

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: December 10-11, 2008

Reference No.: 3.12
Information Item

From: CINDY McKIM
Chief Financial Officer

Prepared by: Norma Ortega
Division Chief
Budgets

Subject: **FY 2008-09 1st QUARTER FINANCE REPORT**

Attached is the Department of Transportation's Fiscal Year 2008-09 1st Quarter Finance Report. This version is consistent with the report previously discussed with the Commission's Executive Committee.

Attachment



Department of Transportation Quarterly Finance Report

First Quarter 2008-09

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

Fiscal Year	Quarterly Report	Activity	Date
2008-09	2007-08 Q4	Close of Quarter	6/30/08
		Quarterly Report to Commission Staff	9/1/08
		Presented to Commission	9/24/08
	2008-09 Q1	Close of Quarter	9/30/08
		Quarterly Report to Commission Staff	11/15/08
		Presented to Commission	12/10/08
	2008-09 Q2	Close of Quarter	12/31/08
		Quarterly Report to Commission Staff	2/15/09
		Presented to Commission	3/11/09
	2008-09 Q3	Close of Quarter	3/31/09
		Quarterly Report to Commission Staff	5/15/09
		Presented to Commission	6/10/09
2009-10	2008-09 Q4	Close of Quarter	6/30/09
		Quarterly Report to Commission Staff	8/31/09
		Presented to Commission	9/9/09

Department of Transportation Quarterly Finance Report

First Quarter 2008-09

Executive Summary

The purpose of this report is to provide the California Transportation Commission (Commission) with the status of capital allocations versus allocation capacity, and to report any trends or issues that may require action by the Department of Transportation (Department) or Commission regarding transportation funding policy, allocation capacity or forecast methodology to ensure the efficient and prudent management of transportation resources.

For the first quarter of 2008-09, the Commission allocated \$1.9 billion toward 171 projects, representing 33 percent of the total 2008-09 capacity of \$5.9 billion (see Appendix A for 2008-09 allocation capacity by fund).

2008-09 Capital Allocations vs. Capacity Summary through September 30, 2008 (\$ millions)					
	SHOPP	STIP	TCRP	BONDS	TOTAL
Total Allocation Capacity	\$1,400	\$1,348	\$110	\$3,020	\$5,878
Total Votes	\$431	\$518	\$109	\$874	\$1,932
Authorized Changes*	-\$68	-\$25	\$0	N/A	-\$93
Total Remaining Capacity	\$1,037	\$855	\$1	\$2,146	\$4,039

*Authorized changes include project increases and decreases pursuant to the Commission's G-12 process, and project rescissions.

Overall, the cash balances of transportation funds were within acceptable ranges to the forecasts (see Appendix B). Based on current revenues and expenditures through the first quarter, the Department continues to recommend that the 2008-09 allocation capacity presented at the September 24, 2008 Commission meeting of \$5.9 billion remain in place.

However, if actual revenues come in lower than forecast in the budget, expenditures increase, and/or mid-year changes from the special legislative session impact the resources available for allocations, the current allocation capacity may need to be adjusted accordingly.

Capital Allocations vs. Capacity

First Quarter Summary

Through September 30, 2008, the Commission allocated \$1.9 billion toward 171 projects. The \$1.9 billion allocated represents 33 percent of the \$5.9 billion total allocation capacity. Total adjustments were \$180 million, leaving approximately \$4.1 billion remaining capacity for 2008-09.

SHOPP. To date, 2008-09 SHOPP allocations, including SHOPP bond projects, total \$431 million including authorized changes for award savings of \$68 million. These allocations represent 31 percent of the \$1.4 billion capacity. The total number of SHOPP projects allocated through the first quarter is 66, including six SHOPP bond projects, and one GARVEE project.

State Highway Operation and Protection Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	\$1,200	\$313	-\$26	\$287	\$913
Bond	86	4	-42	-38	\$124
GARVEE	114	114	N/A	N/A	N/A
Total	\$1,400	\$431	-\$68	\$249	\$1,037

STIP. Of \$1.3 billion in STIP capacity, \$518 million was allocated through September 30, 2008, representing 38 percent of total capacity, including STIP bond projects. The total number of projects allocated to date was 75, including two STIP bond projects.

State Transportation Improvement Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	\$65	\$77	\$0	\$76	-\$11
PTA	50	50	0	50	\$0
TIF	225	227	-9	218	\$7
TDIF	0	0	2	2	-\$2
Bond	1,008	164	-17	147	\$861
Total	\$1,348	\$518	-\$25	\$493	\$855

TCRP. TCRP allocations to date totaled \$109 million, leaving \$800 thousand in remaining capacity. The total number of TCRP projects allocated to date is 10. Determining the allocation capacity and specific project funding was collaboration between the Commission, Department and Local Agencies.

Traffic Congestion Relief Program					
(\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
TCRF	\$110	109	0	109	\$1
Total	\$110	\$109	\$0	\$109	\$1

Other Bonds. Other bond allocations to date totaled \$874 million, or 29 percent of the \$3.0 billion capacity. The total number of other bond projects allocated to date is 18.

Other Bonds					
(\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
Other Bonds	\$3,020	874	N/A	874	\$2,146
Total	\$3,020	\$874	\$0	\$874	\$2,146

Outlook for Funding & Allocations

Revenue estimates in the 2008-09 Budget Act were projected to be lower than in 2007-08. As a result, the 2008-09 SHOPP allocation capacity was reduced significantly from the 2007-08 level. The 2008-09 Budget Act also included a \$200 million loan to the General Fund, which occurred in October 2008. To maintain an acceptable cash balance, the TCRF will provide the SHA an intra-fund loan of \$200 million to offset the loan to the General Fund in November 2008. If Proposition 42 is suspended, the TCRF will backfill current TIF commitments, and the SHA may require a loan from the General Fund.

Through the end of the first quarter, transportation fund cash balances were within acceptable ranges to the forecasts (see Appendix B). Therefore, the Department continues to recommend the 2008-09 allocation capacity of \$5.9 billion. However, the sluggish economy continues to impact revenues for all funds. Although fuel prices have decreased, consumption may not increase significantly enough to offset the drop in revenue. Furthermore, uncertainty regarding federal funding for next year and the current budget difficulties pose significant risks to transportation funding. If mid-year revenue reductions or low cash balances occur, the Department may recommend a reduction to the current 2008-09 allocation capacity.

SHOPP

State Gas Tax Revenues. Lower fuel consumption continues to impact State Highway Account (SHA) revenues and SHOPP funding. For example, first quarter excise tax revenues were two percent lower than forecast. Total revenues were \$499 million, \$16 million (3 percent) below forecast. If the trend of lower revenue receipts continues, approximately \$62 million in excise tax revenue will not be realized when compared to current revenue estimates. A reduction in revenues of this magnitude will not likely impact current year SHOPP capacity, but will result in lower future capacity if the trend persists.

The current poor economic outlook may lead to lower or stagnant consumption over the next year. However, if fuel prices continue to decrease, consumption may increase later in the year.

Federal Funding. On September 24, 2008, the United States Congress approved an \$8 billion appropriation to fund a revenue shortfall in the Federal Highway Trust Fund (FHTF) in the last year of SAFETEA-LU—the current federal transportation act that expires on September 30, 2009. The Federal Highway Administration then issued a continuing resolution to authorize federal reimbursements through March 6, 2009. Although, federal funding for the current fiscal year will remain intact, federal receipts may be slower due to the continuing resolution process. The resolution also provides spending authority of 43 percent of the funding received in 2008.

Slow economic growth continues to have a negative impact to FHTF revenues and will likely lead to lower federal funding next year and beyond unless Congress takes action. It is possible that Congress may authorize an infusion of funding into the FHTF as part of a second federal stimulus package. However, until the next federal transportation act is passed, the outlook for federal funding and the fiscal impact for California are unknown. The Department will continue to monitor the potential stimulus proposals and development of the federal transportation act for their impact on the SHOPP.

STIP

Public Transportation Account (PTA). Although first quarter revenues were on track, October receipts are low. Through October, fuel sales tax revenues that were based on 2008-09 Budget Act revenue estimates did not materialize. The PTA retained a total of \$10 million in spillover, instead of the \$122 million forecast to occur in October. Based on the 2008-09 Budget revenues estimates, the PTA was authorized to borrow up to \$60 million from the TCRF to stay solvent. If revenues do not materialize, the Department of Finance must reduce the Home-to-School expenditures from the PTA to maintain an adequate cash balance, per the 2008-09 Budget Act Section 24.85.

The PTA's ability to provide future funding for STIP may significantly impacted by continued diversions to the Mass Transportation Fund, Home-to-School program and Developmental Services in 2009-10 and beyond.

Transportation Investment Fund (TIF). With the 2008-09 Proposition 42 transfer of \$1.4 billion, the TIF is able to meet current commitments, including STIP support costs and an allocation capacity of \$225 million. However, if the Proposition 42 transfer is suspended as part of the 2008-09 special legislative session, TIF will not be able to support new allocations and may not be able to meet current commitments without intra-fund loans.

Transportation Financing Account (TFA). The TFA was established by voter approval of Proposition 1B in 2006, to provide a \$2 billion augmentation to STIP funding. However, these bonds are only a one-time infusion of funds and are expected to be fully allocated by the end of this year. Once these TFA resources are fully allocated, STIP funding will not only decrease in the outyears, but the volatility and unreliability of the underlying STIP resources may become even more apparent.

TCRP

Traffic Congestion Relief Fund (TCRF). The TCRF is still due approximately \$1.1 billion from the General Fund (refer to Appendix F). This balance may not be completely repaid until 2016-17, delaying the program well past the original anticipated date. Project delays will likely result in higher costs and may jeopardize other funding.

OTHER BONDS

Other bonds funds are all bond funds excluding the SHOPP and STIP funded bond programs, and have an allocation capacity of \$3.0 billion for 2008-09. The capacity is expected to be fully allocated by the end of the fiscal year. Consequently, overall transportation allocations will decrease in 2009-10 and beyond.

Recommendations

The Department continues to recommend the previously presented 2008-09 allocation capacity of \$5.9 billion. The Department will monitor revenues and expenditures, as well as any outcomes from the special legislative session and report back to the Commission if current allocation capacity may need to be adjusted accordingly.

Appendices

Appendix A.....Allocation Capacity and Assumptions

Appendix B.....Cash Forecast

- Forecast Methodology**
- State Highway Account**
- Public Transportation Account**
- Traffic Congestion Relief Fund**
- Transportation Investment Fund**
- Transportation Deferred Investment Fund**

Appendix C.....Federal Funding

Appendix D.....Non-SHOPP/STIP Proposition 1B Bond Allocations

Appendix E.....Transportation Loans

Appendix A – Allocation Capacity and Assumptions

The 2008-09 allocation capacity is \$5.880 billion, including Proposition 1B bond capacity.

2008-09 Allocation Capacity By Fund and Program (\$ millions)					
Fund	SHOPP	STIP	TCRP	Other (Bonds)	Total
SHA	\$1,200	\$65	\$0	\$0	\$1,265
PTA	0	50	0	0	\$50
TIF	0	225	0	0	\$225
TCRF	0	0	110	0	\$110
Bonds	86	1,008	0	3,022	\$4,116
GARVEE Allocations	114	0	0	0	\$114
Total Capacity	\$1,400	\$1,348	\$110	\$3,022	\$5,880

This allocation capacity is based on:

- For SHOPP, 2008-09 Budget Act revenue estimates, 2008 Fund Estimate federal receipts, and forecast expenditures.
- The PTA allocation capacity reflects AB 3090 projects only, totaling \$50 million. Other than the AB 3090 reimbursement, there is no STIP PTA allocation capacity due to the distribution of spillover revenues, the redirection to the Home-to-School program and funding of the Regional Center Transportation Program as authorized in the 2008-09 Budget Act.
- Pre-Proposition 42 loan repayments, are assumed to be paid in 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.
- For SHOPP and STIP, 2008-09 bond capacity is based on the balance of bond authority available after 2007-08 allocations and any administrative costs.
- Other Proposition 1B bond capacity is based on the available programs for those funds.

Appendix B – Forecast Methodology

Methodology and Assumptions

The cash forecasts for the SHA, PTA, TCRF, TIF and TDIF are used by the Department to estimate and monitor the cash balance of transportation funds to determine the level of allocations that can be supported, and to prepare for low or high cash periods. Variances are identified and reported to management and the Commission. If necessary, adjustments are made to capital allocation levels, funding policy or forecast methodology.

The 2008-09 cash forecasts and allocation capacities are based on the following assumptions:

- Expenditures for state operations are based on the 2008-09 Budget Act.
- Capital outlay and local assistance expenditures are based on actual and projected Commission allocations, using the existing expenditure model based on seasonal construction patterns.
- Proposition 42 transfers occur quarterly in the month after the quarter ends, except in the fourth quarter, which is assumed to occur in June.
- Annual Pre-Proposition 42 loan repayments from Tribal Gaming compacts are authorized by Government Code (GC) Section 63048.65(e).
- Capital outlay support (COS) expenditures are based on the 2008-09 Budget Act.
- Monthly adjustments for all funds, with the exception of Transportation Revolving Account (TRA) transactions, are not forecast. Adjustments are timing differences posting activity between the Department's TRAMS accounting system and the State Controller's Office. Adjustments include Plans of Financial Adjustments, TRA activity, funds transferred in and out, and reimbursements.
- PTA sales tax revenues are transferred to the PTA during the forecast period as statutorily prescribed. There is a lag in posting the fourth quarter; revenues are posted in the first quarter of the following year. The distribution of spillover revenues is based on the 2008-09 Budget Act.
- A \$200 million loan from the SHA to the General Fund, per the 2008-09 Budget Act, is included in the SHA forecast. Consequently, a loan from the TCRF to the SHA for \$200 million is included in the TCRF and SHA forecasts. Both loans are forecast to be repaid in June 2011.
- Per the 2008-09 Budget Act, a \$60 million loan will occur from the TCRF to the PTA. The loan amount, estimated on high tax revenues, offsets the diversion to the Home-to-School program.
- The PTA includes a \$306 million State Transit Assistance expenditure, per the 2008-09 Budget Act.
- Federal receipts, of approximately at \$3.0 billion are from the 2008 Fund Estimate.

Appendix B – State Highway Account

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



Year-to-Date SHA Summary

The SHA ended the first quarter at \$617 million, \$13 million (2 percent) above forecast. SHA first quarter revenues were \$1.7 billion, \$4 million below forecast. Net transfers totaled a positive \$100 million, on target with forecast. Expenditures for the quarter totaled \$1.7 billion, \$125 million (8 percent) above forecast. Net adjustments were a positive \$42 million, \$142 million higher than forecast.

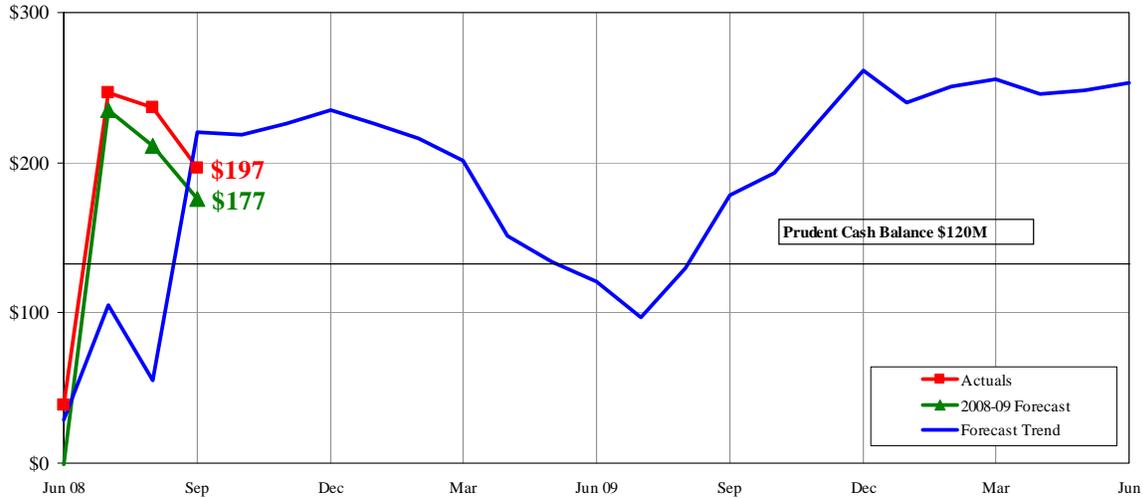
There are currently no known issues that will impact the SHA allocation capacity. An ending cash balance of \$197 million is forecast in February 2009. The low cash balance is due to February having no excise tax receipts transferred. Two excise tax revenue receipts will occur in March 2009.

Year-to-Date SHA Reconciliation

	(\$ in millions)			
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$521	\$521	\$0	0.0%
Revenues	1,707	1,703	-\$4	-0.2%
Transfers	100	100	\$0	0.0%
Expenditures	-1,624	-1,749	-\$125	7.7%
Adjustments	-100	42	\$142	-142.0%
Ending Cash Balance	\$604	\$617	\$13	2.2%

Appendix B – Public Transportation Account

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



Year-to-Date PTA Summary

The PTA ending cash balance for the first quarter was \$197 million, \$20 million (11 percent) higher than forecast. The higher cash balance is due to a lower than forecast expenditures.

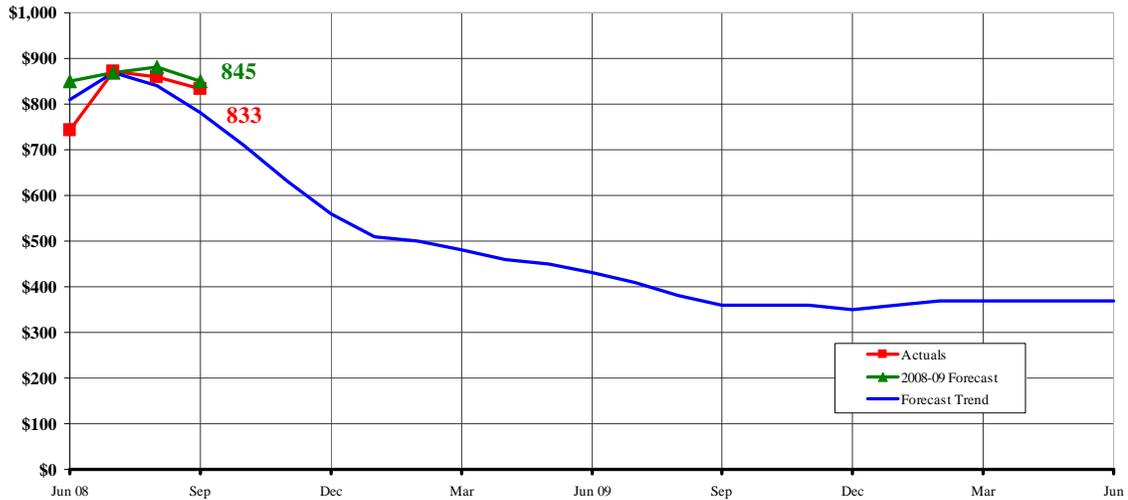
PTA revenues and transfers were on target with the forecast. Expenditures were \$91 million, \$16 million (15 percent) below forecast. Adjustments were a positive \$5 million above forecast.

Year-to-Date PTA Reconciliation

	(\$ in millions)			
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$42	\$42	\$0	0.0%
Revenues	162	162	\$0	0.0%
Transfers	55	54	-\$1	-1.8%
Expenditures	-107	-91	\$16	-15.0%
Adjustments	25	30	\$5	20.0%
Ending Cash Balance	\$177	\$197	\$20	11.3%

Appendix B – Traffic Congestion Relief Fund

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



Year-to-Date TCRF Summary

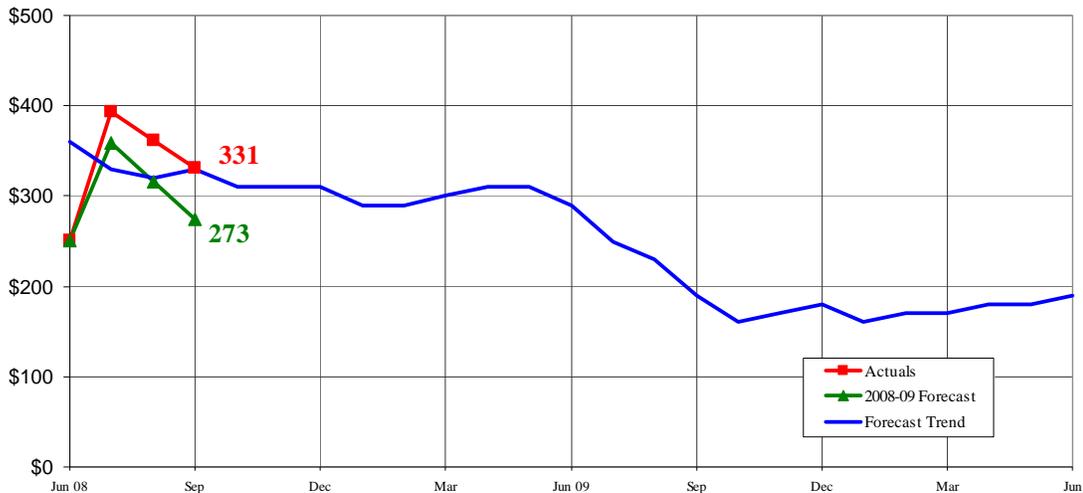
The TCRF ending cash balance for the first quarter was \$833 million, \$12 million (1 percent) below forecast. Transfers were on target with the forecast at \$93 million for the quarter. Expenditures for the first quarter totaled \$40 million, \$5 million (14 percent) above forecast. Adjustments for the quarter totaled a positive \$81 million, \$7 million (8 percent) below forecast.

Year-to-Date TCRF Reconciliation

	(\$ in millions)			
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$699	\$699	\$0	0.0%
Revenues	0	0	\$0	
Transfers	93	93	\$0	0.0%
Expenditures	-35	-40	-\$5	14.3%
Adjustments	88	81	-\$7	-8.0%
Ending Cash Balance	\$845	\$833	-\$12	-1.4%

Appendix B – Transportation Investment Fund

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



Year-to-Date TIF Summary

The TIF ending cash balance for the first quarter was \$331 million, \$58 million (21 percent) above forecast. The majority of this difference is due to the late passage of the Budget Act which caused a delay in posting of State Operations expenditures.

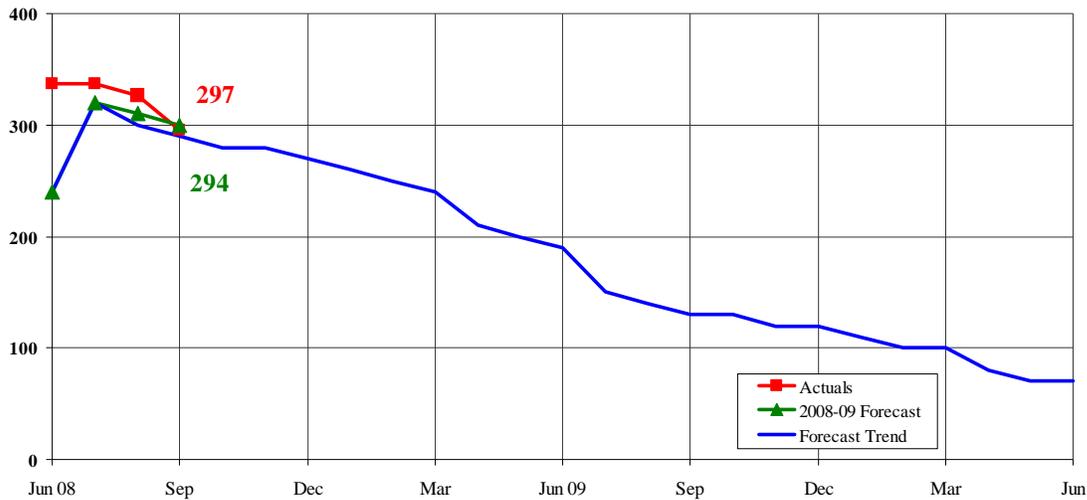
Revenues were on target with the forecast, totaling \$366 million. Transfers out totaling \$148 million were also on target with the forecast. Expenditures for the first quarter totaled \$83 million, \$46 million (36 percent) below forecast. Net adjustments were a positive \$72 million, \$12 million higher than forecast.

Year-to-Date TIF Reconciliation

	(\$ in millions)			
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$124	\$124	\$0	0.0%
Revenues	366	366	\$0	0.0%
Transfers	-148	-148	\$0	0.0%
Expenditures	-129	-83	\$46	-35.7%
Adjustments	60	72	\$12	20.0%
Ending Cash Balance	\$273	\$331	\$58	21.2%

Appendix B – Transportation Deferred Investment Fund

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



Year-to-Date TDIF Summary

The TDIF ending cash balance for the first quarter was \$297 million, \$3 million (1 percent) above forecast. Expenditures for the first quarter totaled \$67 million, \$24 million (56 percent) above forecast. Net adjustments for the quarter were a positive \$27 million.

TDIF allocations were a one-time occurrence. The forecast assumes the pattern of project expenditures until funds are exhausted. There will be no future allocations from the TDIF.

Year-to-Date TDIF Reconciliation

	(\$ in millions)			
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$337	\$337	\$0	0.0%
Revenues	0	0	\$0	
Transfers	0	0	\$0	
Expenditures	-43	-67	-\$24	55.8%
Adjustments	0	27	\$27	
Ending Cash Balance	\$294	\$297	\$3	1.0%

Appendix C – Federal Emergency Projects

For the quarter ending September 30, 2008, the Federal Highway Administration has added the California wild fires that began on or about June 20, 2008 as a new disaster declaration to the current disaster declaration list. The Department did not receive any new Emergency Relief allocations and approximately \$429 million in total needs remain outstanding for California disasters.

Disaster Repair Costs Approved Federal Funding and State/Local Impact (\$ millions)					
Disaster	Identified Cost of Disaster Repair ^a			Federally Approved Disaster Repair Funding	Total Disaster Repair Needs Not Federally Funded ^b
	State	Local	Total		
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
Mt. Soledad Landslide CA08-01	0	18	18	0	\$18
Newhall Tunnel Fire CA08-2	22	0	22	0	\$22
So. California Wildfires CA08-3	28	17	45	1	\$44
Martins Ferry Bridge CA08-4	0	9	9	0	\$9
Skyline Blvd. Landslide CA08-5	0	1	1	0	\$1
California Wildfires CA08-6	8	0	8	0	\$8
Total	\$1,082	\$250	\$1,333	\$903	\$429

- 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 necessarily represent what has been spent by 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.

Appendix D – Non-SHOPP/STIP Proposition 1B Bonds

Other Bonds			
Fund	Allocation Capacity	Allocations to Date	Remaining Capacity
CMIA	\$1,587	\$792	\$795
TCIF	413	0	\$413
Intercity Rail	202	41	\$161
State-Local Partnership	200	0	\$200
Local Bridge Seismic	21	21	\$0
Grade Separations	247	0	\$247
Traffic Light Synch.	245	15	\$230
Route 99	105	5	\$100
Total	\$3,020	\$874	\$2,146

Allocation capacity for CMIA, Intercity Rail, Local Seismic, Grade Separations, Traffic Light Synchronization, and Route 99 include unallocated 2007-08 authority and new authority from the 2008-09 Budget Act. The TCIF and State-Local Partnership programs did not receive appropriations in 2007-08 and thus only include appropriations from the 2008-09 Budget Act.

Pursuant to the Commission's direction, G-12 delegated authority does not apply to these bond funds.

Appendix E – Transportation Loans

Status of Outstanding Transportation Loans (\$ millions)			
FUND	Original Loan Plus Interest as of 2004-05	Loans/Interest Paid-to-Date	Remaining Balance
Pre-Proposition 42 (Tribal Gaming Revenue):			
State Highway Account (SHA) ¹	\$473	\$341	\$132
Public Transportation Account (PTA) ²	275	10	265
Traffic Congestion Relief Fund (TCRF) ³	482	0	482
Subtotal Pre-Position 42 Tribal Gaming Loans:	\$1,230	\$351	\$879
Proposition 42:			
Public Transportation Account (PTA)	\$217	\$217	\$0
Transportation Investment Fund (TIF)	438	438	0
Transportation Congestion Relief Fund (TCRF) ⁴	1,067	406	661
Locals	438	438	0
Subtotal Proposition 42 Loans:	\$2,160	\$1,499	\$661
Totals:	\$3,390	\$1,850	\$1,540

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

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

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

⁴The 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.