State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

MEMORANDUM

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: June 24-25, 2020

From: STEVEN KECK, Chief Financial Officer

Reference Number: 3.13, Information Item

Prepared By: KC Handren, Chief
Division of Budgets

Subject: **FISCAL YEAR 2019-20 – THIRD QUARTER FINANCE REPORT**

SUMMARY:

The California Department of Transportation (Department) will present the Fiscal Year 2019-20 Finance Report for the third quarter to the California Transportation Commission (Commission) at its June 24-25, 2020 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

Third Quarter 2019-20

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 prior and future Quarterly Finance Reports.

California Department of Transportation
Quarterly Finance Report
Schedule of Reports

Fiscal Year 2019-20

2018-19 Q4

Close of Quarter 6/30/19

Quarterly Report to Commission Staff 8/30/19

Presented to Commission 10/9/19

2019-20 Q1

Close of Quarter 9/30/18

Quarterly Report to Commission Staff 11/15/19

Presented to Commission 12/4/19

2019-20 Q2

Close of Quarter 12/31/19

Quarterly Report to Commission Staff 2/15/20

Presented to Commission 3/25/20

2019-20 Q3

Close of Quarter 3/31/20

Quarterly Report to Commission Staff 5/15/20

Presented to Commission 6/24/20

Fiscal Year 2020-21

2019-20 Q4

Close of Quarter 6/30/20

Quarterly Report to Commission Staff 8/30/20

Presented to Commission 10/14/20

Department of Transportation Quarterly Finance Report

Third Quarter 2019-20

EXECUTIVE SUMMARY

2019-20 Capital Allocations vs. Capacity
Summary through March 31, 2020
($ in millions)

	SHOPP[1]	STIP[1]	AERO	LPP	SCCP	TCEP	ATP	TIRCP	BONDS	TOTAL
Allocation Capacity	$3,370	$390	$5	$331	$335	$739	$426	$1,366	$170	$7,133
Total Votes	3,002	229	3	112	197	89	145	340	46	4,163
Authorized Changes[2]	-233	5	0	0	0	0	0	0	0	-229
Remaining Capacity	**$601**	**$156**	**$3**	**$219**	**$138**	**$650**	**$281**	**$1,027**	**$124**	**$3,199**

Note: Amounts may not sum to totals due to independent rounding.
[1]Proposition 1B Bonds included in totals for 2019-20.
[2]Authorized changes include project increases and decreases pursuant to the Commission's G-12 process and project rescissions.

Through the third quarter of fiscal year 2019-20, the Commission has allocated approximately $4.2 billion toward 668 projects. Adjustments totaled negative $229 million, leaving approximately $3.2 billion (45 percent) in remaining allocation capacity.

The Department's main accounts referenced in Appendix C ended the third quarter with a higher than projected cash balance, with the exception of the Traffic Congestion Relief Fund, which ended with a fund balance lower than projected. Variances were primarily due to expenditures that were lower than projected, and adjustments, which represent timing differences between reporting systems.

Due to the measures put in place by all levels of government to slow the spread of the COVID-19 virus, beginning in March, traffic volumes decreased significantly over a short period of time. Reports indicate that traffic volume, primarily passenger travel, in the United States decreased nearly 50 percent over the short span of a month. Although this may not translate to an identical percentage decline in fuel consumption, transportation revenues, namely from gasoline excise taxes, will be impacted. Other factors, such as unemployment levels will be a contributing factor in how quickly these revenues might recover. Forecasts estimate that California could peak at 16 percent unemployment, resulting in additional pressures put on state and local governments as revenues continue to decline, with employment not expected to return to previous levels until as late as the second half of 2022.

On March 27, 2020, the President signed the $2 trillion Coronavirus Aid, Relief and Economic Security Act into law. The bill provides $25 billion to the Federal Transit Administration (FTA) in relief funding for urban and rural transit systems. The FTA will allocate $22.7 billion to large and small urban areas and $2.2 billion to rural areas, with funding available for capital and operating expenses to prevent and respond to the COVID-19 pandemic.

STATE BUDGET OUTLOOK

On January 10, 2020, Governor Newsom released his fiscal year 2020-21 Budget Proposal. The Governor's Budget proposes $15.5 billion in expenditures for the Department, which reflects an increase of approximately $832 million from the 2019-20 Enacted Budget.

The overall increase to the Department's budget reflects the Senate Bill 1 stabilization of excise tax rates and inflation-based adjustments to transportation taxes. The Governor's Proposal includes a decrease of approximately $119 million in capital outlay expenditures and an increase in local assistance expenditures of approximately $766 million. These projected expenditure changes reflect the ongoing outcomes of Senate Bill (SB) 1 program implementation. The proposal also includes changes to state operation expenditures due to increased Maintenance program workload related to litter abatement, and a funding shift from federal to state resources to more efficiently fund pavement projects. Positions are proposed to remain relatively unchanged at 20,755 positions.

In May of each year, the Governor presents a revised budget proposal to the Legislature, also known as the May Revision. This revision to the Governor's Budget Proposal incorporates updates to revenues, expenditures, and reserve estimates based on the latest economic forecast. The Department of Finance (DOF) indicated in late March that, due to the worsening economic condition brought about by the COVID-19 pandemic, state revenues are expected to be significantly impacted. Revenues could be affected as early as the current fiscal year and is certain to be impacted in 2020-21. As a result, all budget changes will be reevaluated and subject to the availability of funding.

STATE HIGHWAY OPERATION AND PROTECTION PROGRAM (SHOPP)

Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	$760	$708	-$19	$690	$71
FTF	1,307	1,621	-738	883	424
RMRA	1,291	673	523	1,196	95
Proposition 1B	11	0	0	0	11
Total	**$3,370**	**$3,002**	**-$233**	**$2,769**	**$601**

Notes: Amounts may not sum to totals due to independent rounding.
$ in millions

Capital Allocations vs. Capacity

The Commission allocated approximately $3 billion toward 383 SHOPP projects through the third quarter. Adjustments totaled negative $233 million, leaving approximately $601 million (18 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

State Highway Account (SHA). SHA SHOPP funds are primarily derived from excise taxes on gasoline and diesel, in addition to backfilled weight fees. The pandemic will have varying impacts to each of these revenues over the upcoming quarter and into next fiscal year. Diesel excise revenues are expected be less affected compared to gasoline. Through the third quarter of 2019-20, net allocations for SHA SHOPP projects totaled $690 million, leaving approximately $71 million in remaining allocation capacity.

Federal Trust Fund (FTF). Net allocations totaling $883 million were committed toward federally eligible SHOPP projects through the third quarter, leaving approximately $424 million in remaining allocation capacity. During the first half of the fiscal year, the Department realigned allocations to create a more proportional use of federal and state funds.

Road Maintenance and Rehabilitation Account (RMRA). Net allocations totaling approximately $1.2 billion were committed toward SHOPP projects through the third quarter, leaving approximately $95 million in remaining allocation capacity. SB 1 requires a fixed portion of revenue in the RMRA to be set-aside first for certain programs, with the remaining balance split between SHOPP and Locals. With lower revenues expected in the near-term due to the current pandemic, after considering statutory set-asides, funds available for SHOPP will be negatively impacted.

Proposition 1B. No SHOPP Proposition 1B projects were allocated through the third quarter.

Recommendations

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

STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)

Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	$247	$118	$0	$118	$129
FTF	100	100	4	104	-4
PTA	22	11	0	11	12
Proposition 1B STIP	20	0	1	1	20
Total	**$390**	**$229**	**$5**	**$234**	**$156**

Notes: Amounts may not sum to totals due to independent rounding.
$ in millions

Capital Allocations vs. Capacity

The Commission allocated approximately $229 million toward 60 STIP projects through the third quarter. Adjustments totaled $5 million, leaving approximately $156 million (40 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

SHA. Revenue derived from the 17.3 cents per gallon incremental portion of the state excise tax on gasoline is the primary funding source of state funds for the STIP. Due to transfers mandated in statute to backfill redirected weight fee revenue, the anticipated decrease in consumption brought about by the COVID-19 pandemic may have a notable impact on revenues available for SHA STIP. Through the third quarter, net allocations for SHA STIP projects were $118 million, leaving approximately $129 million in remaining allocation capacity.

FTF. Net allocations totaling $104 million were committed toward federally eligible STIP projects through the third quarter, resulting in an over-allocation of approximately $4 million. This is offset by available state capacity.

Public Transportation Account (PTA). The Commission has allocated $11 million in PTA STIP capacity through the third quarter, leaving approximately $12 million in remaining capacity.

Proposition 1B. Net allocations totaled approximately $1 million through the third quarter, leaving $20 million in remaining allocation capacity.

Recommendations

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

AERONAUTICS (AERO) PROGRAM

Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
AERO Account	$5.3	$2.5	$0	$2.5	$2.8
Total	**$5.3**	**$2.5**	**$0**	**$2.5**	**$2.8**

Notes: Amounts may not sum to totals due to independent rounding.
$ in millions

Capital Allocations vs. Capacity

The Commission allocated a lump-sum of $2.5 million for the Airport Improvement Program (AIP), and the Division has sub-allocated approximately $2.1 million towards 42 projects through the third quarter. There are no Acquisition & Development actions through the third quarter. The remaining $2.8 million (approximately 53 percent) in allocation capacity would only be available if the program was to request, and the DOF approve, another transfer from the Local Airport Loan Account (LALA).

Outlook for Funding & Allocations

The 2020 AERO Account Fund Estimate was adopted by the Commission at the August 2019 meeting, and assumes a $4 million transfer from the LALA to the AERO Account in 2019-20. This transfer requires the approval of both the Commission and the DOF. In December 2018 and July 2019, DOF approved Executive Orders for total transfers of $2.8 million from the LALA. The transfers will be used to provide resources to the AERO Account, to fund program grants. In addition, aviation gas and jet fuel revenues are likely to decline in coming months as air travel is expected to decrease during the pandemic. The Department will continue to monitor resources and advise the Commission as additional information becomes available.

Recommendations

The 2019-20 allocation capacity was based in-part on an assumed $4 million transfer from the LALA identified in the 2020 AERO Account Fund Estimate. In anticipation of the 2019-20 AIP need, AERO requested a transfer of $1.4 million from the LALA, which occurred in July 2019. The status of possible future transfers will be monitored closely, and the Department recommends the Commission delay allocations in excess of available resources at this time.

LOCAL PARTNERSHIP PROGRAM (LPP)

Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
RMRA	$331	$112	$0	$112	$219
Total	**$331**	**$112**	**$0**	**$112**	**$219**

Notes: Amounts may not sum to totals due to independent rounding.
$ in millions

Capital Allocations vs. Capacity

The Commission allocated $112 million toward 26 LPP projects through the third quarter, leaving approximately $219 million (66 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

Funding impacts to LPP are expected to be minimal due to the program’s prioritization in receiving statutory set-asides from the RMRA. 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 August 2019 Commission meeting. The initial cycle for the Competitive program covers 2017-18 through 2019-20, and an amended program was adopted during the December 2019 Commission meeting. The 2020 LPP Guidelines were adopted by the Commission at the March 2020 meeting.

Recommendations

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

SOLUTIONS FOR CONGESTED CORRIDORS PROGRAM (SCCP)

Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	$335	$197	$0	$197	$138
Total	**$335**	**$197**	**$0**	**$197**	**$138**

Notes: Amounts may not sum to totals due to independent rounding.
$ in millions

Capital Allocations vs. Capacity

The Commission has allocated $197 million toward two SCCP projects through the third quarter, including $80 million that was advanced and voted in the previous fiscal year, leaving $138 million (41 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

The SCCP receives a fixed portion of the Transportation Improvement Fee (TIF) annually pursuant to SB 1. Guidance by the Department of Motor Vehicles to relax enforcement of expired registration through mid-May is not currently expected to impact TIF funding for SCCP. 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 third quarter of 2018-19. Workshops covering the timeline and the development of the 2020 program occurred during the first quarter of the fiscal year. Guidelines for the 2020 program, which encompasses 2021-22 and 2022-23, were adopted by the Commission at the January 2020 meeting.

Recommendations

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

TRADE CORRIDOR ENHANCEMENT PROGRAM (TCEP)

Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
TCEA	$634	$89	$0	$89	$545
FTF	105	0	0	0	105
Total	**$739**	**$89**	**$0**	**$89**	**$650**

Notes: Amounts may not sum to totals due to independent rounding.
$ in millions

Capital Allocations vs. Capacity

The Commission allocated $89 million toward five TCEP projects through the third quarter, leaving $650 million (88 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

The TCEP is funded with 10 cents per gallon of the diesel excise tax increase established by SB 1. Revenue from diesel excise tax is expected to decline during the pandemic, but not as dramatically as with gasoline excise, which funds other programs. An amended program of projects for the initial cycle was adopted by the Commission during the June 2019 meeting. Guidelines for the 2020 TCEP were adopted by the Commission at the March 2020 meeting.

Recommendations

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

ACTIVE TRANSPORTATION PROGRAM (ATP)

Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	$45	$12	$0	$12	$33
FTF	196	59	0	59	137
RMRA	186	75	0	75	111
Total	**$426**	**$145**	**$0**	**$145**	**$281**

Notes: Amounts may not sum to totals due to independent rounding.
$ in millions

Capital Allocations vs. Capacity

The Commission allocated $145 million toward 156 ATP projects through the third quarter, leaving $281 million (66 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

Funding impacts to ATP are expected to be minimal due to the program's prioritization in receiving statutory set-asides from the RMRA. The 2019-20 allocation capacity for the ATP is consistent with the adopted 2018 ATP Fund Estimate. Total allocation capacity incorporates $100 million in resources from the RMRA, as well as 2018-19 carryover capacity. The 2021 ATP Fund Estimate was adopted by the Commission at the March 2020 meeting.

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)

Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
Cap-and-Trade	$683	$173	$0	$173	$511
PTA	683	167	0	167	516
Total	**$1,366**	**$340**	**$0**	**$340**	**$1,027**

Notes: Amounts may not sum to totals due to independent rounding.
$ in millions

Capital Allocations vs. Capacity

The Commission allocated $340 million toward 23 TIRCP projects through the third quarter, leaving approximately $1 billion (75 percent) in remaining allocation capacity. Approximately $32 million of PTA allocations represent the current-year need for the Altamont Corridor Express (ACE) Expansion – Lathrop to Merced project, which is not allocated by the Commission. TIRCP projects are typically very large capital projects with a combination of various funding sources in addition to TIRCP funding. The projects require several years to develop and bring to allocation. The complexity of bringing together multiple fund sources for projects can also impact the timing of project allocations. The California State Transportation Agency (CalSTA) has programmed $5.3 billion over three funding cycles to 56 projects located throughout the state. Remaining capacity is due to multi-year funding commitments for these programmed projects, including the ACE Train Expansion project.

Outlook for Funding & Allocations

The TIRCP is funded with a percentage of proceeds from Cap-and-Trade auctions, in addition to, a portion of TIF revenue received in the PTA. The next Cap-and-Trade auction is scheduled for May; however, it is not known at this time how the auction will be affected by the pandemic. The TIRCP funds transformative capital improvements to modernize transit systems. Projects are typically large, include multiple funding sources, and require several years to develop and bring forward for allocation. 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. Auctions are held quarterly in February, May, August and November.

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

Fund	Allocation Capacity	Allocations to Date	Remaining Capacity
Proposition 1A	$102	$29	$73
CMIA	0	0	0
TCIF	13	12	1
Intercity Rail	16	0	16
Local Bridge Seismic	22	5	16
Grade Separations[1]	2	0	2
Traffic Light Synchronization	0	0	0
Route 99	15	0	15
Total	**$170**	**$46**	**$124**

Notes: Amounts may not sum to totals due to independent rounding.
$ in millions
[1]Highway-Railroad Crossing Safety Account (HRCSA)

Capital Allocations vs. Capacity

The Commission has allocated approximately $46 million toward 14 bond projects through the third quarter, leaving $124 million (73 percent) in remaining allocation capacity. Trade Corridors Improvement Fund (TCIF) capacity decreased approximately $2 million due to a Budget Revision that was approved during the third quarter.

Outlook for Funding & Allocations

In the third quarter of 2019-20, the Department received no upfront proceeds for either Proposition 1B or Proposition 1A from the sale of General Obligation (GO) bonds. In January 2020, the State Treasurer's Office (STO) issued $20 million in Commercial Paper (CP) for use on Proposition 1A High-Speed Rail projects.

As of the third quarter, the Department has been issued approximately $2.3 billion in CP for Proposition 1B, Proposition 1A, and Proposition 116 projects, of which all but $52 million has been refunded with GO bond proceeds. At this time, there is $63 million in remaining authority to issue CP for Proposition 1B, $18.4 million in remaining authority for Proposition 1A, and $5 million in remaining authority for Proposition 116, also known as the Clean Air and Transportation Improvement Fund.

Proposition 1B authority is available for allocation in fiscal year 2019-20, plus additional estimated authority in future years. This amount largely consists of authority for the use of potential savings consistent with the Proposition 1B savings policy adopted by the Commission in January 2014. Original allocations are nearly complete for all programs except the Local Bridge Seismic Retrofit Account program, which will continue to make original allocations for several more years.

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

2019-20 Final Allocation Capacity
By Fund and Program
($ in millions)

Fund	SHOPP	STIP	AERO[1]	LPP	SCCP	TCEP	ATP	TIRCP	BONDS	TOTAL
SHA	$760	$247	$0	$0	$335	$0	$45	$0	$0	$1,387
FTF	1,307	100	0	0	0	105	196	0	0	1,708
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	705
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[2]	0	0	0	0	0	0	0	0	102	102
Proposition 1B Bonds[2]	11	20	0	0	0	0	0	0	69	102
Total Capacity	**$3,370**	**$390**	**$5**	**$331**	**$335**	**$739**	**$426**	**$1,366**	**$170**	**$7,133**

Note: Amounts may not sum to totals due to independent rounding.
[1]Aeronautics allocation capacity contingent upon DOF approval of LALA transfer.
[2]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 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 Fund Estimate 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 Fund Estimate 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 Fund Estimate and projects with time extensions approved by the Commission. The ATP capacity also incorporates the following assumptions:
  - 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 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

2019-20 Authorized Changes
Summary through March 31, 2020
($ in millions)

Program	Increase Count	Increase $	Decrease Count	Decrease $	Total Count[3]	Net $ Change
SHOPP[1]	108	$47.0	191	-$280.5	299	-$233.5
STIP[2]	7	13.5	3	-8.7	10	4.8
TOTAL	**115**	**$60.5**	**194**	**-$289.1**	**309**	**-$228.6**

Note: Amounts may not sum to totals due to independent rounding.
[1]Includes SHOPP G-12s, Proposition 1B Bond G-12s (SHOPP Augmentation) adjustments & rescissions (SHOPP only).
[2]Includes STIP G-12 and Proposition 1B Bond G-12 (TFA) adjustments.
[3]May include net zero adjustments.

Summary of Authorized Changes

SHOPP. The Department has processed 108 project increases, totaling $47 million (average of approximately $435,000 per authorization). The Department has also processed 191 project decreases, totaling negative $280 million (average of negative $1.5 million per authorization). The net change of the 299 allocation adjustments represent a savings of over $233 million.

STIP. The Department has processed seven project increases, totaling over $13 million (average of approximately $1.9 million per authorization). The Department has also processed three project decreases for a total of negative $8.7 million (average of negative $2.9 million per authorization). The net change of the 10 allocation adjustments represent an increase of approximately $4.8 million.

Background

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 24-month cash forecasts for the SHA, PTA, TCRF, RMRA and TCEA 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 2019-20 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.

SHA

- Capacity levels established in the 2018 and 2020 STIP Fund Estimates encouraged the expeditious planning and delivery of projects. The cash balance is anticipated to remain relatively stable until many of these projects begin delivery near the end of the 24-month period and beyond.
- SB 1 provided significant increases to revenue to fund capital outlay transportation programs such as SHOPP. Several years may elapse while these programs' projects are initiated, developed, contracted, and mobilized. Consequently, there is a lag before these programs' projects result in significant cash outflows.
- Project and program commitments for SHA at June 30, 2019, equal approximately $4 billion.
- 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

- PTA balances reflect the ongoing Transit and Intercity Rail Capital Program (TIRCP) projects, which are typically large, include other funding sources in addition to PTA, and require several years to develop and bring forward for allocation. Consequently, there is a lag before TIRCP projects result in significant cash outflows. Minor fluctuations to the cash balance are expected until TIRCP project spending accelerates, which is anticipated to occur beyond the 24-month period.
- TIRCP project commitments for PTA at June 30, 2019, equal approximately $1 billion.
- Projected TIRCP programming estimates by the Division of Rail and Mass Transportation.
- Revenue projections provided by the DOF.
- Prudent cash balance of $100 million.

TCRF

- No further allocation capacity is available due to cessation of the Traffic Congestion Relief Program pursuant to SB 1. Programmed projects will continue to expend over the 24-month period based on historical patterns.
- Tribal gaming loan repayment of $236 million transferred to the TCRF. $75 million will be immediately transferred to the SHA, $86 million to the PTA, while $75 million will remain in the fund for transfer to local agencies by SCO later in the fiscal year.

RMRA

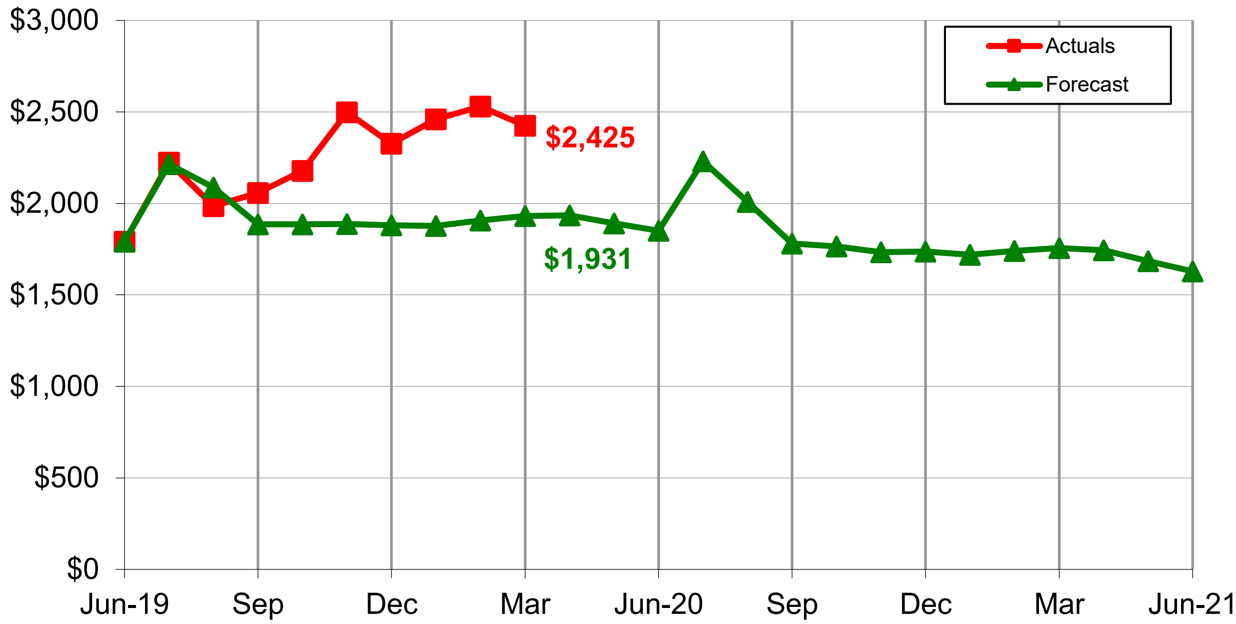
- Capacity levels established in the 2018 and 2020 STIP Fund Estimates accelerated the development and planned delivery of projects, many of which will enter phases requiring increased spending during the 24-month period.
- SB 1 provided significant increases to revenue to fund capital outlay transportation programs such as SHOPP. Several years may elapse while these programs' projects are initiated, developed, contracted, and mobilized. Consequently, there is a lag before these programs' projects result in significant cash outflows.
- Project and program commitments for RMRA at June 30, 2019, equal approximately $3.6 billion.
- Revenue projections based on data provided by the DOF.
- Prudent cash balance of $300 million.

TCEA

- Represents state funding for the new Trade Corridor Enhancement Program created by SB 1. Programming and allocation capacity are based on the anticipated receipt of revenue each fiscal year, which is expected to result in an increased cash balance over the 24-month period.
- Revenue projections provided by the DOF.
- Forecasted expenditures are based on historical spending of the Trade Corridors Improvement Fund.

APPENDIX C – CASH FORECASTS – STATE HIGHWAY ACCOUNT

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



Year-to-Date SHA Summary

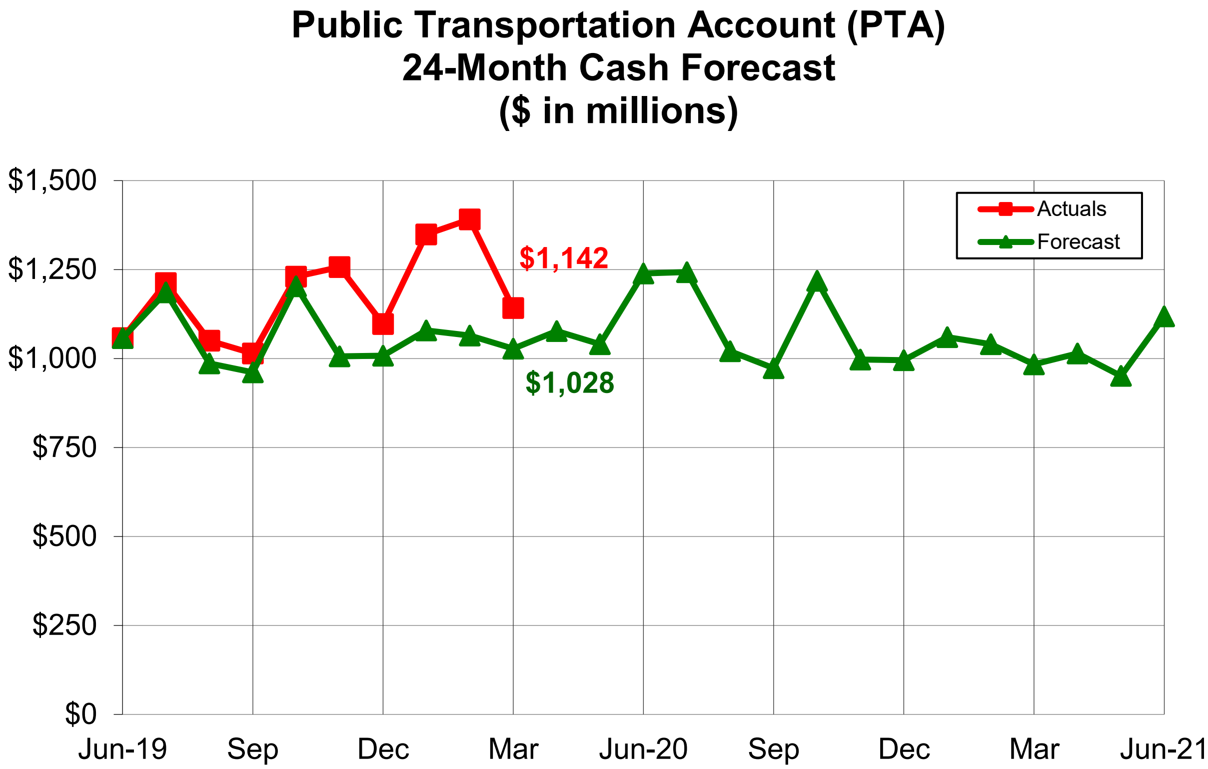
The SHA ending cash balance for the third quarter was approximately $2.4 billion, $494 million (26 percent) above the forecasted amount of $1.9 billion. The variance is primarily due to expenditures that were lower than forecast. Additionally, due to the closure of the Local Transportation Loan Account and Transportation Deferred Investment Fund, the fund balance of $4.2M and $13.8M was absorbed into the SHA, respectively. Revenues totaled $1.2 billion, $39 million (3 percent) above forecast. Net transfers totaled $2.1 billion, $9 million above forecast. Expenditures totaled $2.8 billion, $479 million (14 percent) below forecast. Adjustments, which represent timing differences between the Department's accounting system and the SCO's accounting system, totaled $187 million.

Year-to-Date Reconciliation
($ in millions)

	Forecast	Actual	Difference	%
Beginning Cash Balance	**$1,791**	**$1,791**	**N/A**	
Revenues	1,204	1,242	39	
Transfers	2,043	2,052	9	
Expenditures	-3,326	-2,847	479	
Adjustments	219	187	-32	
Ending Cash Balance	**$1,931**	**$2,425**	**$494**	**26%**

Notes: Amounts may not sum to totals due to independent rounding.
Balance does not include early repayment of pre-paid debt service that will be transferred to the Transportation Debt Service Fund.

Appendix C – Cash Forecasts – Public Transportation Account



Year-to-Date PTA Summary

The PTA ending cash balance through the third quarter was approximately $1.1 billion, $114 million (11 percent) above the forecasted amount of $1 billion. 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 higher than forecast. Revenues totaled $719 million, $45 million (6 percent) below forecast. Transfers totaled $120 million. Expenditures totaled $915 million, $23 million (2 percent) below forecast. Adjustments were $161 million through the third quarter.

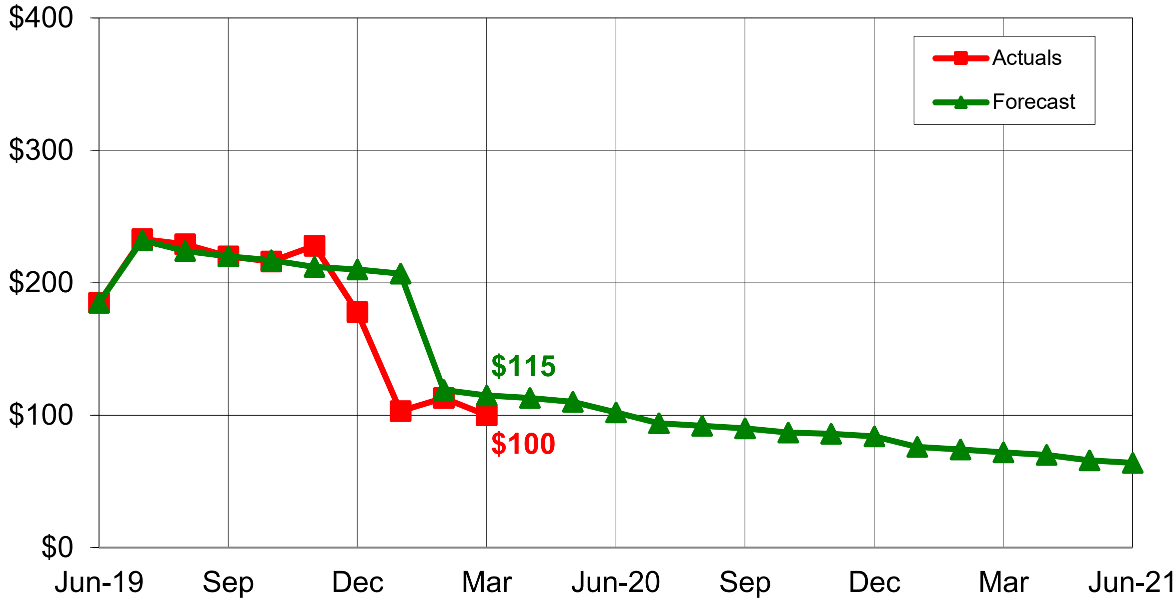
Year-to-Date Reconciliation
($ in millions)

	Forecast	Actual	Difference	%
Beginning Cash Balance	**$1,057**	**$1,057**	**N/A**	
Revenues	764	719	-45	
Transfers	120	120	0	
Expenditures	-938	-915	23	
Adjustments	26	161	135	
Ending Cash Balance	**$1,028**	**$1,142**	**$114**	**11%**

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

Appendix C – Cash Forecasts – Traffic Congestion Relief Fund

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



Year-to-Date TCRF Summary

The TCRF ending cash balance through the third quarter was approximately $100 million, $15 million (13 percent) lower than the forecasted balance of $115 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 lower than forecast. No revenues were received through the third quarter. Net transfers of negative $25 million reflect $25 million in transfers to other accounts and the final $236 million Pre-Proposition 42 loan repayment, of which $86 million and $75 million were transferred to the PTA and SHA earlier in the fiscal year. The loan repayment balance of $75 million was transferred by SCO to cities and counties during the third quarter as anticipated. Expenditures totaled $48 million, $3 million (7 percent) above forecast. Adjustments were negative $13 million through the third quarter.

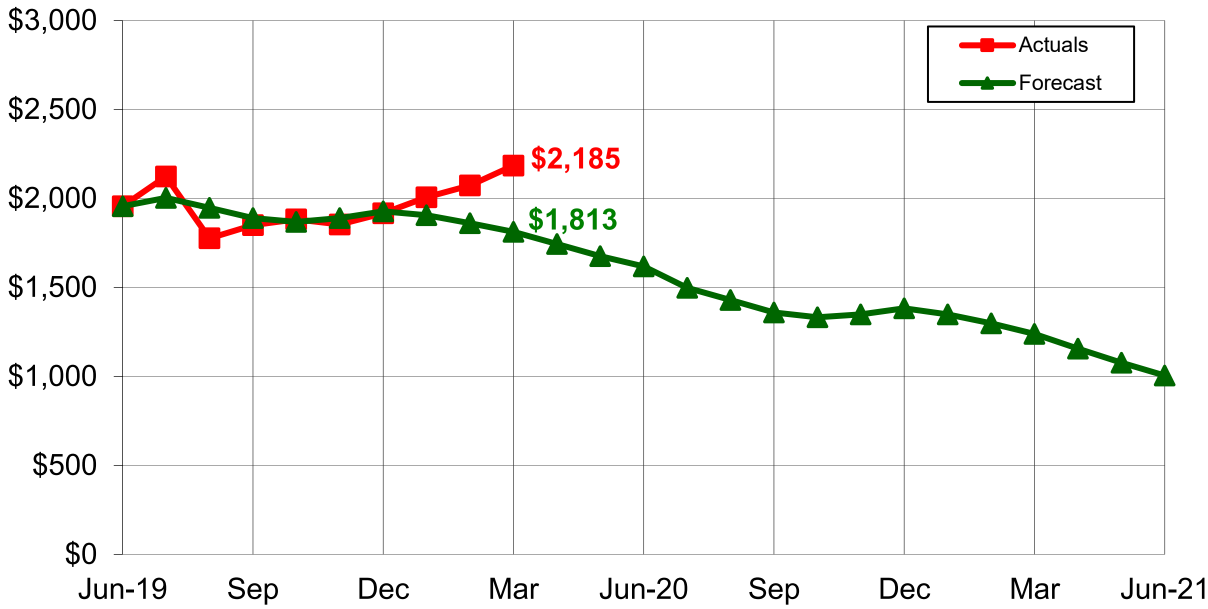
**Year-to-Date Reconciliation
($ in millions)**

	Forecast	Actual	Difference	%
Beginning Cash Balance	**$185**	**$185**	**N/A**	
Revenues	0	0	0	
Transfers	-25	-25	0	
Expenditures	-45	-48	-3	
Adjustments	0	-13	-13	
Ending Cash Balance	**$115**	**$100**	**-$15**	**-13%**

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

Appendix C – Cash Forecasts – Road Maintenance and Rehabilitation Account

Road Maintenance and Rehabilitation Account (RMRA) 24-Month Cash Forecast ($ in millions)



Year-to-Date RMRA Summary

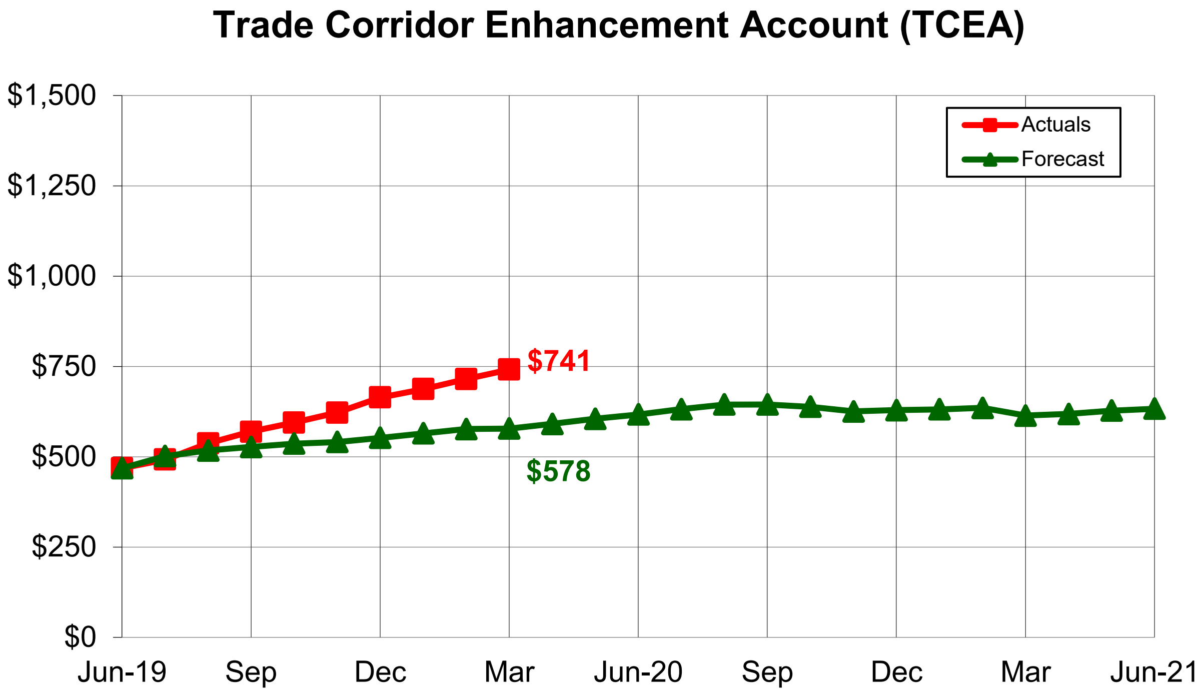
The RMRA ending cash balance through the third quarter was approximately $2.19 billion, $372 million (21 percent) above the forecasted amount of $1.81 billion. The variance is primarily due to expenditures that were lower than forecast and revenues that were higher than forecast. Revenues totaled $880 million, $167 million (23 percent) above forecast. Transfers totaled approximately $1.56 billion, $53 million (4 percent) above forecast. Expenditures totaled $1.94 billion, $548 million (22 percent) below forecast. Adjustments, which represent timing differences between the Department's accounting system and the SCO's accounting system, were negative $396 million through the third quarter.

Year-to-Date Reconciliation
($ in millions)

	Forecast	Actual	Difference	%
Beginning Cash Balance	**$1,956**	**$1,956**	**N/A**	
Revenues	714	880	167	
Transfers	1,507	1,560	53	
Expenditures	-2,487	-1,938	548	
Adjustments	124	-272	-396	
Ending Cash Balance	**$1,813**	**$2,185**	**-$372**	**-21%**

Notes: Amounts may not sum to totals due to independent rounding.
Balance does not include a transfer to the Transportation Revolving Account that occurred in the beginning of the fiscal year.

Appendix C – Cash Forecasts – Trade Corridor Enhancement Account



Year-to-Date TCEA Summary

The TCEA ending cash balance through the third quarter was approximately $741 million, $163 million (28 percent) above the forecasted balance of $578 million. The variance was primarily due to expenditures that were lower than forecast. Revenues totaled $283 million, approximately $45 million (19 percent) above forecast. Expenditures totaled approximately $21 million through the third quarter, $128 million lower than projected. Adjustments, which represents the timing differences between the Department's accounting system and the SCO's accounting system were zero.

Year-to-Date Reconciliation
($ in millions)

	Forecast	Actual	Difference	%
Beginning Cash Balance	**$468**	**$468**	**N/A**	
Revenues	238	283	45	
Transfers	11	11	0	
Expenditures	-150	-21	128	
Adjustments	10	0	-10	
Ending Cash Balance	**$578**	**$741**	**$163**	**28%**

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 nation-wide 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.

Net Allocation Needs – Obligation Plan

EVENT ($ in thousands)	Next 0-6 Months	Next 6-12 Months	Next 12-18 Months	Beyond 18 Months
CA90-1 Loma Prieta Earthquake	14	$0	$0	$0
CA03-1 December 2002 Storm	12,840	0	0	0
CA06-1 December 2005 Statewide Storms	1,087	0	0	0
CA10-1 January 2010 Storms	3,852	0	0	0
CA11-3 March 15, 2011 Storms	113,446	4,639	9,278	4,639
CA12-3 March 2012 Storm	2	0	0	0
CA16-1 October 2015 Storms	0	0	0	79
CA16-4 March 5, 2016 Storms	6,825	0	0	0
CA16-7 August 16, 2016 Blue Cut Fire	17	1,185	2,370	1,185
CA17-1 December 9, 2016 Storms	1,927	2,070	4,139	2,070
CA17-2 January 6, 2017 Storms	13,423	61,627	123,254	61,627
CA18-1 October 2017 Seven Fires	0	0	4,261	3,368
CA18-3 December 2017 Thomas, Creek and Rye, Lilac Fire & Mudslides	0	0	0	518
CA18-4 March 2018 Storms	0	139	277	139
CA18-5 July 2018 Monsoon Rains SBd County	1,286	0	0	0
CA18-6 July 2018 Fires SB, Sis, SD Counties	0	995	2,673	1,336
CA19-1 November 2018 Fires	1,256	15,812	31,624	15,812
CA19-2 January / February Winter Storms	17,557	40,182	80,364	40,182
CA19-3 July 2019 Earthquakes	0	280	561	280
TOTAL	**$173,534**	**$126,929**	**$258,801**	**$131,235**

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 March 31, 2020
($ in millions)

FUND	Original Loan	Loans / Interest Paid-to-Date	Remaining Balance
Pre-Proposition 42 (Tribal Gaming Revenue):			
State Highway Account (SHA)[1,2]	$571	$571	$0
Public Transportation Account (PTA)[2]	275	275	0
Traffic Congestion Relief Fund (TCRF)[2]	384	384	0
Subtotal Pre-Proposition 42 Tribal Gaming Loans:	**$1,230**	**$1,230**	**$0**
General Fund:			
State Highway Account - Weight Fee Revenues[1]	$1,498	$1,498	$0
Subtotal General Fund Loans:	**$1,498**	**$1,498**	**$0**
High-Speed Passenger Train:			
2013-14 Public Transportation Account (PTA)[3]	$23	$0	$23
2014-15 Public Transportation Account (PTA)[3]	31	0	31
Subtotal High-Speed Passenger Train Loans:	**$54**	**$0**	**$54**
Local Mass Transit Providers (PEPRA):			
Public Transportation Account (PTA)[4]	$14	$0	$14
Subtotal Local Mass Transit Providers Loans:	**$14**	**$0**	**$14**
Totals:	**$2,796**	**$2,728**	**$68**

Notes: Amounts may not sum to totals due to independent rounding.
[1]Loan repayments will be directed to the TDSF for debt service payments.
[2]Balances reflect allocations made to SHA and PTA per AB 133. Pursuant to SB 1, three annual loan repayments have been 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.
[3]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.
[4]Repayments must occur no later than January 1, 2021.

Pre-Proposition 42 loans and General Fund Weight Fee loans were repaid in full during fiscal year 2019-20. As a result, information pertaining to these loans will no longer be included as part of this appendix beginning with the first quarter 2020-21 Report.

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, funds would be repaid to 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. The $173 million loan repayment to TCRF occurred in December 2016, and subsequent transfers to the SHA, PTA and TCEA occurred in July 2019.

SB 1, approved by the Governor on April 28, 2017, required repayment of the remaining $706 million in outstanding Pre-Proposition 42 loans by June 30, 2020. Pursuant to SB 1, repayments were to 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. The third and final repayment occurred during the first quarter of 2019-20. Of the $236 million transferred to the TCRF, $161 million was subsequently transferred to the PTA and the SHA ($86 million and $75 million, respectively). The remaining $75 million, for Local Agencies, was transferred by the State Controller's Office on January 8, 2020.

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 July 2019, the DOF made two repayments totaling $1.16 billion, of which $278 million was transferred from the SHA to the TDSF in October 2019 to offset debt cost. In January 2020, the DOF revised the transfer amount to $261 million and repaid the remaining balance of $19 million owed to the SHA. As of the third quarter of 2019-20, all outstanding pre-paid debt service loaned from the SHA to the GF has been repaid in full and will be used to offset debt service in the future via transfer to the TDSF.

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.