

## MEMORANDUM

To: CHAIR AND COMMISSIONERS  
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: October 9, 2019

From: STEVEN KECK, Chief Financial Officer

Reference Number: 3.5, Information Item

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Division of Budgets

Subject: FISCAL YEAR 2018-19 – FOURTH QUARTER FINANCE REPORT

### **SUMMARY:**

The California Department of Transportation (Department) will present the Division of Budgets Fiscal Year 2018-19 Finance Report, for the fourth quarter, to the California Transportation Commission (Commission) at its October 9, 2019 meeting, as an informational item.

### **BACKGROUND:**

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

Attachment



# Department of Transportation Quarterly Finance Report

## Fourth Quarter 2018-19

Department of Transportation  
Division of Budgets

The purpose of the Quarterly Finance Report is to provide the California Transportation Commission (Commission) with the status of capital allocations versus capacity and to report any trends or issues that may require action by the California 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. Below is the schedule of dates for the development of the fiscal year 2017-18 and 2018-19 Quarterly Finance Reports.

<b>California Department of Transportation</b>			
<b>Quarterly Finance Report</b>			
<b>Schedule of Reports</b>			
<b>Fiscal Year</b>	<b>Quarterly Report</b>	<b>Activity</b>	<b>Date</b>
<b>2018-19</b>	<b>2017-18 Q4</b>	<b>Close of Quarter</b>	<b>6/30/18</b>
		<b>Quarterly Report to Commission Staff</b>	<b>8/30/18</b>
		<b>Presented to Commission</b>	<b>10/17/18</b>
	<b>2018-19 Q1</b>	<b>Close of Quarter</b>	<b>9/30/18</b>
		<b>Quarterly Report to Commission Staff</b>	<b>11/15/18</b>
		<b>Presented to Commission</b>	<b>12/5/18</b>
	<b>2018-19 Q2</b>	<b>Close of Quarter</b>	<b>12/31/18</b>
		<b>Quarterly Report to Commission Staff</b>	<b>2/15/19</b>
		<b>Presented to Commission</b>	<b>3/13/19</b>
	<b>2018-19 Q3</b>	<b>Close of Quarter</b>	<b>3/31/19</b>
		<b>Quarterly Report to Commission Staff</b>	<b>5/15/19</b>
		<b>Presented to Commission</b>	<b>6/26/19</b>
<b>2019-20</b>	<b>2018-19 Q4</b>	<b>Close of Quarter</b>	<b>6/30/19</b>
		<b>Quarterly Report to Commission Staff</b>	<b>8/30/19</b>
		<b>Presented to Commission</b>	<b>10/9/19</b>

# Department of Transportation Quarterly Finance Report

Fourth Quarter 2018-19

## EXECUTIVE SUMMARY

2018-19 Capital Allocations vs. Capacity Summary through June 30, 2019 (\$ in millions)										
	SHOPP <sup>1</sup>	STIP <sup>1</sup>	AERO	LPP	SCCP	TCEP	ATP	TIRCP	BONDS	TOTAL
Allocation Capacity	\$3,149	\$520	\$3	\$355	\$486	\$729	\$316	\$1,160	\$216	\$6,933
Total Votes	3,158	725	1	224	401	396	165	448	69	5,588
Authorized Changes <sup>2</sup>	-131	5	0	0	0	0	0	0	0	-126
<b>Remaining Capacity</b>	<b>\$122</b>	<b>-\$211</b>	<b>\$1</b>	<b>\$131</b>	<b>\$85</b>	<b>\$333</b>	<b>\$152</b>	<b>\$712</b>	<b>\$146</b>	<b>\$1,471</b>

Note: Amounts may not sum to totals due to independent rounding.

<sup>1</sup>Proposition 1B Bonds included in totals for 2018-19.

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

Through the fourth quarter of fiscal year 2018-19, the California Transportation Commission (Commission) has allocated approximately \$5.6 billion toward 986 projects. Adjustments totaled negative \$126 million, leaving approximately \$1.5 billion (21 percent) in remaining allocation capacity.

The California Department of Transportation's (Department) main accounts referenced in Appendix C ended the fourth quarter with a higher than projected cash balance. The variances are primarily due to expenditures that were lower than projected and transfers that did not occur as anticipated.

During the fourth quarter, the Department received no upfront proceeds from either the sale of General Obligation (GO) bonds nor the issuance of Commercial Paper (CP) for use on Proposition 1B projects. To date, the Department has been issued approximately \$2.2 billion in CP for Proposition 1B and Proposition 1A projects, of which all but \$10 million has been refunded with GO bond proceeds.

In February 2019, the President signed into law the federal budget covering the remaining seven months of the federal fiscal year. After the end of this reporting period, the President agreed to a two-year federal budget, while follow-up legislation will detail agency budgets in September.

## STATE BUDGET OUTLOOK

The 2019-20 Budget, signed by Governor Newsom on June 27, 2019, authorizes \$14.6 billion and 20,759 positions for the Department. This represents an increase of approximately \$417 million and 501 positions from 2018-19 and is primarily due to Senate Bill (SB) 1 resources.

Prior to Senate Bill 1, statute required that the California Board of Equalization (BOE) adjust the Price-Based Excise Tax (PBET) on gasoline annually prior to March 1 in order to maintain revenue neutrality with the sales tax it replaced. Adjusted rates were effective July 1 of each year. Current law replaces the PBET with an incremental excise tax rate of 17.3 cents per gallon effective July 1, 2019. As a result, the BOE no longer votes on fuel excise tax rates, and will instead adjust the taxes imposed on July 1, 2020, and every year thereafter, by a percentage amount equal to the increase in the California Consumer Price Index as calculated by the Department of Finance (DOF).

## STATE HIGHWAY OPERATION AND PROTECTION PROGRAM (SHOPP)

State Highway Operation and Protection Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	\$500	\$691	-\$18	\$673	-\$173
FTF	1,400	2,096	-87	2,009	-609
RMRA	1,217	371	-31	340	877
Proposition 1B	32	0	5	5	27
<b>Total</b>	<b>\$3,149</b>	<b>\$3,158</b>	<b>-\$131</b>	<b>\$3,027</b>	<b>\$122</b>

Note: Amounts may not sum to totals due to independent rounding

### Capital Allocations vs. Capacity

The Commission allocated approximately \$3.2 billion toward 474 SHOPP projects through the fourth quarter. Adjustments totaled negative \$131 million, leaving approximately \$122 million (4 percent) in remaining allocation capacity.

### Outlook for Funding & Allocations

**State Highway Account (SHA).** Net allocations totaling \$673 million were committed toward projects through the fourth quarter. As a result, there was an overallocation of approximately \$173 million, which will be partially offset by available Road Maintenance and Rehabilitation Account (RMRA) capacity. For the 2018-19 fiscal year, the PBET rate remains unchanged from the 2017-18 rate of 11.7 cents per gallon due to the BOE failing to adopt a new rate. SB 1 included the replacement of PBET with an incremental tax of 17.3 cents per gallon beginning July 1, 2019.

**Federal Trust Fund (FTF).** Net allocations totaling \$2.0 billion were committed toward federally eligible SHOPP projects through the fourth quarter. As a result, there was an overallocation of approximately \$609 million, which will be partially offset by available RMRA capacity.

**RMRA.** Net allocations totaling approximately \$340 million were committed toward SHOPP projects through the fourth quarter, leaving approximately \$877 million in remaining allocation capacity.

**Proposition 1B.** Net allocations totaling \$5 million were committed toward SHOPP Proposition 1B projects through the fourth quarter.

### Recommendations

The Department will continue to monitor SHOPP resources and advise the Commission of any concerns or changes.

## STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)

State Transportation Improvement Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	\$350	\$127	-\$2	\$124	\$226
FTF	100	539	5	543	-443
PTA	51	44	0	44	7
Proposition 1B STIP	19	17	3	19	0
<b>Total</b>	<b>\$520</b>	<b>\$725</b>	<b>\$5</b>	<b>\$730</b>	<b>-\$211</b>

Note: Amounts may not sum to totals due to independent rounding

### Capital Allocations vs. Capacity

The Commission allocated \$725 million toward 130 STIP projects through the fourth quarter. Adjustments totaled \$5 million, resulting in an overallocation of approximately \$211 million. This will be partially offset by a decrease to 2019-20 capacity.

### Outlook for Funding & Allocations

**SHA.** Net allocations totaling \$124 million were committed toward projects through the fourth quarter, leaving approximately \$226 million in remaining capacity that will be used to offset FTF allocations. As mentioned previously, the PBET rate on gasoline remains at 11.7 cents per gallon for 2018-19. Despite the additional resources generated by SB 1, only a small portion supports the STIP. SB 1 included the replacement of PBET with an incremental tax of 17.3 cents per gallon beginning July 1, 2019.

**FTF.** Net allocations totaling \$543 million were committed toward federally eligible STIP projects through the fourth quarter. This resulted in an overallocation of \$443 million, which is partially offset by unused state capacity.

**Public Transportation Account (PTA).** The Commission has allocated \$44 million in PTA STIP capacity through the fourth quarter, leaving approximately \$7 million in remaining capacity.

**Proposition 1B.** Net allocations totaling \$19 million were committed toward a STIP Proposition 1B project.

### Recommendations

The Department will continue to monitor STIP resources and advise the Commission of any concerns or changes.

## AERONAUTICS (AERO) PROGRAM

Aeronautics Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
AERO Account	\$2.8	\$1.4	\$0	\$1.4	\$1.4
<b>Total</b>	<b>\$2.8</b>	<b>\$1.4</b>	<b>\$0</b>	<b>\$1.4</b>	<b>\$1.4</b>

Note: Amounts may not sum to totals due to independent rounding.

### Capital Allocations vs. Capacity

The Commission approved an annual allocation of \$1.4 million toward the Airport Improvement Program, and the Program has sub-allocated approximately \$807,000 through the fourth quarter. There were no Acquisition and Development actions through the fourth quarter. The DOF approved a \$1.4 million transfer from the Local Airport Loan Account (LALA) to the AERO Account for 2018-19, which was received during the third quarter. The original allocation capacity of \$5.4 million, which was contingent upon DOF approval of \$4 million transfer from LALA, was subsequently reduced to \$2.8 million.

### Outlook for Funding & Allocations

The 2018 AERO Account Fund Estimate was approved by the Commission on August 16, 2017, and assumed a \$4 million transfer from the LALA to the AERO Account in 2018-19. This transfer required the approval of both the Commission and the DOF. In December 2018, DOF signed an Executive Order for \$1.4 million from the LALA, and the transfer occurred in January 2019. These resources will be used to provide relief to the AERO Account, in order to fund program grants.

### Recommendations

The 2018-19 allocation capacity was based in-part on a \$4 million transfer from the LALA; however, the approval of \$1.4 million by DOF effectively reduced available capacity to \$2.8 million. The status of future fiscal year transfers will be monitored closely.



## LOCAL PARTNERSHIP PROGRAM (LPP)

Local Partnership Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
RMRA	\$355	\$224	\$0	\$224	\$131
<b>Total</b>	<b>\$355</b>	<b>\$224</b>	<b>\$0</b>	<b>\$224</b>	<b>\$131</b>

Note: Amounts may not sum to totals due to independent rounding

### Capital Allocations vs. Capacity

The Commission allocated \$224 million toward 56 LPP projects through the fourth quarter, leaving \$131 million (37 percent) in remaining allocation capacity. This will be included as carryover capacity in 2019-20.

### Outlook for Funding & Allocations

A program of projects for both the Formulaic and Competitive elements of LPP was originally adopted by the Commission in 2017-18. The Cycle 1 and Cycle 2 Formulaic programs were amended during June 2019 Commission meeting. The initial cycle for the Competitive program covers 2017-18 through 2019-20, and an amended program was adopted during the June 2019 Commission meeting. Workshops covering the Cycle 2 timeline and the development of program guidelines occurred between March and June of 2019.

### Recommendations

The Department will continue to monitor LPP resources and advise the Commission of any changes or issues.

## SOLUTIONS FOR CONGESTED CORRIDORS PROGRAM (SCCP)

Solutions for Congested Corridors Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	\$486	\$401	\$0	\$401	\$85
<b>Total</b>	<b>\$486</b>	<b>\$401</b>	<b>\$0</b>	<b>\$401</b>	<b>\$85</b>

Note: Amounts may not sum to totals due to independent rounding

### Capital Allocations vs. Capacity

The Commission allocated \$401 million toward seven SCCP projects through the fourth quarter, leaving \$85 million (17 percent) in remaining allocation capacity. This will be included as carryover capacity in 2019-20.

### Outlook for Funding & Allocations

A program of projects for the initial cycle was adopted by the Commission in 2017-18. An amended program of projects was adopted during the second quarter of 2018-19. Workshops covering the timeline and the development of program guidelines occurred during the third quarter of the fiscal year and are scheduled to continue in 2019-20.

### Recommendations

The Department will continue to monitor SCCP resources and advise the Commission of any changes or issues.

## TRADE CORRIDOR ENHANCEMENT PROGRAM (TCEP)

Trade Corridor Enhancement Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
TCEA	\$432	\$105	\$0	\$105	\$327
FTF	297	291	0	291	6
<b>Total</b>	<b>\$729</b>	<b>\$396</b>	<b>\$0</b>	<b>\$396</b>	<b>\$333</b>

Note: Amounts may not sum to totals due to independent rounding

### Capital Allocations vs. Capacity

The Commission allocated \$396 million toward 16 TCEP projects through the fourth quarter, leaving \$333 million (46 percent) in remaining allocation capacity. This will be included as carryover capacity in 2019-20.

### Outlook for Funding & Allocations

An amended program of projects for the initial cycle was adopted by the Commission during the June 2019 meeting. Workshops covering the timeline and the development of the next program cycle guidelines occurred during the third quarter of the fiscal year.

### Recommendations

The Department will continue to monitor TCEP resources and advise the Commission of any changes or issues.

## ACTIVE TRANSPORTATION PROGRAM (ATP)

Active Transportation Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	\$38	\$31	\$0	\$31	\$7
FTF	120	61	0	61	59
RMRA	158	73	0	73	86
<b>Total</b>	<b>\$316</b>	<b>\$165</b>	<b>\$0</b>	<b>\$165</b>	<b>\$152</b>

Note: Amounts may not sum to totals due to independent rounding

### Capital Allocations vs. Capacity

The Commission allocated \$165 million toward 181 ATP projects through the fourth quarter, leaving \$152 million (48 percent) in remaining allocation capacity.

### Outlook for Funding & Allocations

The 2018-19 allocation capacity for the ATP is consistent with the Adopted 2017 ATP Fund Estimate. Total allocation capacity incorporates \$100 million in resources from the RMRA, as well as 2017-18 carryover capacity.

### Recommendations

The Department will continue to monitor ATP resources and advise the Commission of any changes or issues.

## TRANSIT AND INTERCITY RAIL CAPITAL PROGRAM (TIRCP)

Transit and Intercity Rail Capital Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
Cap-and-Trade	\$532	\$164	\$0	\$164	\$368
PTA	628	284	0	284	344
<b>Total</b>	<b>\$1,160</b>	<b>\$448</b>	<b>\$0</b>	<b>\$448</b>	<b>\$712</b>

Note: Amounts may not sum to totals due to independent rounding.

### Capital Allocations vs. Capacity

The Commission allocated \$448 million toward 57 TIRCP projects through the fourth quarter, leaving approximately \$712 million (61 percent) in remaining allocation capacity. Approximately \$71 million of PTA allocations represent the current-year need for the Altamont Corridor Express Expansion – Lathrop to Merced project, which was authorized by SB 132, and was not allocated by the Commission.

### Outlook for Funding & Allocations

SB 1 authorizes allocation of a portion of new resources from the PTA toward the TIRCP. These new resources are included as part of the allocation capacity. In addition, the TIRCP receives a percentage of the annual Cap-and-Trade auction proceeds. Actual proceeds vary throughout the year based on individual auction results, with the TIRCP receiving 10 percent of the total proceeds. The next auction is scheduled to occur on August 20, 2019.

### Recommendations

TIRCP revenues are subject to change, dependent in-part on sales at Cap-and-Trade auctions. The Department will monitor the program and, if necessary, will recommend modifications to the Commission.

## PROPOSITION 1A & 1B BONDS

Proposition 1A & 1B Bonds (\$ in millions)			
Fund	Allocation Capacity	Allocations to Date	Remaining Capacity
<b>Proposition 1A</b>	\$102	\$0	\$102
<b>CMIA</b>	0	0	0
<b>TCIF</b>	29	37	-8
<b>Intercity Rail</b>	39	5	35
<b>Local Bridge Seismic</b>	21	0	21
<b>Grade Separations<sup>1</sup></b>	4	0	4
<b>Traffic Light Synchronization</b>	0	0	0
<b>Route 99</b>	20	28	-8
<b>Total</b>	<b>\$216</b>	<b>\$69</b>	<b>\$146</b>

Note: Amounts may not sum to totals due to independent rounding.

<sup>1</sup>Highway-Railroad Crossing Safety Account (HRCSA)

### Capital Allocations vs. Capacity

The Commission allocated approximately \$69 million toward 65 bond projects through the fourth quarter, leaving \$146 million (68 percent) in remaining allocation capacity. Trade Corridors Improvement Fund (TCIF) and State Route 99 allocations are accompanied by pending Budget Revision requests that were submitted to DOF immediately following the Commission allocation.

### Outlook for Funding & Allocations

In the fourth quarter of 2018-19, the Department received no upfront proceeds from either the sale of General Obligation (GO) bonds nor the issuance of Commercial Paper (CP) for use on Proposition 1B projects. The Department has determined that it has sufficient bond cash to meet Proposition 1B project and administrative costs until the Fall 2019 GO bond sale; however, the Department anticipates requesting the issuance of additional CP funding for Proposition 1A High-Speed Rail projects in the first quarter of 2019-20.

In April 2019, the State Treasurer's Office (STO) conducted a GO bond sale totaling \$49 million to refund three series of CP previously issued for Proposition 1B and Proposition 1A. Through the fourth quarter, the Department has been issued approximately \$2.2 billion in CP for Proposition 1B and Proposition 1A projects, of which all but \$10 million has been refunded with GO bond proceeds. At this time, there is approximately \$99 million in remaining authority to issue CP for Proposition 1B, \$37 million in remaining authority for Proposition 1A, and \$5 million in remaining authority for Proposition 116, Clean Air and Transportation Improvement Fund.

Taking into account Commission allocations through June 2019, approximately \$82 million of Proposition 1B authority is available for allocation in fiscal year 2019-20, plus additional identified Transportation Facilities Account (TFA) savings. These amounts largely consist of authority for the use of potential savings consistent with the Proposition 1B savings policy adopted by the Commission in January 2014.

**Recommendations**

The Department will continue to monitor Bond resources and advise the Commission of any concerns or changes.

**APPENDICES**

**Appendix A ..... Allocation Capacity and Assumptions**

**Appendix B ..... Authorized Changes**

**Appendix C ..... Cash Forecasts**

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

**Appendix D ..... Federal Emergency Relief Projects**

**Appendix E ..... Transportation Loans**

- Status of Outstanding Transportation Loans, as of June 30, 2019**
- Interfund Transportation Loans**

## APPENDIX A – ALLOCATION CAPACITY AND ASSUMPTIONS

2019-20 Final Allocation Capacity By Fund and Program (\$ in millions)										
Fund	SHOPP	STIP	AERO <sup>1</sup>	LPP	SCCP	TCEP	ATP	TIRCP	BONDS	TOTAL
SHA	\$750	\$247	\$0	\$0	\$335	\$0	\$45	\$0	\$0	\$1,377
FTF	1,200	100	0	0	0	105	196	0	0	1,601
RMRA	1,291	0	0	331	0	0	186	0	0	1,808
TCEA	0	0	0	0	0	634	0	0	0	634
PTA	0	22	0	0	0	0	0	683	0	706
AERO	0	0	5	0	0	0	0	0	0	5
Cap and Trade	0	0	0	0	0	0	0	683	0	683
Proposition 1A Bonds <sup>2</sup>	0	0	0	0	0	0	0	0	102	102
Proposition 1B Bonds <sup>2</sup>	11	20	0	0	0	0	0	0	71	102
<b>Total Capacity</b>	<b>\$3,253</b>	<b>\$390</b>	<b>\$5</b>	<b>\$331</b>	<b>\$335</b>	<b>\$739</b>	<b>\$426</b>	<b>\$1,366</b>	<b>\$172</b>	<b>\$7,017</b>

Note: Amounts may not sum to totals due to independent rounding.

<sup>1</sup>Aeronautics allocation capacity contingent upon DOF approval of LALA transfer.

<sup>2</sup>Subject to Bond sales.

The 2019-20 allocation capacity of approximately \$7 billion is based by program on the following:

- The SHOPP SHA, FTF, and RMRA allocation capacities are based on:
  - The 2019-20 Enacted Budget revenue and expenditure estimates,
  - The 2018 STIP Fund Estimate (FE) estimated federal receipts and August Redistribution,
  - The SHA prudent cash balance of \$415 million,
  - 2018-19 carryover allocation capacity,
  - SB 1 projections provided by DOF
- The STIP SHA, FTF, and PTA allocation capacities are based on:
  - The 2019-20 Enacted Budget revenue and expenditure estimates,
  - The 2018 STIP FE estimated federal receipts and August Redistribution,
  - The SHA prudent cash balance of \$415 million,
  - The PTA prudent cash balance of \$100 million,
  - 2018-19 carryover allocation capacity
  - Transportation Facilities Account (TFA) identified savings
- The AERO capacity is based on the 2018 AERO Program FE and is contingent upon the DOF's approval of a \$4 million transfer from the LALA.
- The LPP capacity is based on the statutory allocation of \$200 million from the RMRA, and approximately \$131 million in carryover capacity.
- The SCCP capacity is based on the statutory allocation of \$250 million from the SHA, and approximately \$85 million in carryover capacity.
- The TCEP capacity is based on the 2019-20 Enacted Budget and estimated Federal funds.



- The ATP capacity is based on the Adopted 2018 ATP FE and projects with time extensions approved by the Commission. The ATP capacity also incorporates the following assumptions:
  - Federal Highway Safety Improvement Program funds are not incorporated into the ATP,
  - State and federal resources are forecasted to remain stable,
  - SB 1 statutory allocation of \$100 million from RMRA,
  - 2018-19 RMRA carryover allocation capacity
- The TIRCP capacity is based on the 2019-20 Enacted Budget's projected Cap and Trade revenues and projected allocations into the PTA pursuant to SB 1.
- Bond capacity is based on remaining bond authority, budget authority, and any administrative costs.
  - Proposition 1A and 1B capacities are based on the 2019-20 Enacted Budget and includes 2018-19 remaining authority. The bond capacities are also dependent on the sale of sufficient bonds for funding.
    - Allocation capacities for the Transportation Facilities Account (TFA), Highway-Railroad Crossing Safety Account (HRCSA), SHOPP, State Route 99, and Trade Corridors Improvement Fund (TCIF), are a result of project close-out and administrative savings.
    - Capacities for Inter-City Rail and the Local Bridge Seismic Retrofit Account (LBSRA) are based on the allocation of originally programmed projects.

## APPENDIX B – AUTHORIZED CHANGES

2018-19 Authorized Changes Summary through June 30, 2019 (\$ in millions)						
Program	Increases		Decreases		Total Count <sup>3</sup>	Net \$ Change
	Count	\$	Count	\$		
SHOPP <sup>1</sup>	149	\$99.0	242	-\$229.6	391	-\$130.6
STIP <sup>2</sup>	5	6.7	4	-1.8	9	4.9
<b>TOTAL</b>	<b>154</b>	<b>\$105.7</b>	<b>246</b>	<b>-\$231.4</b>	<b>400</b>	<b>-\$125.7</b>

Note: Amounts may not sum to totals due to independent rounding.

<sup>1</sup>Includes SHOPP and Proposition 1B Bond G-12 (SHOPP Augmentation) adjustments.

<sup>2</sup>Includes STIP and Proposition 1B Bond G-12 (TFA) adjustments.

<sup>3</sup>May include net zero adjustments.

### Summary of Authorized Changes

**SHOPP.** The Department has processed 149 project increases, totaling \$99 million (average of approximately \$664,000 per authorization). The Department has also processed 242 project decreases, totaling negative \$230 million (average of negative \$949,000 per authorization). The net change of the 391 allocation adjustments represent a savings of almost \$131 million.

**STIP.** The Department has processed five project increases, totaling \$7 million (average of approximately \$1.3 million per authorization). The Department has also processed four project decreases totaling negative \$1.8 million (average of negative \$455,000 per authorization). The net change of the nine allocation adjustments is an increase of \$5 million.

Commission Resolution G-19-12, which amends Resolution G-16-12, (Resolution G-12) allows for the Director of the Department to adjust project allocations within specific limits. It is intended that the Director's approved "decreases" will offset the Director's approved "increases." These authorized changes are known as G-12 authority. This delegation of authority greatly reduces the volume of financial transactions submitted to the Commission and increases the efficiency of the Department in processing changes. The Resolution G-12 requires that the Department report on all project capital outlay allocation changes made under this delegation to the Commission's Executive Director on a monthly basis. The Department provides a detailed, project by project, report to Commission staff each month.

## **APPENDIX C – CASH FORECASTS – FORECAST METHODOLOGY**

### **Methodology and Assumptions**

The cash forecasts for the SHA, PTA, TCRF, 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 2018-19 cash forecasts are based on the following assumptions:

- State Operations projections are based on historical trends and assumes an approximately 3 percent increase each year, based on the DOF's Price Letter.
- Includes the most current expenditure projections available for Right-of-Way, SHOPP and STIP.
- Capital Outlay and Local Assistance expenditures are based on actual and projected Commission allocations using historical and seasonal construction patterns.
- Monthly adjustments are not forecasted, since they comprise timing differences between the Department's accounting system and the State Controller's Office (SCO). These adjustments include short-term loans made to the General Fund (GF), short-term loan repayments, Plans of Financial Adjustments, funds transferred in and out, and reimbursements.
- Federal receipts are based on the 2018 STIP FE.

### **SHA**

- Weight fee and excise tax revenue projections provided by the DOF.
- All other revenues are based on historical trends.
- Continued monthly transfers of weight fee revenues to the Transportation Debt Service Fund (TDSF).
- Prudent cash balance of \$415 million.

### **PTA**

- Revenue projections provided by the DOF.
- PTA's portion of TIRCP is based on DRMT materials and is considered expended in the same fiscal year as programmed.
- Prudent cash balance of \$100 million.

### **TCRF**

- Tribal gaming loan repayment of \$235 million transferred to the TCRF; however, \$75 million will be subsequently transferred to the SHA, \$85 million to the PTA, and \$75 million for local agencies.

### **TDIF**

- No resources will be received and no transfers will occur within the TDIF.

## **APPENDIX C – CASH FORECASTS – FORECAST METHODOLOGY (SB 1 FUNDS)**

### **Methodology and Assumptions**

The Department will be responsible for monitoring and reporting to the Commission on the newly created RMRA and Trade Corridor Enhancement Account (TCEA). The initial collection of revenue for these funds began on November 1, 2017. Resources will be compared to projections developed by the DOF, and used to monitor the cash balance and to determine allocations in future years.

#### **RMRA**

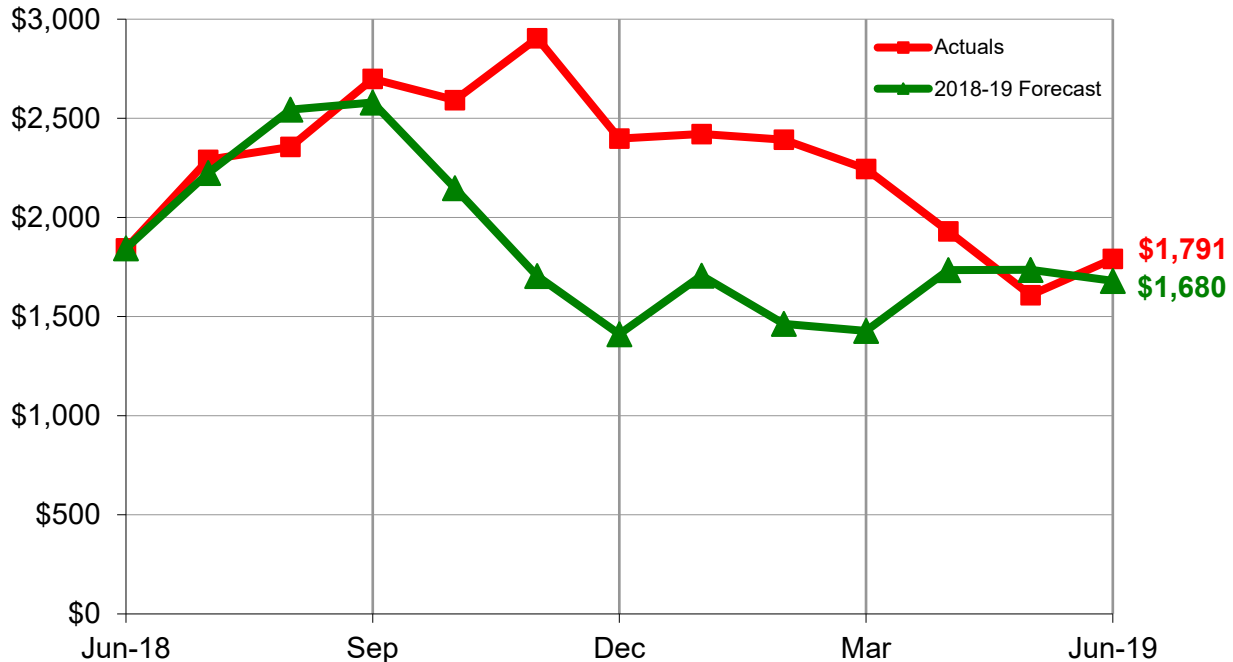
- New excise taxes (12 cents per gallon on gasoline and fifty percent of the 20 cents per gallon on diesel) effective on November 1, 2017, and the majority of revenue generated is deposited into the account.
- A new Transportation Improvement Fee effective on January 1, 2018, and the majority of revenue generated is deposited into the account.

#### **TCEA**

- New excise tax (50 percent of the 20 cents per gallon on diesel) effective on November 1, 2017, and the revenue generated is deposited into the account.

**APPENDIX C – CASH FORECASTS – STATE HIGHWAY ACCOUNT**

**State Highway Account (SHA)  
12-Month Cash Forecast  
(\$ in millions)**



**Year-to-Date SHA Summary**

The SHA ending cash balance for the fourth quarter was approximately \$1.8 billion, \$112 million (7 percent) above the forecasted amount of \$1.7 billion. The variance is primarily due to revenues that were higher than forecast. Revenues totaled \$1.6 billion, \$82 million (5 percent) above forecast. Net transfers totaled \$2.3 billion, \$2 million below forecast. Expenditures totaled \$4.4 billion, \$242 million (6 percent) below forecast. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled \$429 million.

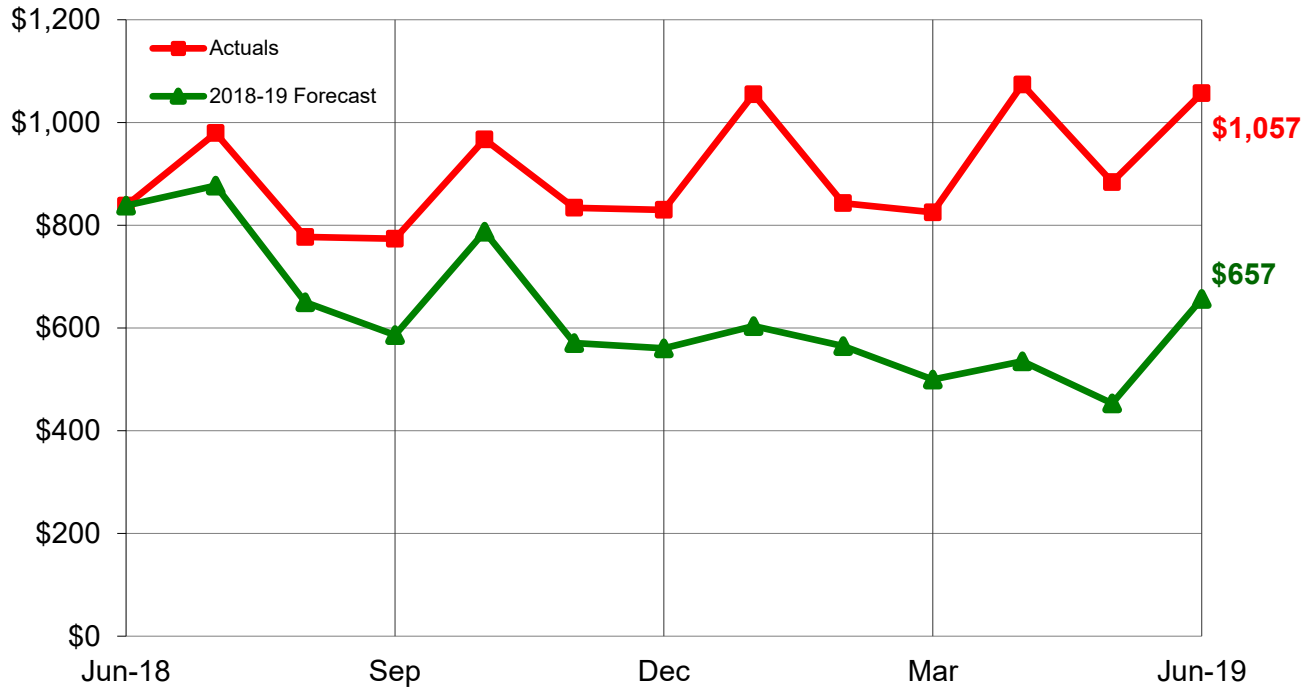
**Year-to-Date Reconciliation**

	(\$ in millions)			
	Forecast	Actual	Difference	%
<b>Beginning Cash Balance</b>	<b>\$1,844</b>	<b>\$1,844</b>	<b>N/A</b>	
Revenues	1,523	1,604	82	
Transfers	2,320	2,317	-2	
Expenditures	-4,162	-4,404	-242	
Adjustments	155	429	274	
<b>Ending Cash Balance</b>	<b>\$1,680</b>	<b>\$1,791</b>	<b>\$112</b>	<b>7%</b>

Note: Amounts may not sum to totals due to independent rounding

**APPENDIX C – CASH FORECASTS – PUBLIC TRANSPORTATION ACCOUNT**

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



**Year-to-Date PTA Summary**

The PTA ending cash balance through the fourth quarter was approximately \$1.06 billion, \$401 million (61 percent) above the forecasted amount of \$657 million. The variance is primarily due to adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, that were less than forecasted. Revenues totaled \$1.3 billion, \$30 million (2 percent) above forecast. Transfers totaled \$110 million. Expenditures totaled \$812 million, \$18 million (2 percent) below forecast. Adjustments totaled negative \$381 million.

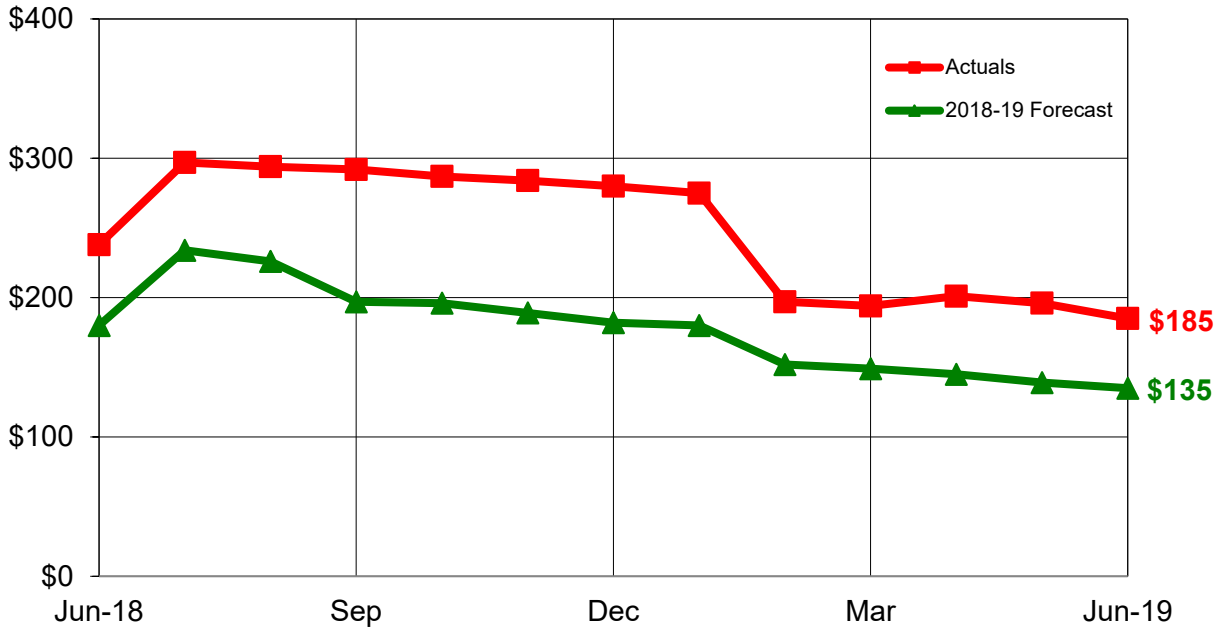
**Year-to-Date Reconciliation**

	(\$ in millions)			
	Forecast	Actual	Difference	%
<b>Beginning Cash Balance</b>	<b>\$838</b>	<b>\$838</b>	<b>N/A</b>	
Revenues	1,272	1,302	30	
Transfers	110	110	0	
Expenditures	-830	-812	18	
Adjustments	-734	-381	353	
<b>Ending Cash Balance</b>	<b>\$657</b>	<b>\$1,057</b>	<b>\$401</b>	<b>61%</b>

Note: Amounts may not sum to totals due to independent rounding

**APPENDIX C – CASH FORECASTS – TRAFFIC CONGESTION RELIEF FUND**

**Traffic Congestion Relief Fund (TCRF)  
12-Month Cash Forecast  
(\$ in millions)**



**Year-to-Date TCRF Summary**

The TCRF ending cash balance through the fourth quarter was approximately \$185 million, \$50 million (37 percent) above the forecasted balance of \$135 million. The variance is primarily due to transfers that did not occur as anticipated and expenses that were lower than forecasted. No revenues were received through the fourth quarter. Net transfers reflect \$25 million in loan repayments to other transportation funds (\$11 million for trade corridor improvements, \$9 million to the PTA, and \$5 million to the SHA) that had yet to be transferred. Budget bill language now authorizes the transfers occur during 2019-20. Expenditures totaled \$52 million, \$26 million (33 percent) below forecast. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled negative \$1 million.

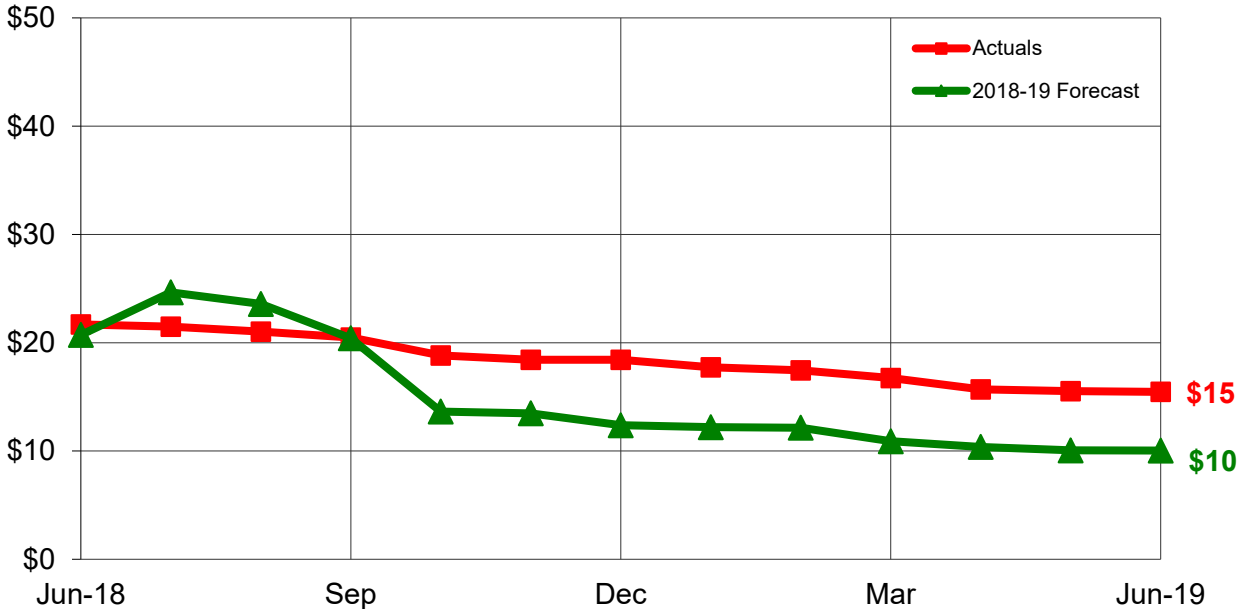
**Year-to-Date Reconciliation**

(\$ in millions)				
	Forecast	Actual	Difference	%
<b>Beginning Cash Balance</b>	<b>\$238</b>	<b>\$238</b>	<b>N/A</b>	
Revenues	0	0	0	0
Transfers	-25	0	25	
Expenditures	-78	-52	26	
Adjustments		-1	-1	
<b>Ending Cash Balance</b>	<b>\$135</b>	<b>\$185</b>	<b>\$50</b>	<b>37%</b>

Note: Amounts may not sum to totals due to independent rounding

**APPENDIX C – CASH FORECASTS – TRANSPORTATION DEFERRED INVESTMENT FUND**

**Transportation Deferred Investment Fund (TDIF)  
12-Month Cash Forecast  
(\$ in millions)**



**Year-to-Date TDIF Summary**

The TDIF ending cash balance through the fourth quarter was approximately \$15 million, \$5 million (54 percent) above the forecasted balance of \$10 million. The variance was primarily due to expenditures that were lower than forecast. As anticipated, no revenues were received through the fourth quarter, and transfers totaled \$3 million. Expenditures totaled \$4 million, which was \$10 million (71 percent) below forecast. This was partially offset by adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, and totaled negative \$5 million.

**Year-to-Date Reconciliation**

(\$ in millions)				
	Forecast	Actual	Difference	%
<b>Beginning Cash Balance</b>	<b>\$22</b>	<b>\$22</b>	<b>N/A</b>	
Revenues	0	0	0	0
Transfers	3	3	0	0
Expenditures	-15	-4	10	
Adjustments		-5	-5	
<b>Ending Cash Balance</b>	<b>\$10</b>	<b>\$15</b>	<b>\$5</b>	<b>54%</b>

Note: Amounts may not sum to totals due to independent rounding



## APPENDIX D – FEDERAL EMERGENCY RELIEF PROJECTS

Nationally, the Federal Highway Administration (FHWA) Emergency Relief Program includes \$100 million on an annual basis to fund repairs and reconstruction of eligible highway damage resulting from declared disasters. Congress has periodically provided additional funds for the program through supplemental appropriations. The chart below represents California disasters that requested Emergency Relief (ER) funding from the FHWA.

EVENT ( <i>\$ in thousands</i> )	Net Allocation Needs – Obligation Plan			
	Next 0-6 Months	Next 6-12 Months	Next 12-18 Months	Beyond 18 Months
CA90-1 Loma Prieta Earthquake	\$94	\$0	\$0	\$0
CA03-1 December 2002 Storm	12,840	0	0	0
CA05-1 December 2004 Storm	189	0	0	0
CA10-1 January 2010 Storms	3,731	0	0	0
CA11-3 March 15, 2011 Storms	112,585	4,639	9,278	4,639
CA15-2 December 2014 Statewide Storm Damage	0	0	8,108	7,680
CA16-1 October 2015 Storms	1,526	201	402	201
CA16-3 December 2015 Storms	4	0	0	0
CA16-4 March 5, 2016 Storms	18,837	45	90	45
CA16-7 August 16, 2016 Blue Cut Fire	0	966	2,511	1,256
CA17-1 December 9, 2016 Storms	0	1,114	12,231	6,115
CA17-2 January 6, 2017 Storms	132,830	109,089	218,179	109,089
CA17-3 Lake Oroville Dam Disaster	0	0	0	90
CA18-1 October 2017 Seven Fires	0	0	4,257	3,370
CA18-4 March 2018 Storms	7,588	139	277	139
CA18-5 July 2018 Monsoon Rains SB County	2,342	92	185	92
CA18-6 July 2018 Fires SB, Sis, SD Counties	0	0	5,020	4,498
CA18-7 Delta Fire	10,222	0	0	0
CA19-1 November 2018 Fires	3,703	4,626	9,252	4,626
CA19-2 January / February Winter Storms	0	13,053	26,106	13,053
CA19-3 July 2019 Earthquakes*	0	1,301	2,603	1,301
<b>TOTAL</b>	<b>\$306,491</b>	<b>\$135,265</b>	<b>\$298,499</b>	<b>\$156,195</b>
				<b>\$896,450</b>

\*Not yet a formal request for ER Funds for CA19-3, based on Director's Orders and Initial Damage Estimates.

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

## APPENDIX E – TRANSPORTATION LOANS

Status of Outstanding Transportation Loans, as of June 30, 2019 (\$ in millions)			
FUND	Original Loan	Loans / Interest Paid-to-Date	Remaining Balance
<b>Pre-Proposition 42 (Tribal Gaming Revenue):</b>			
State Highway Account (SHA) <sup>1,2</sup>	\$571	\$496	\$75
Public Transportation Account (PTA) <sup>2</sup>	275	189	86
Traffic Congestion Relief Fund (TCRF) <sup>2</sup>	384	309	75
<b>Subtotal Pre-Proposition 42 Tribal Gaming Loans:</b>	<b>\$1,230</b>	<b>\$994</b>	<b>\$236</b>
<b>General Fund:</b>			
State Highway Account - Weight Fee Revenues <sup>1</sup>	\$1,498	\$314	\$1,183
<b>Subtotal General Fund Loans:</b>	<b>\$1,498</b>	<b>\$314</b>	<b>\$1,183</b>
<b>High-Speed Passenger Train:</b>			
2013-14 Public Transportation Account (PTA) <sup>3</sup>	\$23	\$0	\$23
2014-15 Public Transportation Account (PTA) <sup>3</sup>	31	0	31
<b>Subtotal High-Speed Passenger Train Loans:</b>	<b>\$54</b>	<b>\$0</b>	<b>\$54</b>
<b>Local Mass Transit Providers (PEPRA):</b>			
Public Transportation Account (PTA) <sup>4</sup>	\$14	\$0	\$14
<b>Subtotal Local Mass Transit Providers Loans:</b>	<b>\$14</b>	<b>\$0</b>	<b>\$14</b>
<b>Totals:</b>	<b>\$2,796</b>	<b>\$1,308</b>	<b>\$1,487</b>

Note: Amounts may not sum to totals due to independent rounding.

<sup>1</sup>Loan repayments will be directed to the TDSF for debt service payments.

<sup>2</sup>Balances reflect allocations made to SHA and PTA per AB 133. Pursuant to SB 1, three annual loan repayments will be allocated as such: \$75 million to the TCRF for local agencies, approximately \$85 million to the PTA for TIRCP projects, and \$75 million to the SHA for SHOPP. Original loan amounts amended by fund to conform with changes instituted by SB 1. Total Pre-Prop. 42 loan amount remains unchanged.

<sup>3</sup>Repayment will occur when the PTA is determined to be in need of the funds or when the High-Speed Passenger Train Bond Fund no longer needs the funds.

<sup>4</sup>Repayments must occur no later than January 1, 2021.

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

The Pre-Proposition 42 (Tribal Gaming) 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 (2001), authorized a series of loans that included delaying the transfers of gasoline sales tax to transportation for two years (until 2003-04), a loan from the TCRF to the GF, and loans from the SHA and the PTA to the TCRF.

In 2004-05, the Governor negotiated compacts that authorized the use of Tribal Gaming bond revenue to repay these loans in 2005-06, but legal challenges prevented the bonds from being issued. Due to the lack of Tribal Gaming bond proceeds, the GF was tasked with repayment of the loans. Between 2005-06 and 2007-08, the GF made partial loan repayments to the SHA and the PTA, totaling \$351 million. However, since statute did not specify repayment dates and the State was facing continuing budget shortfalls, repayments were suspended. The 2011-12

Governor's Budget indicated that the remaining Tribal Gaming loan repayments would start no earlier than 2016-17, with the SHA as the first fund to be repaid.

AB 115 (2011) declared that the SHA loan repayments are revenues derived from weight fees. As such, future loan repayments made to the SHA are expected to be subsequently transferred to the TDSF.

AB 133, approved on March 1, 2016, appropriated \$173 million from the GF for partial repayment of outstanding Tribal Gaming loans. Pursuant to the bill, the funds would be deposited in the TCRF and subsequently allocated as such: \$148 million to the TCRF; \$11 million for trade corridor improvements; \$9 million to the PTA for TIRCP projects; and \$5 million to the SHA for the SHOPP. Because AB 133 contains language specifically allocating \$5 million to the SHOPP, those funds are expected to remain with the program, rather than diverted for debt service. In December 2016, the TCRF received the \$173 million loan repayment; however, none of the subsequent transfers have occurred.

SB 1, approved by the Governor on April 28, 2017, requires repayment of the remaining \$706 million in outstanding Pre-Proposition 42 loans by June 30, 2020. Pursuant to SB 1, repayments will occur in equal installments over the next three fiscal years, and would be distributed between the SHA, PTA and to Local Agencies. The first repayment occurred during the second quarter of 2017-18. Of the \$235 million transferred to the TCRF from the GF, \$160 million was subsequently transferred to the PTA and the SHA (\$85 million and \$75 million, respectively). The remaining \$75 million, allocated to Local Agencies, was transferred from the TCRF to cities and counties for local streets and roads by the State Controller in February 2018. The second repayment occurred during the first quarter of 2018-19. Of the \$235 million transferred to the TCRF from the GF, \$160 million was subsequently transferred to the PTA and the SHA (\$85 million and \$75 million, respectively). The remaining \$75 million, allocated to Local Agencies, was transferred from the TCRF to cities and counties for local streets and roads by the State Controller on February 21, 2019.

### **Weight Fees Loans**

In 2010, California voters passed Proposition 22, which amended the California Constitution by significantly restricting the State from using fuel excise tax revenues for GF relief, which was previously allowed. Pursuant to AB 105 (2011), a "Weight Fee Swap" was created, which allowed the State to use weight fee revenues for GF relief rather than fuel excise tax revenues. Furthermore, the bill authorized transfers of weight fee revenues from the SHA to the TDSF for transportation debt service and loans. To offset this diversion, an equivalent amount from the new PBET is transferred to the SHA.

The 2010-11 Budget Act authorized a total of \$227 million in loans from the SHA to the GF (\$80 million and \$147 million). Pursuant to AB 115, these loans were "grandfathered" into statute and characterized as being derived from weight fees; consequently, the repayment of these loans to the SHA will be transferred to the TDSF for transportation bond debt service.

An additional loan of \$44 million to the GF was authorized by the 2011-12 Budget Act. At the end of 2011-12 and 2012-13, excess weight fees available in the SHA were transferred as loans to the GF in the amount of \$139 million, \$25 million, and \$310 million. Pursuant to Section 9400.4(b)(2) of the California Vehicle Code, an additional \$42 million was transferred as a loan from excess weight fee revenues in the SHA to the GF in July 2012. Per legislation, the \$42 million shall be repaid no later June 30, 2021. In July 2012, \$204 million was transferred to the GF from excess weight fees in 2010-11. In April 2013, \$200 million was transferred to the GF from excess weight fees in 2010-11. In May 2013, \$30 million was transferred to the GF from remaining weight fees in 2011-12. In July 2014, excess weight fees available in the SHA were

transferred as loans to the GF in the amount of \$92 million for 2013-14. In July 2015, excess weight fees available in the SHA were transferred as loans to the GF in the amount of \$151 million for 2014-15. In December 2016, \$33 million was transferred to the GF from excess weight fees in 2015-16. In March 2018, a return of pre-paid debt service of \$63 million occurred between the GF and the SHA, and was subsequently transferred out of the SHA to the TDSF. In December 2018, a return of pre-paid debt service of \$251 million occurred between the GF and the SHA, and was subsequently transferred out of the SHA to the TDSF. In total, there have been nearly \$1.5 billion in weight fee revenue loans made to the GF. Based on the way current legislation is written, repayment of these loans is anticipated to subsequently be transferred to the TDSF for transportation bond debt service.

### **High-Speed Passenger Train Loans**

The 2013-14 Budget Act authorized up to \$26 million in loans from the PTA to the High-Speed Passenger Train Bond Fund to cover support costs incurred by the High-Speed Rail Authority. During 2013-14, a total of \$23 million was loaned: \$5.4 million on August 16, 2013; \$8.9 million on October 8, 2013; \$5.6 million on March 13, 2014; and \$3 million on June 9, 2014. The 2014-15 Budget Act authorized an additional amount of up to \$31.6 million for support costs, including an initial authorization of approximately \$29.3 million and an additional authorization of \$2.3 million. During 2014-15, a total of \$30.9 million was loaned: \$7.3 million on September 17, 2014; \$7.3 million on December 18, 2014; \$7.3 million on February 17, 2015; \$2.3 million on March 25, 2015; and \$6.7 million on May 26, 2015. No additional loans are anticipated to occur. Pursuant to statute, loans will be repaid when the PTA is determined to be in need of the funds or when the High-Speed Rail Authority no longer needs the funds.

### **Local Mass Transit Providers Loans (PEPRA)**

Section 13(c) of the Urban Mass Transportation Act of 1964 mandates that employee protections for specified transit workers must be certified by the United States Department of Labor (DOL) before federal transit grants can be released to local mass transit employers. The California Public Employees' Pension Reform Act of 2013 (PEPRA) established new retirement formulas for employees first employed by a public entity on or after January 1, 2013. PEPRA requires such employees to contribute a specified percentage of the normal cost of their defined benefit pension plans, and prohibits public employers from paying an employee's share of retirement contributions. The DOL determined that PEPRA interferes with collective bargaining rights of transit workers protected under Section 13(c). Subsequently, the DOL refused to certify millions of dollars in federal transit grants to California transit agencies.

As a result, the California Legislature enacted AB 1222, which authorized the DOF to loan up to \$26 million from the PTA to local mass transit providers in amounts equal to federal transportation grants not received due to non-certification from the DOL. Concurrently, the State of California pursued litigation against the DOL, challenging its determination that PEPRA is incompatible with federal labor laws. On December 30, 2014, the court ruled that the DOL's determination that PEPRA precluded certification of federal transit grants under Section 13(c) was "arbitrary and capricious," and that the DOL "misinterpreted the law." The matter was remanded to the DOL "for further proceedings consistent with the court's order." The DOL later appealed the decision, but subsequently filed to have the appeal voluntarily dismissed, which was granted by the court on August 12, 2015. A hearing was scheduled on October 23, 2015, which resulted from the State of California filing a supplemental complaint to enforce the court's previous order remanding the case. On January 7, 2016, the court found that the DOL complied with its order to reconsider the relevant factors that were lacking in its original denial of grant certification. However, the court granted the State's motion for leave to file a supplemental complaint against the DOL. On August 22, 2016, the court again ruled, in part, that the DOL's actions were unlawful; however, no remedy

was provided at that time. The court granted the DOL leave to file a supplemental brief in support of its motion regarding the denial of class certification relating to the Monterey-Salinas Transit's classic employees. The case remains in litigation. In total, \$14.2 million has been loaned from the PTA to local mass transit providers (Sacramento Regional Transit and Monterey-Salinas Transit). Although ongoing litigation continues to cause delays in repayment, these loans were expected to be repaid no later than January 1, 2019, as mandated by statute. However, SB 877, approved by the Governor on September 17, 2018, postponed the deadline for repayment to January 1, 2021.