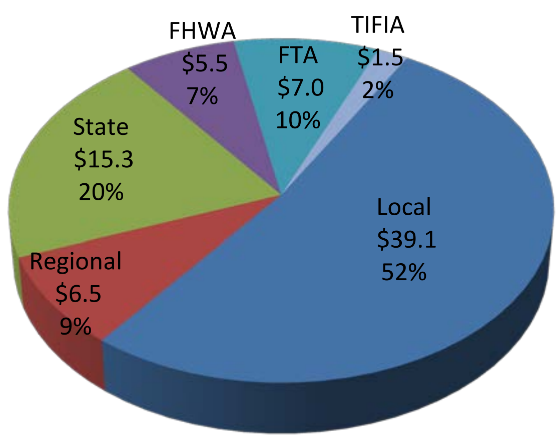
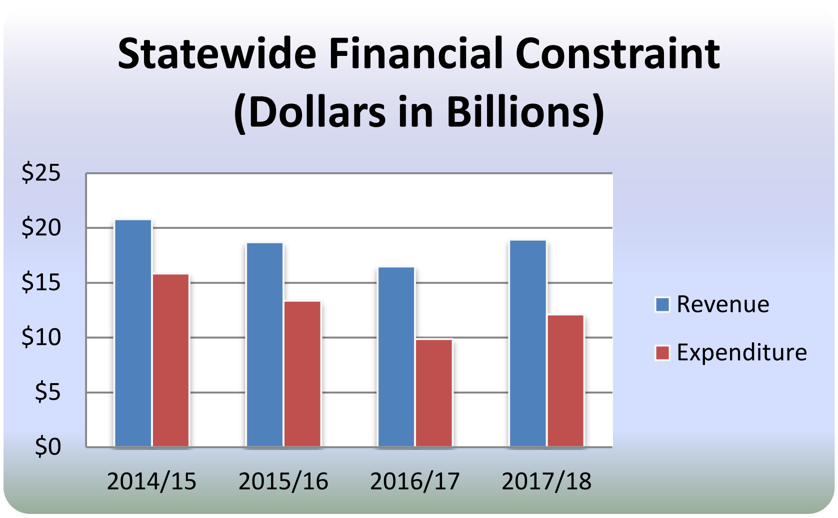
Section 3 – FSTIP Financial Plan

Federal law requires the FTIPs and FSTIP to be financially and fiscally constrained by each program year. The statewide financial plan summary (See Exhibit II) compiles the financial information of the eighteen MPOs and the Rural non-MPO areas over the four year FSTIP period. The financial plan demonstrates the consistency between the total revenue from all funding sources and the costs of implementing the proposed transportation improvements while the existing transportation systems are adequately operated and maintained.

The 2015 FSTIP includes a total revenue estimate of $75 billion that comes from federal, state, local, regional and other sources to fund various transportation programs shown on the chart below:



Caltrans demonstrates fiscal constraint of the 2015 FSTIP by comparing by program year the total available revenue against programmed expenditures as shown on the chart below:



Revenue Sources

1. Federal funds received by Caltrans come from federal fuel excise taxes. These taxes are apportioned and allocated back to the state through the Federal Transportation Act and the federal budget. The federal act distributes the apportionment amount to each state among programs such as:

   Federal-aid Highway Program
   - *National Highway Performance Program (NHPP)*
   - *Surface Transportation Program(STP)*
   - *Highway Safety Improvement Program (HSIP)*
   - *Railway Highway Crossings Program*
   - *Congestion Mitigation and Air Quality Improvement Program(CMAQ)*
   - *Metropolitan Transportation Planning*

   Federal Transit Program
   - *Section 5303, 5304 Metropolitan and Statewide and non-Metropolitan Transportation Planning Program*
   - *Section 5307 Urbanized Area Formula Program*
   - *Section 5309 Fixed Guideway Capital Investment (New Starts)*
   - *Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities*
   - *Section 5311 Non-urbanized Area Formula Program*
   - *Section 5337 State of Good Repair*
   - *Section 5339 Bus and Bus Facilities Program*

2. State revenues for transportation are generated primarily from state fuel excise tax, state sales tax, truck weight fees and bonds. Revenues collected are deposited in separate accounts to fund specific transportation programs.

3. Local and other funds are the largest single source of transportation in California. Local sales tax measures, the Transportation Development Act (TDA), transit fares, and other funding sources provide additional funding for various transportation purposes. Nineteen counties have approved local sales tax measures for transportation that generally last between 20-30 years. Four Transit Authorities have approved permanent local tax measures. TDA and transit fares provide funding for local transit systems. Other local funds include property taxes, developer fees, street assessments, bonds fines, and forfeitures.

4. Additional sources of revenue include private investments for public private partnership projects.

Revenue Assumptions

Funding assumptions are generally based upon the authorized or appropriated levels of federal and state funding from current legislation. Caltrans develops the FSTIP based on the biennial Fund Estimate (FE). The FE provides an estimate of all federal and state resources reasonably expected to be available for programming over the subsequent five-year period, and establishes the program funding levels for the STIP and SHOPP. Caltrans also provides regional agencies with revenue estimates and targets for specific federal-aid highway program such as CMAQ and Regional STP. Local and regional revenue estimates are based on assumptions submitted by the MPOs and local/regional agencies.

Programmed Expenditures

The programmed expenditures represent all the projects included in the eighteen MPO's FTIPs and Rural non-MPO areas that are prioritized by fiscal year. State funds programmed in the STIP and SHOPP are managed at the statewide level and constrained to revenues available each year as shown in the 2014 FE. Federal funds that are apportioned to California regions are programmed by the MPOs and Caltrans for the rural non-MPO areas. Regional and local transit operators primarily program federal transit funds.

Innovative Financing Techniques

Advance Construction

Advance Construction (AC) is not a fund source but is a financial management tool that allows Caltrans and local transportation agencies to deliver transportation projects using non-federal funds for expenditures while maintaining the eligibility of obtaining reimbursement for these costs when federal funds become available. AC has been used extensively in California to finance federally eligible transportation projects. This mechanism allows states to advance projects when sufficient Federal Aid Highway Program apportionments and/or Obligation Authority (OA) are not available. When sufficient apportionment and OA become available, by law, the federal reimbursement can be obtained by partial or full conversion of the AC project to normal federal funding.

For the purposes of available revenue estimates, the FE assumes that most of Caltrans programmed projects on the State Highway System are initially authorized using the AC process and funded with State Highway Account (SHA) funds. The SHA is replenished when the project is converted from AC to a federal aid project and reimbursement is received from the FHWA. By programming to the FE available capacity, Caltrans ensures that programming of State Highway System projects are fiscally constrained. In addition, Caltrans assures that the AC balance does not exceed the federal limitation on AC. Included in this document (Exhibit IV) is the list of projects that are currently authorized as AC and may be converted to federal funding during the 2015 FSTIP period.

Use of Toll Credits

Federal-aid highway and transit projects typically require the project sponsors to provide certain amount of non-federal funds as match to the federal funds. For example, Surface Transportation Program (STP) funded projects require a minimum of 11.47% of non-federal match. Through the use of toll credits, the non-federal share match requirement can be met by applying an equal amount of toll credit, and therefore allow a project to be funded at 100% federal for the federally participating costs. Toll credits simply waive the requirement for non-federal matching funds on all federal-aid highway funding programs except for projects funded with FHWA Emergency Relief funds.

Use of toll credits does not generate additional federal funding and is limited to the non-federal match required for Apportionments and Obligation Authority (OA) available in any given year. The amount of credit a state can earn is determined by the amount of toll revenue used for capital expenditures to build or improve public highway facilities. Once a credit amount is appropriately established, this credit will remain available until used by the state. The state is required to track the use of toll credit on a project-by-project basis and report such use to FHWA on a regular basis. Caltrans recently received approval from FHWA for $4.2 billion of toll credits.

Transportation Infrastructure Finance and Innovation Act (TIFIA)

The TIFIA Program provides federal credit assistance in the form of direct loan, loan guarantees, and standby lines of credit to finance eligible surface transportation projects of national or regional significance. TIFIA credit assistance provides improved access to capital markets, flexible repayment terms, and potentially more favorable interest rates than can be found in private capital markets for similar instruments. TIFIA can help advance qualified, large-scale projects that otherwise might be delayed or deferred because of size, complexity, or uncertainty over the timing of revenues. Many surface transportation projects - highway, transit, railroad, intermodal freight, and port access - are eligible for assistance. The amount of federal credit assistance may not exceed 33 percent of total project costs.