2020 STIP Fund Estimate
Draft Assumptions

Presented to the
California Transportation Commission
Assumptions Background

• Discussion of Options & Significant Issues

  - No Commission action required at this meeting

  - Determines STIP and SHOPP capacity

  - Subsequent legislation & budgetary changes could impact final assumptions

  - Authority to postpone adoption
Components of the Draft Assumptions

- **Section One - Options**
  - Outlines the major revenue-based assumptions, offering alternatives for the Commission’s review and input/recommendation

- **Section Two – Significant Issues**
  - Details assumptions which may impact capacity over the Fund Estimate period if the current law changes

- **Section Three – Assumptions**
  - Provides a list of individual assumptions that impact the Fund Estimate
Cash Flow Methodology

BEGINNING BALANCE

ANTICIPATED REVENUES

NON-PROGRAM COMMITMENTS
- Support
- Local Assistance
- Maintenance and Operations
- Other

EXISTING PROGRAM COMMITMENTS

AVAILABLE FOR PROGRAMMING (for next 5 years)

Assumptions will affect these estimates
Key Assumptions - Options

- **Economy’s Impact on Revenues (Fuel Consumption Projections)**
  - Projections derived from numerous sources
  - Alternative A: ExxonMobil = $3.396 billion for STIP
  - Alternative B: Energy Information Administration = $3.097 billion for STIP
  - Alternative C: Department of Finance = $3.072 billion for STIP
  - Alternative D: Air Resources Board = $3.022 billion for STIP

- **Caltrans Recommends Alternative C (Department of Finance Projections)**
  - Specific to California
  - Analyzes fuel types individually
Key Assumptions - Options

- Federal Revenues
  - Alternative A = $18.5 billion in Obligation Authority (OA)
  - Alternative B = $19.2 billion in OA
  - Alternative C = $19.7 billion in OA

- Caltrans Recommends Alternative B
  - Continuation of current escalation
  - Offers a moderate approach
  - Approach is consistent with federal policy
Key Assumptions - Options

- **Capital Project Cost Escalation**
  - Alternative A = California Highway Construction Cost Index (CHCCI) rate of 5.3 percent
    - CHCCI was used in the 2018 Fund Estimate cycle
  - Alternative B = IHS Global Insight rate of 3.2 percent
    - Utilizing an average of rates over a five-year period
  - Alternative C = Department of Finance rate of 2.9 percent

- **Caltrans Recommends Alternative B (Global Insight)**
  - Global Insight rate offers industry specific cost indexing
  - Global Insight rate is forward-looking over the Fund Estimate period
Key Assumptions - Options

- **Minor Program Reservation Amount**
  - Alternative A = Leave Minor Program funding at $150 million
  - Alternative B = Increase Minor funding to $250 million annually
  - Alternative C = Increase Minor funding to $350 million annually

- **Caltrans Recommends: Alternative B (Increase Minor Program funding to $250 million)**
  - Greater opportunity for urgent response
  - Increase ability to utilize small businesses
  - Quicker delivery for short-term highway needs
  - More robust portfolio of projects to address projects that are beyond scope of Maintenance Program
Key Assumptions - Options

● Motor Vehicle Account Transfers
  ➢ Alternative A = Assume the State Controller’s Office will not make any transfers to the SHA over the FE period
  ➢ Alternative B = Assume the Controller will transfer $10 million each year over the FE period
  ➢ Alternative C = Assume the Controller will transfer $18 million each year over the FE period

● Caltrans Recommends: Alternative A (Assumes no transfer)
  ■ Legislative Analyst Office expects MVA insolvency in 2021-22
Key Assumptions - Significant Issues

- **State Transit Assistance**
  - Approximately 77 percent of revenues from sales tax on diesel are transferred to State Transit Assistance or State Rail Assistance
    - Revenue estimates contingent upon diesel fuel price volatility

- **Section 183.1 Revenues**
  - Law requires Section 183.1 revenues be transferred to the Transportation Debt Service Fund

- **Senate Bill 1 and Senate Bill 132**
  - Senate Bill 132 commits SHA and PTA resources for specific projects
Legislative Uncertainty

- **Changes in Law Often Affect Revenues After Adoption of the Fund Estimate**
  - Assumptions and methodology cannot account for changes in law that occur subsequent to adoption of the FE
  - Each of the last nine Fund Estimates have been impacted by legislation occurring during the development process
  - Potential 2020 FE issues:
    - Disposition of Transportation Funding at the State Level
    - Changes in Federal Funding
Next Steps

● **Work with Commission Staff**
  - Incorporate feedback and finalize assumptions

● **Final Assumptions Approved During the May Commission Meeting**

● **Remaining Timeline:**

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<tr>
<td>May 15-16</td>
<td>FE Assumptions approved by Commission</td>
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<tr>
<td>June 26-27</td>
<td>Draft FE presented to Commission</td>
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<tr>
<td>August 14-15</td>
<td>Final FE presented to Commission for adoption</td>
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