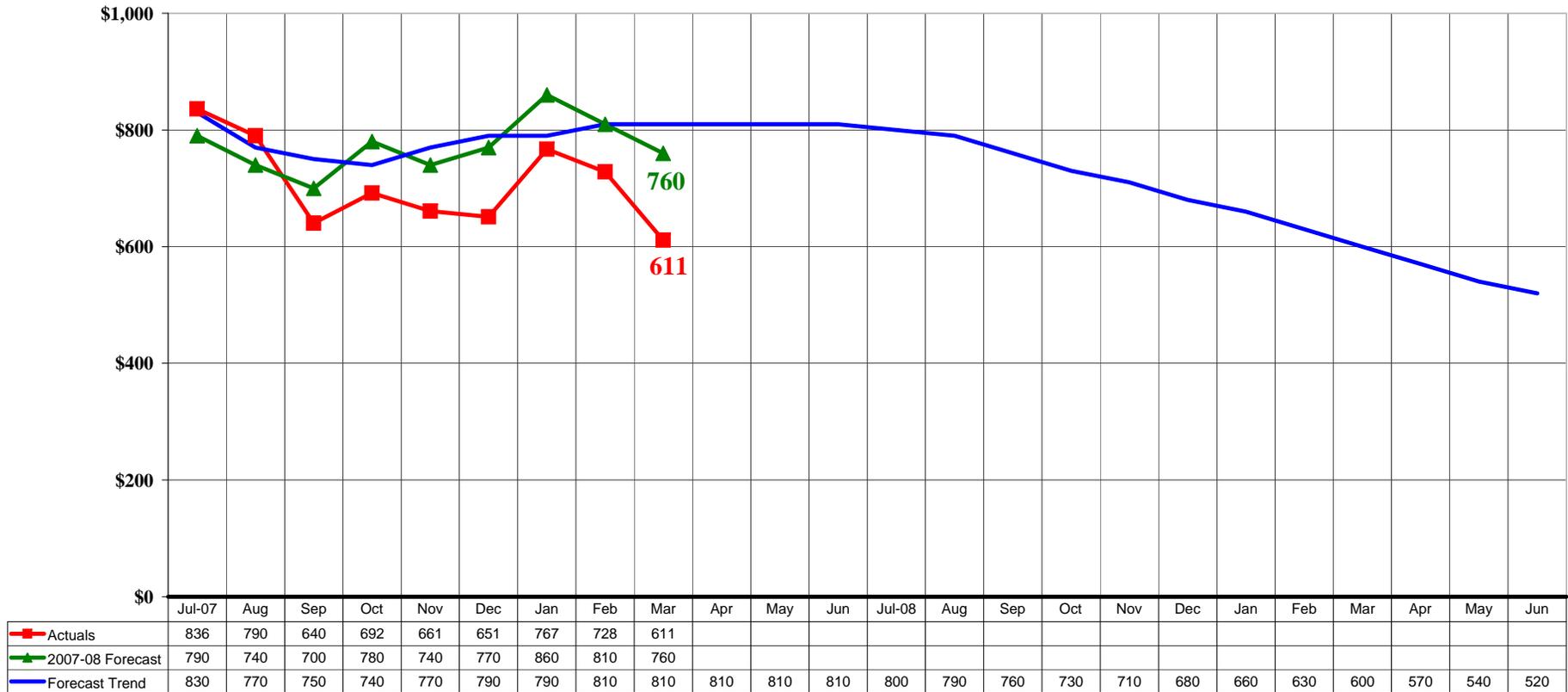
**Revised Base FY 2007-08 Forecast Assumptions:**

- ▶ Based on 2007-08 Forecast updated to include SB 717.
- ▶ \$409 million General Fund expenditure occurred September 2007 instead of June 2008.
- ▶ Includes loan from TCRF in 2008-09.

**Allocation Assumptions:**

- ▶ The current 2007-08 Allocation Capacity proposes \$475 million for STIP.

### 24-Month Traffic Congestion Relief Fund (TCRF) Cash Forecast (\$ millions)



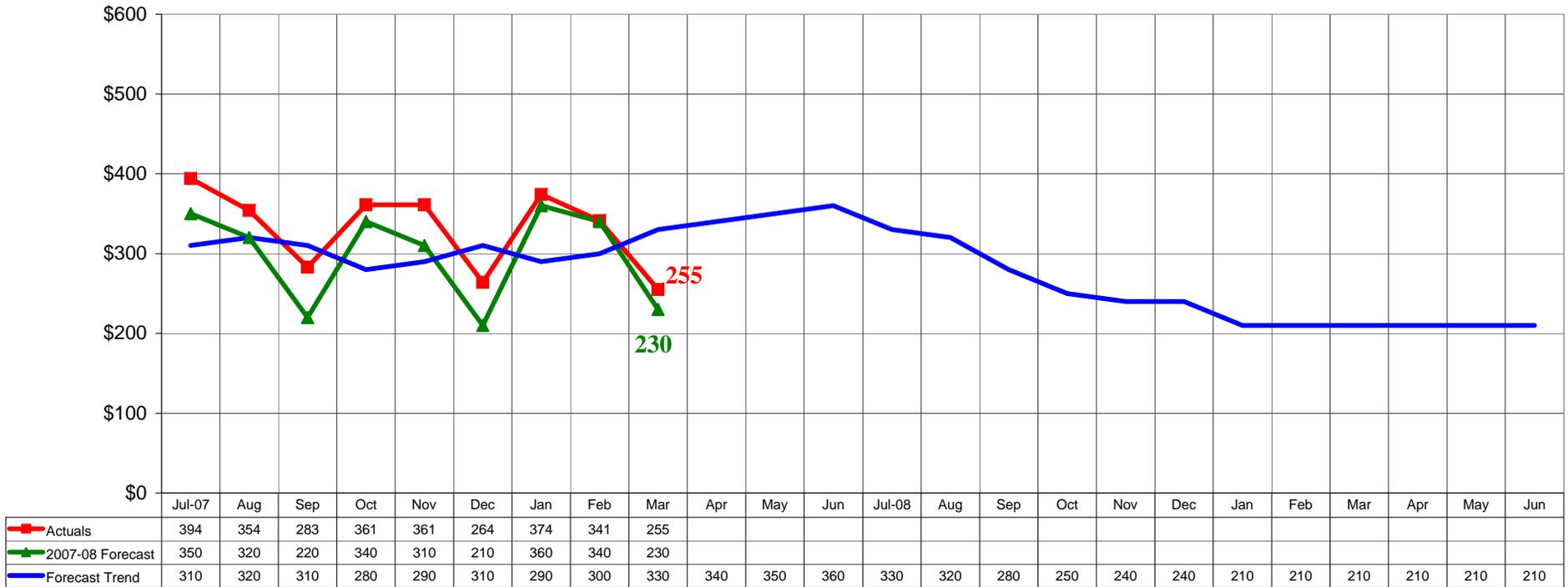
**Base FY 2007-08 Forecast Assumptions:**

- ▶ Updated project expenditure patterns.
- ▶ Transfer from TIF of \$602 million in FY 2007-08.
- ▶ Transfer from TDIF of \$82 million in FY 2007-08.

**Allocation Assumptions:**

- ▶ The current 2007-08 Allocation Capacity proposes \$303 million for the TCRP.

### 24-Month Transportation Investment Fund (TIF) Cash Forecast (\$ millions)



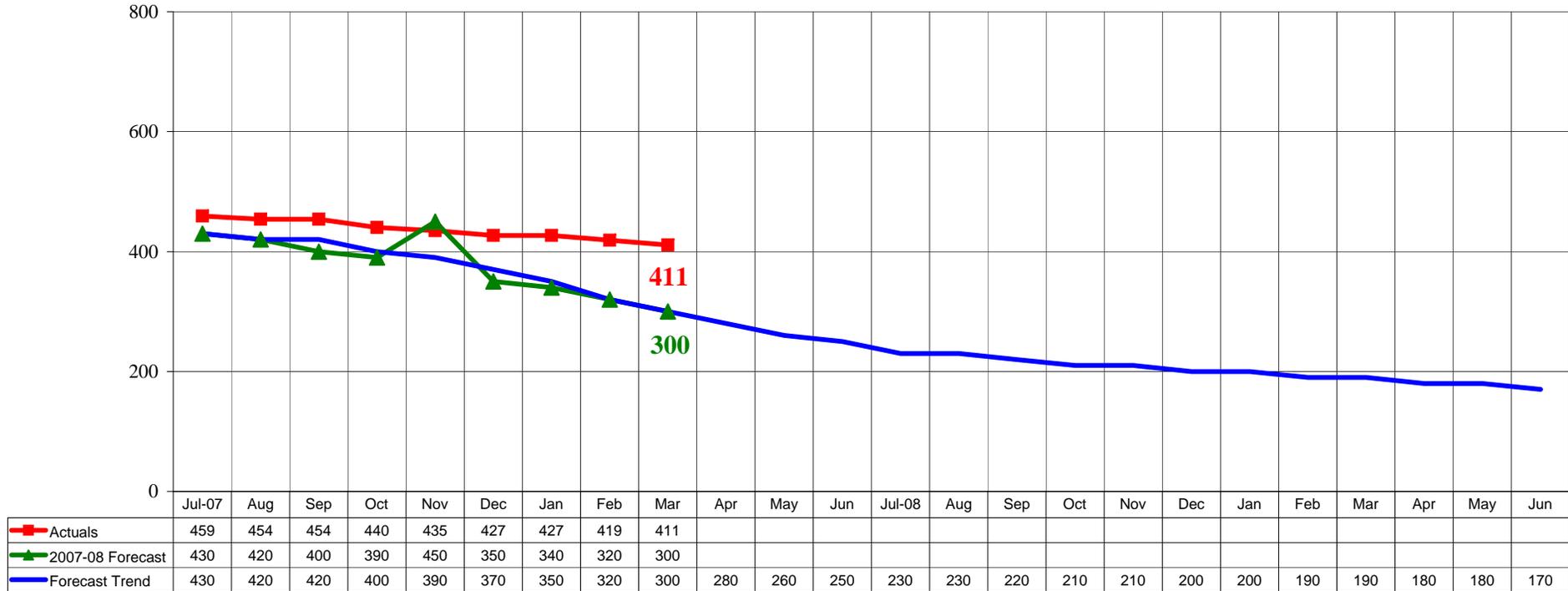
**Base FY 2007-08 Assumptions:**

- ▶ Based on the 2007-08 Budget Act.
- ▶ Assumes TIF in all years.
- ▶ Transfers of \$602 million to the TCRF, \$176 million to the PTA in FY 2007-08.
- ▶ Transfers of \$308 million to the PTA, \$615 million to the Local in FY 2008-09.

**Allocation Assumptions**

- ▶ The current 2007-08 Allocation Capacity proposes \$520 million for STIP.

### 24-Month Transportation Deferred Investment Fund (TDIF) Cash Forecast (\$ millions)



**Base FY 2007-08 Forecast Assumptions:**

- ▶ 2007-08 Proposition 42 Loan Repayments distributions:
- ▶ \$1 million to PTA and \$82 million to TCRP.

### STATE HIGHWAY ACCOUNT FIVE-YEAR CASH FORECAST (\$ millions)



<b>Status of Outstanding Transportation Loans</b>				
<b>(\$ millions)</b>				
<b>FUND</b>	<b>Original Loan Plus Interest as of 2004-05</b>	<b>Loans/Interest Paid-to-Date</b>	<b>Expected 2007-08 Payments</b>	<b>Remaining Balance</b>
<b>Pre-Proposition 42 (Tribal Gaming Revenue):</b>				
State Highway Account (SHA) <sup>1</sup>	\$473	\$241	\$100	\$132
Public Transportation Account (PTA) <sup>2</sup>	275	10	0	265
Traffic Congestion Relief Fund (TCRF) <sup>3</sup>	482	0	0	482
<b>Subtotal Pre-Position 42 Tribal Gaming Loans:</b>	<b>\$1,230</b>	<b>\$251</b>	<b>\$100</b>	<b>\$879</b>
<b>Proposition 42:</b>				
Public Transportation Account (PTA)	\$217	\$216		\$1
Transportation Investment Fund (TIF)	438	438	0	0
Transportation Congestion Relief Fund (TCRF) <sup>4</sup>	1,067	323	82	662
Locals	438	438	0	0
<b>Subtotal Proposition 42 Loans:</b>	<b>\$2,160</b>	<b>\$1,415</b>	<b>\$82</b>	<b>\$663</b>
<b>Totals:</b>	<b>\$3,390</b>	<b>\$1,666</b>	<b>\$182</b>	<b>\$1,542</b>

<sup>1</sup>The SHA is expected to be repaid \$100 million in 2008-09 and approximately \$32 million in 2009-10 depending on SCO interest calculations.

<sup>2</sup>The PTA repayment is expected to begin in 2012-13 and be completed in 2014-15.

<sup>3</sup>The TCRF repayment is expected to begin in 2009-10 and be completed in 2016-17.

<sup>4</sup>The remaining amount due to TCRF under Proposition 42 suspension will be repaid in equal annual installments ending in 2015-16.

### **Pre-Proposition 42 Loans (Tribal Gaming)**

The Pre-Proposition 42 loans occurred in 2001-02 when the State was faced with a growing budget deficit and looked to transportation funds to help fill the budget shortfall. The Transportation Refinancing Plan, Assembly Bill (AB) 438 (Chapter 113, Statutes of 2001), authorized a series of loans that included delaying the transfers of gasoline sales tax to transportation for two years (until 2003-04), a TCRF loan to the General Fund, and loans from the SHA and PTA to the TCRF. In 2004-05, the Governor negotiated tribal gaming compacts to repay these loans through bonds, but legal challenges have prevented the bonds from being issued. In 2005-06, the Director of Finance began using the compact revenues to make annual payments towards these loan balances pursuant to Government Code Section 63048. **However, there is no specific repayment plan required by statute, and no deadline for repayment of loans.**

### **Proposition 42 Loans**

In March 2002 Proposition 42 made the transfer of gasoline sales tax to transportation permanent. However, as state budget shortfalls continued, Proposition 42 transfers were partially suspended in 2003-04 and completely suspended in 2004-05, creating the Proposition 42 loan balances. These loans were partially repaid in 2006-07 with a payment of \$1.416 billion, leaving approximately \$744 million due to the TCRF. With the passage of Proposition 1A in 2006, future suspensions of Proposition 42 transfers are limited to only two times during any 10-year period and these loans must be repaid within three years.