2020 STIP Fund Estimate
Final Assumptions

Presented to the
California Transportation Commission

Division of
Budgets

May 15, 2019
2020 Fund Estimate Assumptions

- Approval Needed for FE Assumptions
  - Government Code, Section 14524 (d) & 14524 (c)

- Direct Impact on STIP/SHOPP Program Capacity

- Potential Impact of May Revision & Final Budget Act

- Federal Transportation Act Status
Prior Fund Estimate Accuracy

- Fund Estimate accuracy has consistently been impacted by changes to law or policy.

- Examples:
  - 2012 FE – Assembly Bill (AB) 115 characterized loans from the State Highway Account (SHA) to the General Fund as repayment for debt service and deferred repayment until 06/30/2021
    - A loss of approximately $1.5 billion
  - 2014 FE – SB 85 required continuation of annual transfers from the SHA to Transportation Debt Service Fund
    - A loss of approximately $66 million annually
  - 2016 FE – The incremental excise tax rate adopted by the Board of Equalization was lower than planned
    - A decrease of about $801 million in STIP capacity over a five-year period

- Benefit of adopting the Fund Estimate every two years
Section One: Options

- Economy’s Impact on Revenues (Fuel Consumption Projections)
  - No change from draft
  - Department recommends Alternative C (Department of Finance projections):
    - DOF has a track record for accuracy – within approximately 1% of actual
    - Consumption forecasts are more specific to California
    - Analyzes fuel types individually
    - DOF offers an updated look at consumption around May revise
  - Alternative C represents a moderate and reliable approach to consumption over the FE period
Graphic of STIP Resources

STIP Resources ($ in millions)

- Exxon - Alt A
- EIA - Alt B
- DOF - Alt C
- ARB - Alt D
Section One: Options

- Federal Revenues
  - No change from draft
  - Department recommends Alternative B (Revenue escalation rate of 2.3 percent):
    - Continuation of current FAST Act escalation
    - The escalation rate of 2.3% is based on FHWA estimates
    - Approach is consistent with federal policy
    - Offers a moderate approach
Section One: Options

- **Capital Project Cost Escalation**
  
  - No change from draft
  
  - Department recommends Alternative B (Capital cost escalation of 3.2 percent):
    - Does not directly impact the FE calculations
    - Does not influence number of supplemental votes – project budgets are updated as the project phases are allocated
    - Only used for long-term estimation of project costs
    - Recommended rate maximizes the use of accumulated resources
    - Recommended rate allows planning and development of a desirable volume of projects
Capital Project Cost Escalation Impact

Annual Projects Programmable at Given Rates
Difference of 431 projects over 10 years

2020-21: Project Count at Escalation Rate of 5.3%
2021-22: Project Count at Escalation Rate of 3.2%
2022-23: Project Count at Escalation Rate of 5.3%
2023-24: Project Count at Escalation Rate of 3.2%
2024-25: Project Count at Escalation Rate of 5.3%
2025-26: Project Count at Escalation Rate of 3.2%
2026-27: Project Count at Escalation Rate of 5.3%
2027-28: Project Count at Escalation Rate of 3.2%
2028-29: Project Count at Escalation Rate of 5.3%
SHOPP Minor Program Background

- Created to address small-scale needs of the SHOPP
  - Beyond scope of Maintenance Program
  - Less extensive project development than complex SHOPP projects
  - Project amounts below $1.25 million
  - Projects must start construction within one year

- Commission adapts SHOPP Minor Program annually
  - Project specific list is adopted
  - Commission approves revisions to program
  - Project allocations are reported at each CTC meeting

- Non capacity increasing – same as the SHOPP
Section One: Options

● Minor Reservation

■ No change from draft

■ Department recommends Alternative B (Increase Minor Reservation to $250 million):
  ➢ Encourages small business participation
    ❑ Growing the contractor community
  ➢ Increases partnering opportunities with local agencies
  ➢ Allows for the completion of time sensitive projects
    ❑ Prevents additional deterioration
  ➢ Comprised of fast turn around projects
    ❑ Low/no environmental or right of way
    ❑ One year deliver
  ➢ Consistent with Asset Management Plan
Minor Program Value Added Projects

Examples:

- Installing tidal gates to prevent flooding
- Replacing sand houses for snow control
- Rehabilitating pavement
- Mitigating bridge scour
- Providing rockfall protection
- Repairing components of a roadside resting areas
- Improving safety and removing accessibility barriers
Next Steps

- **Draft Fund Estimate presented to Commission in June 2019**
  - Any updates to assumptions will be discussed.

- **Final Fund Estimate scheduled for August 2019 meeting**
  - Adoption may be delayed up to 90 days by the Commission.