

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: March 11-12, 2009

Reference No.: 3.5
Information Item

From: CINDY McKIM
Chief Financial Officer

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Budgets

Subject: **FY 2008-09 2nd QUARTER FINANCIAL REPORT**

Attached is the Department of Transportation's Fiscal Year 2008-09 2nd Quarter Financial Report. There are no substantive changes from the version sent on February 18, 2009.

Attachment



Department of Transportation Quarterly Finance Report

Second 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

Second 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.

Through the second quarter of fiscal year 2008-09, the Commission allocated \$2.5 billion toward 322 projects, representing 42 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 December 31, 2008 (\$ in millions)					
	SHOPP¹	STIP¹	TCRP	BONDS	TOTAL
Total Allocation Capacity	\$1,400	\$1,358	\$110	\$3,020	\$5,888
Total Votes	\$671	\$606	\$111	\$1,097	\$2,485
Authorized Changes ²	-\$185	-\$28	\$0	N/A	-\$213
Total Remaining Capacity	\$914	\$780	N/A	\$1,923	\$3,616

¹Proposition 1B bond capacity included in total: \$86 million (SHOPP); \$1.0 billion (STIP).

²Authorized changes include project increases and decreases pursuant to the Commission's G-12 process, and project rescissions.

Cash balances for the Traffic Congestion Relief Fund (TCRF), Transportation Investment Fund (TIF), and Transportation Deferred Investment Fund (TDIF) were within acceptable ranges to the forecast (see Appendix B). Both the State Highway Account (SHA) and the Public Transportation Account (PTA) were each more than \$100 million below their forecast. For the SHA, the difference is due to higher state operations and capital outlay expenditures. The PTA difference is due to lower revenues and higher than forecast capital outlay expenditures.

The current allocation capacity is still \$5.9 billion, however, the Department is closely monitoring the current fiscal crisis to determine whether current year allocation capacity will have to be adjusted. Currently, the bond funded project allocations are deferred due to the actions of the Pooled Money Investment Board (PMIB) freezing bond funding. Of the total current year capacity, bond funding represents 70 percent of the total capacity. Also, as a result of the unresolved fiscal crisis, the Commission is currently allocating only safety and emergency projects as of the January 2009 Commission meeting.

Capital Allocations vs. Capacity

Second Quarter Summary

Through December 31, 2008, the Commission allocated \$2.5 billion toward 322 projects, representing 42 percent of the 2008-09 allocation capacity. Total adjustments were \$213 million, leaving approximately \$3.6 billion remaining capacity for fiscal year 2008-09.

State Highway Operation Protection Program (SHOPP). To date, 2008-09 SHOPP allocations, including SHOPP bond projects, total \$671 million. Adjustments for award savings totaled \$185 million. Total SHOPP allocations represent 48 percent of the \$1.4 billion capacity. The total number of SHOPP projects allocated through the second quarter is 144, including four SHOPP bond projects, and one Grant Anticipation Revenue Vehicle (GARVEE) project. Remaining allocation capacity totals \$914 million, of which \$111 million is bond funded capacity.

State Highway Operation and Protection Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	\$1,200	\$539	-\$142	\$397	\$803
Bond	86	18	-43	-25	\$111
GARVEE	114	114	N/A	N/A	N/A
Total	\$1,400	\$671	-\$185	\$372	\$914

State Transportation Improvement Program (STIP). Of \$1.4 billion in STIP capacity, \$606 million was allocated through December 31, 2008, representing 45 percent of total capacity, including STIP bond projects. Adjustments for award savings totaled \$28 million. The total number of projects allocated to date was 119, including ten STIP bond projects. Although remaining capacity totals \$780 million, remaining bond funded capacity is \$826 million due to the current SHA and TIF over-allocations (see note below).

State Transportation Improvement Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	\$65	\$100	\$1	\$101	-\$36
PTA	50	50	0	50	\$0
TIF	225	250	-7	243	-\$18
TDIF	10	0	2	2	\$8
Bond	1,008	206	-24	182	\$826
Total	\$1,358	\$606	-\$28	\$578	\$780

Note: The SHA is over-allocated due to ongoing Right-of-Way expenditures for projects previously approved. The STIP SHA was intended to cover Transportation Enhancement projects only, however, previously approved federal funding for Right-of-Way projects continues to expend from the SHA, although it is projected to taper off in the coming years.

Until the deferment of bond project allocations is lifted, the TIF will remain over-allocated. Three Transportation Facilities Account (TFA) eligible projects, totaling \$20 million, were originally funded out of TIF. The Department plans a technical change to move the funding to TFA, however, this cannot occur while bond projects are on hold. If the Department is unable to make this technical correction, the TIF capacity for next fiscal year may be impacted.

Traffic Congestion Relief Program (TCRP). TCRP allocations to date totaled \$111 million. The total number of TCRP projects allocated to date is 14. There is no capacity remaining.

Traffic Congestion Relief Program					
(\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
TCRF	\$110	\$111	\$0	\$111	N/A
Total	\$110	\$111	\$0	\$111	N/A

Other Bonds. Other bond allocations to date totaled \$1.1 billion, or 37 percent of the \$3.0 billion capacity. The total number of these bond projects allocated to date is 45.

Other Bonds					
(\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
Other Bonds	\$3,020	\$1,097	N/A	\$1,097	\$1,923
Total	\$3,020	\$1,097	\$0	\$1,097	\$1,923

The December 2008 actions of the PMIB to freeze disbursements from the Pooled Money Investment Account (PMIA) had an immediate impact on 196 bond funded transportation projects. PMIA funds are the primary funding mechanism for bond financing.

Although the PMIB released \$650 million in bond funding in January 2009, not all bond funded projects are moving forward at this time.

- 98 awarded projects are moving forward. The total award amount is \$1.8 billion, of which \$1.6 billion is bond funded. An exemption was approved by the Department of Finance (DOF) for these projects to continue to spend against the \$650 million through February 2009.
- 57 projects, totaling \$1.5 billion, of which \$1.3 billion is bond funded, have been allocated but not awarded.
- An additional 41 projects will be ready for an allocation with the ability to award by June 2009. The total for these projects is \$500 million, of which \$450 million is bond funded.

Outlook for Funding & Allocations

Through the end of the second quarter, cash balances for the TCRF, TIF and TDIF were within acceptable ranges to the forecasts (see Appendix B). However, the SHA and PTA were each more than \$100 million below forecast. For the SHA, the majority of the difference is due to higher than forecast expenditures. The PTA difference is due to lower revenues and higher than forecast expenditures.

December 2008				
Actuals vs. Forecast by Fund				
(\$ in millions)				
Fund	Forecast	Actuals	Difference	
SHA	\$530	\$401	-\$131	-25%
PTA	\$230	\$108	-\$122	-53%
TCRF	\$450	\$481	\$30	7%
TIF	\$240	\$268	\$26	11%
TDIF	\$240	\$241	-\$4	-2%

The recommended allocation capacity remains at \$5.9 billion, however, the Department is closely monitoring the current fiscal crisis to determine whether current year allocation capacity will have to be adjusted. As of the January 2009 Commission meeting, all SHOPP and STIP allocations, with the exception of safety and emergency, have been postponed due to the uncertainty and risks associated with the current budget crisis. Bond project allocations are being brought forward, but the Department is recommending those project allocations be deferred as a result of the PMIB action to freeze bond funding. Allocations may resume when these issues are resolved and the impact to transportation funding can be assessed.

As allocations are delayed, the amount of projects to be allocated continues to increase. If a large amount of projects are allocated towards the end of the year, a backlog in the award process may occur.

2009-10 Governor's Budget. The Governor's Budget proposes fully funding the Proposition 42 transfer of \$1.7 billion in 2009-10, reflecting a proposed temporary sales tax increase of 1.5 percent. However, the Governor's Budget also includes several proposals by the Administration to reduce the budget deficit, which would impact transportation.

Proposals for the current fiscal year include advancement of \$1.2 billion in transportation projects and retaining Tribal Gaming compact revenues in the General Fund, both possibly impacting SHOPP capacity. PTA proposals include reducing the State Transit Assistance (STA) transfer by \$153 million to offset Home-to-School expenditures. As of the time of this report, the Legislature has yet to take action on the current year proposals.

For 2009-10, the Governor's Budget proposes to retain Tribal Gaming compact revenue in the General Fund, impacting the SHOPP and TCRP. The STIP would be impacted by the proposed diversion of all spillover revenue to the Mass Transportation Fund. The Governor's Budget does not include any federal stimulus proposals.

Pooled Money Investment Board. The PMIB took action on December 17, 2008 to freeze disbursements of all PMIA loan funds, the primary funding mechanism for bond financing. This action had an immediate impact to bond projects in the current year and could potentially impact other ongoing projects if not resolved soon. Payments on bond projects continue to be paid out of the Transportation Revolving Account (TRA). The TRA also holds balances for other transportation funds in advance of their respective disbursements. Consequently, bond expenditures have drawn down the TRA resources attributed to these other funds, including the SHA, PTA, TCRF, TIF and TDIF.

In January 2009, the PMIB approved the release of \$650 million at the discretion of the DOF. The estimated total of invoices paid out of the TRA on behalf of bond projects, as of January 2009, is \$102.9 million. The Department has submitted a request for the bond funds to reimburse the TRA for this amount which is expected to occur in February 2009. If the TRA is not reimbursed, low cash balances may put the Department at risk of not being able to pay contractor and payroll expenditures, and leveraging federal funding.

Proposed Federal Stimulus Package. On January 6, 2009, the United States House of Representatives introduced the American Recovery Reinvestment Act of 2009. The total amount of federal transportation funding available for all states is approximately \$30 billion. Until the bill is finalized, California's actual portion of federal stimulus funding will not be known.

SHOPP

Through the second quarter, SHOPP projects were allocated as recommended in the 2008-09 allocation capacity. However, as a result of the continued economic uncertainty, PMIB actions, the 2009-10 Governor's Budget proposals, and the federal stimulus proposal, the Commission is allocating only safety and emergency projects, postponing SHOPP projects and deferring SHOPP bond projects until the fiscal crisis is resolved.

Fuel consumption continues to come in below forecast, which is consistent with the Governor's Budget estimates. Year-to-date revenues were \$988 million, \$40 million (4 percent) below forecast. Persistently low excise tax revenues will not necessarily impact 2008-09 capacity, but will reduce future SHOPP allocation capacity. The Governor's Budget also proposed diverting Tribal Gaming compact revenues to the General Fund in the current year, totaling \$100 million. If this proposal passes, the current year allocation capacity will be impacted.

The Department continues receiving federal funds based on the continuing resolution extension passed by the Federal Highway Administration, effective through March 6, 2009. This process may cause fluctuations in receipt timing. The proposed federal stimulus package would give California additional federal funding. However, low revenues and current commitments are straining the SHA cash balance, which will also need to cover contingency payments to the Toll Bridge Seismic Retrofit Program beginning in 2009-10. The SHA may need additional cash to utilize the federal stimulus proposal, depending on reimbursement timelines and the final form of the stimulus package.

STIP

Public Transportation Account (PTA). Overall PTA revenues were lower and expenditures higher than forecast. The forecast utilized the 2008-09 Budget Act revenue estimates. Since the Budget Act passed, fuel prices and associated sales taxes have plummeted quickly and the estimated spillover and diesel revenue has not materialized. The 2008-09 allocation capacity is \$50 million, which represents AB 3090 expenditures only, of which the expenditures associated with those allocations occurred in the second quarter. The current allocation capacity will remain unchanged. The 2009-10 Governor's Budget will impact STIP allocation capacity in 2009-10.

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.

Transportation Facilities Account (TFA). The TFA was established by voter approval of Proposition 1B in 2006, to provide a \$2.0 billion augmentation to STIP funding. However, these bonds are only a one-time infusion of funds. The 2008-09 allocation capacity planned for the funds to be fully allocated by the end of this year. The PMIB's action to freeze bond funds has delayed the full allocation of TFA funding and renders the TFA unable to pay for current bond funded projects.

Once these TFA resources are fully allocated, STIP funding will not only decrease in the outyears, but the volatility and unreliability of underlying STIP resources will 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 E). The 2009-10 Governor's Budget proposes diverting the Tribal Gaming compact revenues of \$68 million from the TCRF to the General Fund. If approved, the diversion will further delay completion of the TCRP.

OTHER BONDS

Other bond funds, excluding the SHOPP and STIP bond programs, have an allocation capacity of \$3.0 billion for 2008-09. Full funding of other bond programs has been delayed due to the PMIB bond funding freeze.

Recommendations

The current allocation capacity remains at \$5.9 billion, however, the outcome of current proposals to resolve the fiscal crisis may require the allocation capacity to be adjusted. Adjustments to the allocation capacity will depend on three main factors.

First, the future actions of the PMIB will impact funding for bond projects. If the PMIB continues to freeze bond project funding, those projects cannot be allocated. Existing bond funded projects will continue to be paid out of existing resources, drawing down the balances of other project funding sources.

Second, the proposed Governor's Budget and legislative activities may impact the current year allocation capacity if Tribal Gaming compact revenue is diverted from the SHA to the General Fund.

Third, the proposed federal stimulus plan is also being monitored. The amount available to California is still undetermined. The SHA would likely need additional cash to utilize federal funds from the stimulus plan.

The Department is monitoring the proposals and will assess the final resolutions and their impact to transportation funding.

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 \$5.888 billion, including Proposition 1B bond capacity.

2008-09 Allocation Capacity By Fund and Program (\$ in 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
TDIF	0	10	0	0	\$10
Bonds	86	1,008	0	3,020	\$4,114
GARVEE Allocations	114	0	0	0	\$114
Total Capacity	\$1,400	\$1,358	\$110	\$3,020	\$5,888

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 Government Code 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 allocation capacity and specific project funding was a collaboration between the Commission, Department and Local Agencies.
- 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 authority for those funds.

Appendix B – Forecast Methodology

Methodology and Assumptions

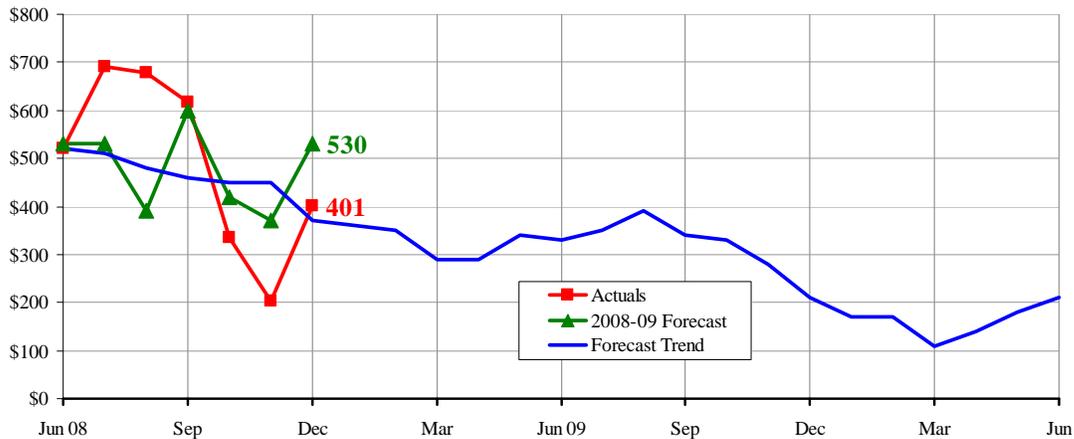
The cash forecasts for the SHA, PTA, TCRF, TIF and TDIF are used by the Department to estimate and monitor the cash balance of transportation funds to determine the level of allocations that can be supported, and to prepare for low or high cash periods. Variances are identified and reported to management 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 historical 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 forecast at \$100 million per year pursuant to Government Code Section 63048.65(e).
- Capital outlay support (COS) expenditures are based on the 2008-09 Budget Act.
- Monthly adjustments not forecast include short-term loans made to the General Fund, short-term loan repayments, Plans of Financial Adjustments, funds transferred in and out, and reimbursements. Adjustments are timing differences of posting activity between the Department's TRAMS accounting system and the State Controller's Office (SCO). TRA transactions are forecast.
- PTA sales tax revenues are forecast 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 was made in November 2008 and 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 occurred in November 2008 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 \$3.0 billion are based on 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 second quarter of fiscal year 2008-09 at \$401 million, \$130 million (25 percent) below forecast. SHA revenues and transfers were relatively on target with the forecast. Expenditures through the quarter totaled \$3.3 billion, \$250 million (8 percent) above forecast.

State operations expenditures totaled \$1.6 billion, \$167 million (12 percent) above forecast. A portion of the difference, \$60 million, is due the SHA's continued payment of TIF COS expenditures caused by the budget passage delay. It is expected that the SHA will be reimbursed by the TIF for these expenditures by March 2009. Future TIF COS expenditures will be charged directly to the TIF. Overall, state operations expenditures have been higher than forecast for the year. Capital outlay expenditures were \$1.0 billion, \$95 million, (10 percent) higher than forecast. Net adjustments were a positive \$30 million, \$130 million higher than forecast.

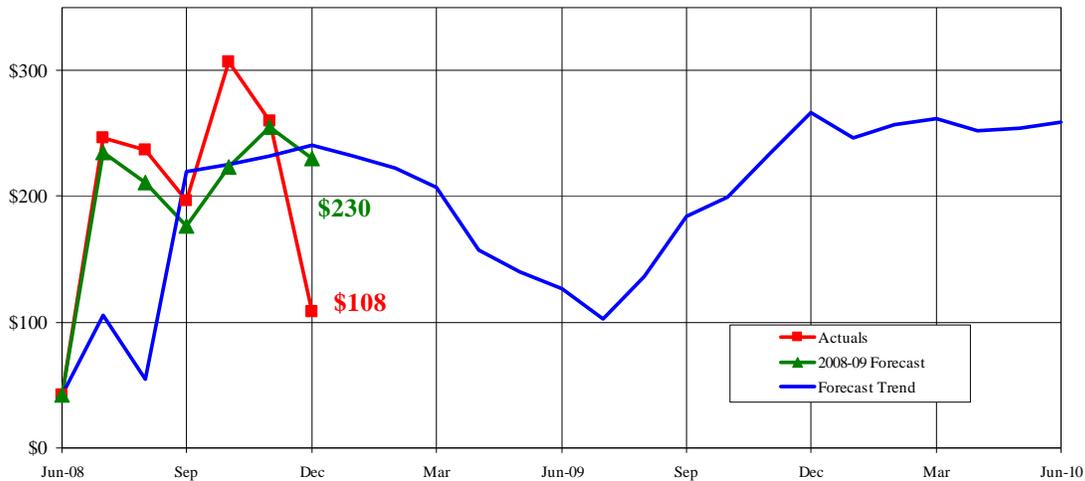
Reconciliation

	(\$ in millions)			
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$521	\$521	\$0	0.0%
Revenues	3,185	3,173	-\$12	-0.4%
Transfers	2	4	\$2	100.0%
Expenditures	-3,076	-3,327	-\$251	8.2%
Adjustments	-100	30	\$130	-130.0%
Ending Cash Balance	\$530	\$401	-\$131	-24.7%

Note: Ending cash balance may differ due to rounding.

Appendix B – Public Transportation Account

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



Year-to-Date PTA Summary

The PTA cash balance through the second quarter, ending December 31, 2008, was \$108 million, \$122 million (53 percent) lower than forecast. The difference is largely due to lower than forecast revenues for spillover and diesel sales tax. The revenue estimates presented in the forecast were part of the 2008-09 Budget Act. Since the Budget Act has passed, fuel prices have dropped dramatically and sales tax expected from that source has not materialized. The PTA has received \$48 million (30 percent) of the \$159 million of spillover revenue forecast year-to-date. Diesel receipts totaled \$200 million, \$30 million (13 percent) below forecast.

Expenditures were \$453 million, \$69 million (13 percent) below forecast. To date, forecast transfers to the Home-to-School program have not occurred. The DOF has indicated that the transfer will occur once mid-year budget issues are resolved or through an Executive Order toward the end of the fiscal year. Also, local assistance expenditures related to the Los Angeles Metropolitan Transportation Authority Mid-City/Exposition Light Rail Transit project are \$38 million higher than forecast year-to-date. It is expected that PTA local assistance expenditures will continue to be higher than forecast for the remainder of the year. Adjustments were a negative \$36 million.

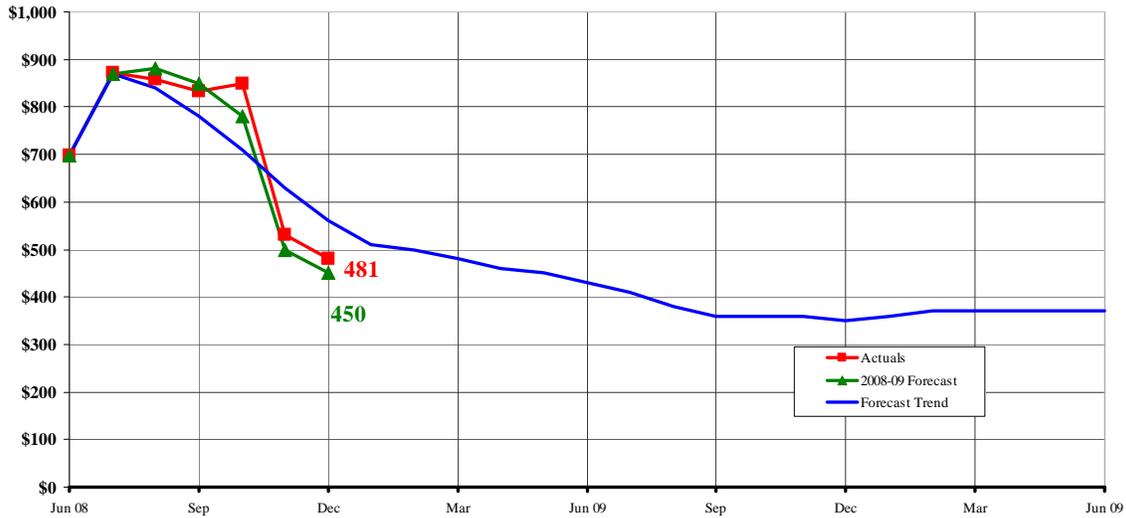
Reconciliation

	(\$ in millions)			
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$42	\$42	\$0	0.0%
Revenues	423	283	-\$140	-33.1%
Transfers	262	272	\$10	3.8%
Expenditures	-522	-453	\$69	-13.2%
Adjustments	25	-36	-\$61	-244.0%
Ending Cash Balance	\$230	\$108	-\$122	-53.0%

Note: Ending cash balance may differ due to rounding.

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 second quarter was \$481 million, \$31 million (7 percent) above forecast. Transfers include the delayed fourth quarter Proposition 42 transfer for 2007-08 (\$93 million), a \$60 million loan to the PTA, and a \$200 million loan to the SHA, both per the 2008-09 Budget Act. Expenditures were \$153 million, \$16 million (10 percent) below forecast. Adjustments (TRA) totaled a positive \$101 million, \$14 million (16 percent) above forecast.

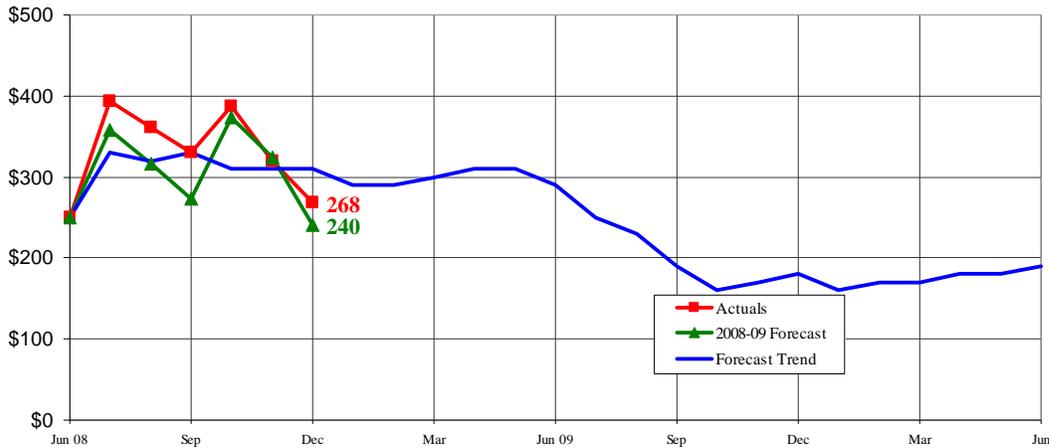
Reconciliation

(\$ in millions)				
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$699	\$699	\$0	0.0%
Revenues	0	0	\$0	
Transfers	-167	-167	\$0	0.0%
Expenditures	-169	-153	\$16	-9.5%
Adjustments	87	101	\$14	16.1%
Ending Cash Balance	\$450	\$481	\$30	6.7%

Note: Ending cash balance may differ due to rounding.

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 second quarter was \$268 million, \$26 million (11 percent) above forecast. The difference is due to a delay in posting COS expenditures. Beginning in 2008-09, a portion of the Department's COS expenditures were to be charged to the TIF. The delayed budget passage required these expenditures to be charged to the SHA. It is expected that the charges will be corrected in February 2009 and future expenditures will be directly charged to TIF.

Year-to-date revenues totaled \$688 million, \$36 million (5 percent) lower than forecast. Expenditures totaled \$236 million, \$67 million (22 percent) below forecast. The difference is due to approximately \$60 million in outstanding COS expenditures that will be charged to TIF in February 2009. Adjustments, including TRA and short-term loans to the General Fund, were a positive \$58 million, \$2 million (3 percent) lower than forecast.

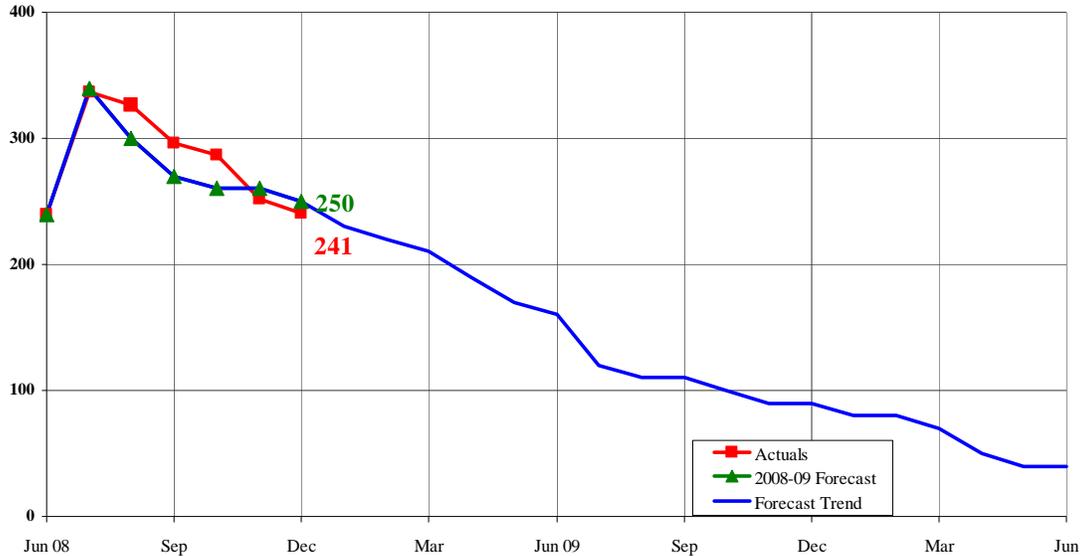
Reconciliation

	(\$ in millions)			
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$124	\$124	\$0	0.0%
Revenues	724	688	-\$36	-5.0%
Transfers	-363	-366	-\$3	0.8%
Expenditures	-303	-236	\$67	-22.1%
Adjustments	60	58	-\$2	-3.3%
Ending Cash Balance	\$240	\$268	\$26	10.8%

Note: Ending cash balance may differ due to rounding.

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 December was \$241 million, \$4 million (2 percent) below forecast. Year-to-date expenditures were \$123 million, \$31 million (34 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.

Reconciliation

(\$ in millions)				
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$337	\$337	\$0	0.0%
Revenues	0	0	\$0	
Transfers	0	0	\$0	
Expenditures	-92	-123	-\$31	33.7%
Adjustments	0	27	\$27	
Ending Cash Balance	\$250	\$241	-\$4	-1.6%

Note: Ending cash balance may differ due to rounding.

Appendix C – Federal Emergency Projects

For the quarter ending December 31, 2008, the Federal Highway Administration has added the California wild fires that began on or about November 13, 2008 as a new disaster declaration to the current disaster declaration list. The Department received an Emergency Relief allocation of approximately \$119 million in October 2008. There is approximately \$146 million of total remaining need outstanding for California disasters that the Department has not received. The chart below represents disasters that have not been completely funded by FHWA.

Disaster Repair Costs			
Approved Federal Funding and State/Local Impact			
(\$ in millions)			
Disaster	Identified Cost of Disaster Repair		
	State	Local	Total
Dec. 2004 Storm CA05-1	256	144	400
Dec. 2005 Storm CA06-1	356	61	417
So. California Wildfires CA08-3	28	17	45
California Wildfires CA08-6	8	0	8
So. California Wildfires CA09-1	7	0	7
Total Damage Estimate	\$655	\$222	\$877
Amount Obligated To Date			\$553
Allocation Available for Future Project Costs			\$178
Remaining Need			\$146

Future federal emergency relief of this type can only be used to fund emergency projects and does 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 (\$ in millions)			
Fund	Allocation Capacity	Allocations to Date	Remaining Capacity
CMIA	\$1,587	\$886	\$701
TCIF	413	90	\$323
Intercity Rail	202	40	\$162
State-Local Partnership	200	0	\$200
Local Bridge Seismic	21	21	\$0
Grade Separations	247	6	\$241
Traffic Light Synch.	245	47	\$198
Route 99	105	7	\$98
Total	\$3,020	\$1,097	\$1,923

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

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, as of December 31, 2008 (\$ in millions)			
FUND	Original Loan Plus Interest	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
General Fund Loan:			
State Highway Account (SHA) ⁵	\$200	\$0	\$200
Subtotal General Fund Loan:	\$200	\$0	\$200
Totals:	\$3,590	\$1,850	\$1,740

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.

⁵The SHA repayment is expected in 2010-11.

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.

The 2009-10 Governor's Budget proposes to divert Tribal Gaming compact revenues to the General Fund in current year and budget year. If approved, this diversion will impact the current and budget year allocation capacities.

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.

General Fund Loan

The Budget Act of 2008 authorizes a \$200 million loan to the General Fund, which occurred November 14, 2008. The loan to the General Fund shall be repaid by June 30, 2011. The repayment shall be made as to ensure that the programs supported by the SHA are not adversely affected by the loan. This loan shall be repaid with interest calculated at the rate earned by the PMIA at the time of the transfer.