

Memorandum

To: CHAIR AND COMMISSIONERS

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Information Item

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Ref: **INFORMATIONAL REPORT ON CASH FLOW FOR TRAFFIC CONGESTION RELIEF PROGRAM (TCRP) PROJECTS**

BACKGROUND:

This report contains a comparison of expected revenues and expenditures in the Traffic Congestion Relief Fund (TCRF) to provide a long-term fund balance forecast. Analysis of the cash forecast identifies issues and opportunities for future transportation funding decisions.

The prospective of continued funding for the TCRF is in serious question considering the current financial crisis for the State's General Fund. It is too early in the transition to the Schwarzenegger administration and the development of the fiscal year 2004-05 state budget to determine, with any level of certainty, if funds will be transferred to the Transportation Investment Fund (TIF) and the TCRF. If the transfer of funds from the TIF to the TCRF occur as scheduled (\$678 million per year for next 4 years) and outstanding loans and deferrals made to benefit the General Fund are repaid, full progress on delivery of TCR projects can resume beginning in July 2004. However if the transfer of funds to the TIF and TCRF are suspended, significant issues will arise that affect the delivery of TCR projects. This potential suspension of funds will also impact the development of the 2004 State Transportation Improvement Program (STIP) and potentially the development of the Federal Transportation Improvement Program (FTIP).

Attachment No. 1, TRAFFIC CONGESTION RELIEF FUND (TCRF) CASH FLOW ANALYSIS, summarizes the anticipated TCRF revenues as defined in existing statutes and compares with the actual and projected cash-flow expenditures for TCR projects and loan repayment to the State Highway Account (SHA) and the Public Transportation Account (PTA). Where applicable, this analysis uses the assumptions regarding future budget actions adopted by the California Transportation Commission's (Commission) in development of the 2004 STIP Fund Estimate. Analysis of this comparison identifies the following issues and opportunities:

A. Issues**1. Funding to cover the cost of existing allocations**

- A future appropriation of \$254 is required to cover the costs of existing allocations.

2. Funding to allow the Commission to make new allocations and reimburse costs of approved AB 1335 TCRP Letter of No Prejudice (LONPs)

- Funding must be appropriated to the TCRF in fiscal year 2004-05 and future years to enable the Commission to resume allocating funds to TCR projects.

3. Repayment of loans and deferrals made from the TCRF to the General Fund

- A total of \$1,772 million has been loaned or deferred from the TCRF to the General Fund. These funds must be repaid to fully fund the TCRP (loan repayment is scheduled to include \$44 million in interest). If these loans are forgiven, projects must be deleted from the TCRP.

4. Repayment of loans made from the SHA and PTA to the TCRF

- The TCRF has outstanding loan obligations of \$464 million to the State Highway Account (SHA) and \$275 million to the Public Transportation Account (PTA).

5. Relationship of funding for the TCRF with the development of the STIP and FTIP

- Regional agencies must make an assumption regarding funding levels for TCR projects as they develop their Regional Transportation Improvement Program (RTIP) and Federal Transportation Improvement Program (FTIP).
 - If the actual funding differs from a region's assumption, that region's RTIP may be over-committed or under-committed with respect to actual funding.
 - If the FTIPs are developed assuming funds are made available for TCRF and the TCRF does not actually receive funding, then the FTIPs may be challenged as non-financially constrained.

6. If the TCRF is not funded, there will be additional competition for limited STIP programming capacity as agencies consider adding TCR projects to STIP

- Since the Commission's suspension of new allocation of TCR funds in December 2002, STIP amendments of approximately \$350 million have been approved to backfill suspended TCR funds.

B. Opportunities

If the transfer of funds from the Transportation Investment Fund (TIF) to the TCRF occurs as scheduled (\$678 million per year for next 4 years) and outstanding loans and deferrals made to benefit the General Fund are repaid, the following opportunities exist:

- 1. Sufficient funds will be available to meet TCR project cash flow demands and resume making new allocations of funds.**
- 2. Existing resources provide a modest balance in fiscal year 2003-04 that could be used to approve requests to redistribute previously allocated funds using Resolution G-03-14, the Traffic Congestion Relief (TCR) Program Policy for Managing Cash between TCR Projects (approved at the September 2003 Commission meeting.)**
- 3. A balance of \$180 million exists at the end of fiscal year 2004-05 providing an opportunity for partial early repayment of SHA or PTA loan.**
- 4. The large projected cash balance in fiscal year 2005-06 provides opportunities for:**
 - Early repayment of SHA or PTA loans.
 - Deferment of repayment of loans due from the General Fund.
- 5. A balance in the TCRF may allow for the redistribution of STIP and TCRF on jointly funded projects. Agencies could use TCRF funding in advance of STIP funding, thus minimizing delays caused by limited STIP programming capacity.**
- 6. Agencies could eliminate TCR projects that cannot be delivered and redirect TCRF resources to higher priority projects.**
 - TCRP statutes allow agencies, upon approval of the Commission, to eliminate TCR projects that cannot be delivered and redirect funding to other projects in their jurisdiction.

Attachment No. 2 (12 pages) contains detailed descriptions regarding revenues, loans into and from the TCRF, methodology and assumptions used for the cash-flow projections, and additional commentary and analysis of the issues and opportunities included in this memorandum. Where applicable, Attachment No. 1, TRAFFIC CONGESTION RELIEF FUND (TCRF) CASH FLOW ANALYSIS, is footnoted to guide the reader to the appropriate reference in Attachment No. 2 for the additional details.

Attachments

TRAFFIC CONGESTION RELIEF FUND
October 2003 Progress Report
Cash Flow Analysis (\$ Millions)

	Prior	Current Year 2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	beyond
RESOURCES								
Beginning Balance		377	74	180	1,482	830	542	397
General Funds (GF) - FY 2000-01 funds	1,595							
Prop 42 / TIF revenue		678	678	678	678	602		
Prop 42 / TIF suspensions - TDIF repayment		(389)					389	
Transp. Deferred Investment Fund - Interest ¹⁾							44	
TCRF / General Fund Loans	(1,383)			1,383				
TCRF / State Highway Account (SHA) Loans	474	(100)			(374)			
SHA funding for Caltrans Capital Support	90				(90)			
TCRF / Public Transit Account (PTA) Loans	275					(275)		
EXPENDITURES								
Est Expenditures - Existing Allocations ²⁾	674	492	237	63	25	3	0	0
Est Expenditures - New Allocations ³⁾		0	240	544	670	461	387	306
Est Expenditures - Approved / Planned LONPs ⁴⁾		0	95	152	171	151	191	47
ENDING BALANCE	377	74	180	1,482	830	542	397	44

- FOOTNOTES:
- 1) Transportation Deferred Investment Fund - Interest is estimated using current rate of 1.859 percent.
 - 2) Estimated Expenditures - Existing Allocations is the sum of actual expenditures to date plus future cash-flow expenditures as reported by Lead Agencies. See Attachment No. 2, Table 1 for a breakdown between actual expenditures and future cash-flow.
 - 3) Estimated Expenditures - New Allocations is based on an assumption that funds will be appropriated to the TCRF to allow the Commission to resume making new allocations beginning in July 2004. See Attachment No. 2, Table 3 for a breakdown of amount to be allocated by fiscal in FY 2004-05 and subsequent years.
 - 4) Estimated Expenditures - Approved / Planned LONPs occur as a Lump Sum payment upon completion of work. See Attachment No. 2, Table 4 for a breakdown of amount Approved and Planned LONPs.

GENERAL NOTE: All loan repayments are assumed to occur on the statutorily defined due dates, i.e., no early repayment of loans.

TRAFFIC CONGESTION RELIEF PROGRAM (TCRP) REVENUE:

The Traffic Congestion Relief Act (AB 2928 and SB 1662 of the Statutes of 2000) included \$4.909 billion for 141 specific projects throughout California to relieve congestion, provide for the safe and efficient movement of goods and promote inter-modal connectivity. The Traffic Congestion Relief Fund (TCRF) was established with an initial deposit of \$1.595 billion from the State's General Fund in fiscal year 2000-01 and an additional \$3.314 billion in revenue derived from the State's sales tax on gasoline sales between fiscal years 2001-02 and 2005-06.

To increase funds available to the General Fund, the Traffic Congestion Relief Act was refinanced as part of the fiscal year 2001-02 budget act, eliminating funding to the TCRF in fiscal years 2001-02 and 2002-03 and adding additional revenues in fiscal years 2006-07 and 2007-08. The refinancing plan authorized loans from the TCRF to the General Fund. The refinancing plan (AB 438 of Statutes of 2001) also authorized Proposition 42, a voter initiative that added Article XIX.B to the State's Constitution, making permanent the transfer of revenue derived from the sales tax on gasoline to transportation purposes. The refinancing plan was not expected to adversely impact progress on the TCR projects due to the large balance in the TCRF from the initial deposit of General Fund revenue.

Due to mounting deficits in the General Fund in fiscal years 2001-02 and 2002-03, the Legislature took action to transfer funds from the TCRF to the General Fund as a loan to be repaid by legislatively defined dates. To finance the cash flow for TCR- projects, loans were approved from the State Highway Account (SHA) and the Public Transportation Account (PTA). The loan to the TCRF from the SHA added to prior loans authorized to pay for the California Department of Transportation (Department) capital support activities. The authorizing statutes for the loans include the statement that "It is the intent of the Legislature that the loans authorized by this act be administered in a manner that does not delay the delivery of transportation projects that are funded from either the State Highway Account or the Traffic Congestion Relief Fund."

Facing continued economic challenges as evidenced by the increasing State General Fund deficit, then Governor Davis signed Executive Order D-64-02 on November 26, 2002, directing all State agencies and departments to reduce expenditures in the current fiscal year to achieve General Fund savings wherever possible. At the December 2002 meeting, the California Transportation Commission (Commission) took action to defer approval of any additional TCRP applications and allocations. The deferral of new allocations from the TCRF continues to this day. Prior to this suspension, the total allocated to TCRP projects is approximately \$1,494 million.

The adopted 2003-04 fiscal year budget included a partial suspension of Proposition 42 that provides \$189 million in new revenue for TCR projects, which is approximately the level of funding needed to cover the expected cash-flow through fiscal years 2003-04, as documented in the January 2003 Commission survey of TCRP lead agencies and Regional Transportation Planning Agencies (RTPA). The budget does not appear to provide resources to allow the Commission to resume allocating new funds to start additional phases of work. The budget also provided \$100 million to the TCRF to be used as a partial repayment of the loan from the SHA.

Funds suspended in the 2003-04 fiscal year are required to be repaid to the Transportation Deferred Investment Fund (TDIF), with interest, no later than June 30, 2009.

Attachment No. 1, TRAFFIC CONGESTION RELIEF FUND (TCRF) CASH FLOW ANALYSIS, summarizes the revenue forecast for the TCRF. The forecast assumes that loans will be repaid when due, i.e., there will be no early repayment of loans from the General Fund to the TCRF, or from the TCRF to the SHA and PTA.

ISSUE #1: The cumulative resources provided to the TCRP through fiscal year 2003-04 is \$1,240 million. The amount of funds allocated by the Commission prior to the suspension of allocations is \$1,494 million. Therefore, future appropriations of \$254 million are required to cover the costs of existing allocations.

RECOMMENDATION:

Assume future appropriations are made to cover the cost of the existing allocations. This is consistent with intent of the adopted 2003-04 fiscal year budget and with State Transportation Improvement Program (STIP) fund estimate assumption that Transportation Investment Fund (TIF) transfers will occur in fiscal year 2004-05.

TRAFFIC CONGESTION RELIEF PROGRAM CASH FLOW EXPENDITURES

Pursuant to the Commission guidelines for the TCRP, lead applicant agencies must submit progress reports for each TCR project, twice a year by April 1 and October 1. Lead agencies are expected to verify and update all information (including percent complete, expenditures, allocations, schedule changes, etc.) necessary to meet the reporting requirements outlined in the legislation and the guidelines. The Department summarizes this information in its bi-annual report to the Commission. A complete report will be submitted at a future Commission meeting regarding the information submitted for the October 2003 Progress Report.

This report on cash-flow projections is based on data submitted for the October 1, 2003 Progress Report. Lead agencies were requested to provide a time-phased cash flow for projects that have an unexpended balance of allocated TCR funds, and to update project schedules and anticipated allocation dates for those phases of work not yet underway. Agencies were also asked to identify project phases that are anticipated to proceed using local agency funds under an approved AB 1335 TCRP Letter of No Prejudice (LONP). Commission approval of a LONP request allows a local agency to proceed with project work using its own funds and to seek an allocation from the TCRF upon future appropriations to the TCRF from the legislature.

A. Cash Flow for Projects with an Existing Allocations

1. Actual expenditures to date

Through the September 2003 meeting, approximately \$1.494 billion had been allocated to 118 TCR projects. Of this amount, approximately \$807 million has been paid as to implementing agencies to cover the cost of work performed to date.

2. Estimated Cash-flow for unexpended balance of TCR funds

The applicant agencies were asked spread the unexpended allocations across the remainder of the 2003-04 fiscal year and for the future fiscal years needed to complete the work.

Table 1 below combines the actual expenditures to date with the responses from lead agencies for projected cash flow to get the total expected cash flow for existing allocations.

Table 1 – Cash Flow for Existing TCRF Allocations (\$ Millions)

	Cash-Flow by Fiscal Year (FY)					
	Prior	2003-04	2004-05	2005-06	2006-07	2007-08
Expend to Date	\$ 674	\$ 133				
Estimated Cash-Flow		\$ 359	\$ 237	\$ 65	\$ 25	\$ 3
Total–Exist Allocations	\$ 674	\$ 492	\$ 237	\$ 65	\$ 25	\$ 3

The totals are included in Attachment No. 1, TRAFFIC CONGESTION RELIEF FUND (TCRF) CASH FLOW ANALYSIS, shown as “Est Expenditures – Existing Allocations”.

3. Analysis of Progress on Phases of Work with an Existing Allocation

The rate of estimated cash flow is slightly reduced from the amounts reported in the January 2003 Commission survey of lead and implementing agencies. This can be explained due to:

- Risks in funding for TCRF based on Executive Order D-64-02 and the 2003-04 fiscal year budget proposals. On two separate occasions, the Department informed lead

agencies that funding and timely reimbursement for TCR projects was at risk. Several agencies delayed awarding contracts or deferred work due to this risk.

- A \$19 million reduction in the Department’s 2003-04 fiscal year capital support budget. The Department proposed \$49 million for capital support for TCRF funded workload. The adopted budget reduced this amount to \$31 million. This action reduced expenditures in the 2003-04 fiscal year by \$19 million for Department support costs.

Table 2 below identifies the change in projected cash flow as compiled in the January 2003 Commission survey and the results from the October 2003 Progress Report.

Table 2 – Comparison of Cash flow for Existing Allocations (\$ Millions)

	FY 2002-03	FY 2003-04	FY 2004-05	Beyond
Jan 2003 CTC Survey	\$689	\$267	\$138	\$86
Oct 2003 Progress Rpt.	\$360	\$492	\$237	\$93
Change	(\$329)	\$225	\$99	\$7

ISSUE #2: Due to uncertainty in the 2003-04 fiscal year funding for the TCRF and reductions in the Department’s capital support budget, many projects phases with an existing allocation have been delayed. Agencies delayed awarding contracts until the 2003-04 fiscal year budget was adopted. This delay in progress is evidenced by reduced expenditures and slippage in phase end dates.

RECOMMENDATION:

In order to eliminate the administrative burden on lead and implementing agencies, the Department recommends that agencies be granted a one-time schedule extension for the phases of work delayed due to uncertainties in funding. The Department will present the affected TCR projects at a future Commission meeting for consideration of this one-time extension.

B. Expenditures for Phases of Work without an Allocation of TCR funds

Expenditures for phases of work that have not yet received an allocation of TCR funds were determined for two categories of projects:

- **Phases of work that require a new allocation of funds to proceed.**
- **Phases of work that will proceed under an approved AB 1335 TCRP Letter of No Prejudice (LONP) with allocation and reimbursement in future fiscal years**

If funding for the TCRF continues to the amount defined by current statutes and loans made to the General Fund are repaid, the Commission will have the opportunity to allocate an additional \$3.415 billion in funding for TCR projects. Lead agencies responded in the October 2003 Progress Report that, of this amount, \$2,608 billion will be requested as new allocation to start phases of work and \$807 million will be requested for LONPs.

1. Expenditures for New Allocations

Many TCR project phases have been impacted by the suspension of funding for the TCRF. The most recent data compiled in previous progress reports indicated that agencies would request \$1,316 million of new allocations in fiscal year 2002-03. Only \$85 million of this amount was requested prior to the suspension of allocations in December 2002.

As a result of the suspension of new allocations and the uncertainty of appropriations to the TCRF in fiscal year 2004-05, which normally would allow the Commission to resume making new allocations of funds, many project phases are suspended. In order to estimate future cash flow, agencies were instructed to assume that the earliest any new allocations of funds could be made for TCR projects is July 2004.

ASSUMPTION:

The earliest that new allocations of funds can be made for TCR projects is July 2004.

DISCUSSION:

- This assumption is consistent with the State Transportation Improvement Program (STIP) fund estimate assumption that Transportation Investment Fund (TIF) transfers will resume in the 2004-05 fiscal year.
- This assumption does not address the impacts of potential STIP fund estimate resource constraints for projects that are funded jointly from the TCRP and the STIP. Additional rescheduling (delays) may be required on TCR projects once the STIP is adopted.

Using this assumption, lead agencies were asked to reschedule phases of work that require an allocation of funds from the TCRF to proceed. For estimating purposes, cash flow for

new allocations is assumed to occur on the start date for unallocated phases as reported in the October 2003 Progress Report. Department staff used this information with cash-flow models reviewed and approved by both Commission staff and by representatives from large RTPAs to spread the future allocated funds over multiple fiscal years. The cash-flow model takes into consideration the type of work (highway project, mass transportation, rail, etc.) to be performed. Table 3 below summarizes the anticipated amount to be requested for allocation each fiscal year and the resulting cash flow.

Table 3 – Cash Flow for New TCRF Allocations (\$ Millions)

Allocation by FY		Cash-Flow by Fiscal Year (FY)					
		2004-05	2005-06	2006-07	2007-08	2008-09	Beyond
2004-05	\$ 1,882	\$ 240	\$ 511	\$ 559	\$ 292	\$ 211	\$ 69
2005-06	\$ 309		\$ 33	\$ 90	\$ 88	\$ 58	\$ 40
2006-07	\$ 208			\$ 21	\$ 63	\$ 64	\$ 61
2007-08	\$ 152				\$ 18	\$ 51	\$ 83
2008-09	\$ 33					\$ 3	\$ 30
Beyond	\$ 23						\$ 23
Totals	\$ 2,608	\$ 240	\$ 544	\$ 670	\$ 461	\$ 387	\$ 306

The totals are included in Attachment No. 1, TRAFFIC CONGESTION RELIEF FUND (TCRF) CASH FLOW ANALYSIS, shown as “Est Expenditures – New Allocations”.

2. Expenditures for AB 1335 TCRP Letter of No Prejudice (LONP)

AB 1335 TCRP Letter of No Prejudice (LONP) allows a lead agency to spend its own funds to complete work on TCR projects and seek reimbursement for actual costs in future years upon appropriations of new funds to the TCRF. To date, the Commission has approved LONPs for \$269 million. Lead agencies reported in the October 2003 Progress Report that another \$538 million will be requested for approval under LONP guidelines, bringing the total to \$807 million.

Upon completion of a phase of work proceeding under an approved LONP, the lead agency can request an allocation of funds and seek a lump sum reimbursement for costs incurred, thus cash flow is assumed to be lump sum payments on the end date for the phases of work with approved or anticipated LONP requests. Table 4 below summarizes the anticipated amount to be requested for allocation and reimbursement for LONPs.

Table 4 – Cash Flow for Approved and Proposed LONPs (\$ Millions)

	Cash-Flow (Reimbursements) by Fiscal Year (FY)					
	2004-05	2005-06	2006-07	2007-08	2008-09	Beyond
Approved LONPs	\$ 6	\$ 113	\$ 0	\$ 150	\$ 0	\$ 0
Planned LONPs	\$ 89	\$ 39	\$ 171	\$ 1	\$ 191	\$ 47
Totals	\$ 95	\$ 152	\$ 171	\$ 151	\$ 191	\$ 47

The totals are included in Attachment No. 1, TRAFFIC CONGESTION RELIEF FUND (TCRF) CASH FLOW ANALYSIS, as “Est Expenditures – Approved / Planned LONPs.

TCRP CASH FLOW ANALYSIS – ISSUES AND OPPORTUNITIES

Attachment #1, TRAFFIC CONGESTION RELIEF FUND (TCRF) CASH FLOW ANALYSIS, summarizes the anticipated TCRF revenues as defined in existing statutes and compares with the actual and expected cash-flow expenditures for TCR projects and loan repayment to the State Highway Account (SHA) and the Public Transportation Account (PTA). An analysis of this comparison identifies the following issues and opportunities.

A. Issues

1. Funding to cover the cost of existing allocations

The cumulative resources provided to the TCRP through fiscal year 2003-04 are \$1,240 million. The amount of funds allocated by the Commission, prior to the suspension of allocations in accordance with Executive Order D-64-02, is \$1,494 million. Therefore, future appropriations of \$254 million are required to cover the costs of existing allocations. If appropriations are not made to cover the cost of existing allocations, the Department will not be able to make timely reimbursements to implementing agencies.

The Department recommends that the Commission assumes future appropriations are made to cover the cost of the existing allocations. This is consistent with intent of the adopted fiscal year 2003-04 budget and with STIP fund estimate assumption that TIF transfers will occur.

2. Funding to allow the Commission to make new allocations and reimburse costs of approved LONPs

The TCRF is scheduled to receive a \$678 million transfer of funds (new appropriation) from the TIF in the 2004-05 fiscal year and in subsequent fiscal years. The 2004-05 fiscal year transfer is required to resume allocating funds to TCR projects. Transfers in future years are needed to pay the ongoing costs generated from these new allocations. Table #2 earlier in this report identifies the amounts and resulting cash flow that would be requested for new allocation beginning in July 2004.

The continuing deficit in the State's General Fund could impact the transfer of funds to the TIF and TCRF. Funding for the TIF can be suspended in a given fiscal year when (1) the Governor has issued a proclamation that declares that the transfer will result in a significant negative fiscal impact on the General Fund, and (2) the Legislature enacts a bill passed in each house by two-thirds of the membership.

The Department recommends that the Commission continue the suspension of making new allocations of funds until it can be certain that the TIF transfer will actually occur.

3. Repayment of loans and deferrals made from the TCRF to the General Fund

A total of \$1,816 million is due to the TCRF from the General Fund. This total consists of \$1,772 million in loans and deferrals and \$44 million in interest. The individual components of the amount due are shown below:

- \$1,383 million Loans from the TCRF to the General Fund
- \$ 389 million Principle from Prop 42 suspension in fiscal year 2003-04
- \$ 44 million Interest from Prop 42 suspension in fiscal year 2003-04

The \$1,383 million loan to the General Fund is due for repayment in fiscal year 2005-06. Repayment of the Prop 42 suspension will be made through the Transportation Deferred Investment Fund (TDIF) established by Assembly Bill 1751 (Statutes of 2003), and is due in fiscal year 2008-09.

The continuing deficit in the State's General Fund could impact the repayment of loans. Repayment of the loans could be forgiven with a simple majority vote of the Legislature. It should be noted that if the loans are forgiven and full funding for the TCR projects no longer exists, the Legislature must take action to either eliminate projects from the TCRP or reduce the amount of funding available for specific projects.

Later discussion in this document will note that repayment of the \$1,383 loan from the General Fund is not needed as scheduled to meet cash-flow demands of TCR projects. This fact provides an opportunity to defer the loan repayment and/or make an early repayment of the loans from the SHA and PTA. See Opportunity #4 on the following pages.

4. Repayment of loans made from the SHA and PTA to the TCRF

The TCRF has outstanding loans of \$464 million from the SHA and \$275 million from the PTA. The 2004 STIP Fund Estimate assumptions include the loan repayments as part of the resources available for the fund estimate period.

The TCRF must receive new appropriation of funds from the TIF to meet these loan repayment obligations. The continuing deficit in the State's General Fund could impact the transfer of funds from the TIF. Funding for the TIF can be suspended in a given fiscal year when (1) the Governor has issued a proclamation that declares that the transfer will result in a significant negative fiscal impact on the General Fund, and (2) the Legislature enacts a bill passed in each house by two-thirds of the membership.

The Department recommends that the Commission continue to assume that sufficient funding is appropriated to the TCRF to meet the SHA and PTA loan repayment obligations as scheduled.

5. Relationship of funding for the TCRF with the development of the STIP and FTIP

Regional agencies (RTPAs and MPOs) must make an assumption regarding funding levels for TCR projects as they develop their Regional Transportation Improvement Program (RTIP) and Federal Transportation Improvement Program (FTIP).

- 5.a If the actual funding differs from a region's assumption, that region's RTIP may be over-committed or under-committed with respect to actual funding. If regions assume that funding will be appropriated to the TCRF for TCR projects, they will not need to consider adding these projects to the STIP. If appropriations are not made to the TCRF, many projects will be under funded. Conversely, if regions assume that funding is not appropriated to the TCRF, they will consider adding TCR projects to the STIP, potentially displacing existing STIP projects. This will be a difficult and politically charged activity. Some regions have considered the concept of developing an RTIP with the assumption that TCR projects get funded and an alternate RTIP based on the assumption that TCR projects do not get funded.
- 5.b If the FTIPs are developed assuming funds are made available for the TCRF and if the TCRF does not actually receive funding, then the FTIPs may be challenged as non-financially constrained. The Federal Highway Administration (FHWA) and Federal Transit Authority (FTA) expressed concerns regarding the current level of resources actually available after the 2003-04 fiscal year suspensions of Prop 42 funds.

6. If the TCRF is not funded, there will be additional competition for limited STIP programming capacity as agencies consider adding TCR projects to STIP

Since the Commission's suspension of new allocation of TCR funds in December 2002, STIP amendments of approximately \$350 million have been approved to backfill suspended TCR funds. This trend can be expected to continue as specific higher priority TCR projects displace existing STIP projects.

B. Opportunities

If the transfer of funds from the Transportation Investment Fund (TIF) to the TCRF occurs as scheduled (\$678 million per year for next 4 years) and outstanding loans and deferments made to benefit the General Fund are repaid, the following opportunities exist:

1. Sufficient funds will be available to meet TCR project cash flow demands and resume making new allocations of funds.

Attachment No. 1 details expected resources and estimated cash flow. The comparison of resources with cash flow indicates that resources are sufficient to cover the costs of existing allocations, the expected costs from new allocations and the cost to reimburse agencies that proceed with project work under an approved AB 1335 TCRP Letter of No Prejudice.

2. Existing resources provide a modest balance in fiscal year 2003-04 that could be used to approve requests to redistribute previously allocated funds using Resolution G-03-14, the Traffic Congestion Relief (TCR) Program Policy for Managing Cash between TCR Projects (approved at the September 2003 Commission meeting.)

Cash-flow projections indicate that the TCRF will have a positive balance of \$74 million at the end of the 2003-04 fiscal year. This provides the opportunity to allow lead agencies to take advantage of the TCR Program Policy for Managing Cash between TCR Projects. This policy allows agencies to redirect unspent TCRF allocations to high priority projects to allow those projects to proceed. This action does not increase the overall amount of TCRF allocations, but may accelerate cash-flow expenditures. The \$74 million positive balance allows significant use of this policy.

3. A balance of \$180 million exists in the TCRF at the end of fiscal year 2004-05 providing an opportunity for partial early repayment of State Highway Account (SHA) or Public Transportation Account (PTA) loan.

As shown on Attachment No. 1, TRAFFIC CONGESTION RELIEF FUND (TCRF) CASH FLOW ANALYSIS, the TCRF has a positive balance of \$180 million at the end of the 2004-05 fiscal year. The outstanding loan repayment to the SHA is scheduled for fiscal year 2005-06 and the loan repayment to the PTA is due in fiscal year 2006-07. The positive balance in fiscal year 2004-05 could be used for a partial early repayment of these loans. Legislative action is required to take advantage of this opportunity.

4. The large projected cash balance in fiscal year 2005-06 provides opportunities for benefits to the State Highway Account (SHA), Public Transportation Account (PTA) or the General Fund:

The \$1,383 million loan made to the General Fund is due for repayment in fiscal year 2005-06. As shown on Attachment No. 1, TRAFFIC CONGESTION RELIEF FUND (TCRF) CASH FLOW ANALYSIS, this loan repayment results in a fiscal year 2005-06

ending balance in the TCRF of \$1,482 million. This large ending balance provides opportunities for:

- 4.a Early repayment of SHA or PTA loans. The outstanding loan repayment to the SHA is scheduled for fiscal year 2005-06. The loan repayment to the PTA is due in fiscal year 2006-07. The large positive ending balance in fiscal year 2005-06 could be used for a partial early repayment of these loans. Legislative action is required to take advantage of this opportunity.
- 4.b Deferment of repayment of loans due from the General Fund. The continuing deficit in the State's General Fund could impact the repayment of loans. Repayment of the loans could be rescheduled with a simple majority vote of the Legislature to match the cash-flow demand. Legislative action is required to defer repayment of this loan.

5. A balance in the TCRF may allow for the redistribution of STIP and TCRF on jointly funded projects. Agencies could use TCRF funding in advance of STIP funding, thus minimizing delays caused by limited STIP programming capacity.

A significant number of projects are funded jointly from the TCRF and the STIP. In a limited number of instances, the lead agency to use STIP funding for the early phases of work with TCRF funding in later stages. Positive balances in the TCRF would allow these agencies to redistribute funding to use TCRF resources first to offset potential delays due to limited STIP programming capacity.

6. Agencies could eliminate TCR projects that cannot be delivered and redirect TCRF resources to higher priority projects.

Section 14556.30(b) of Government Code allows lead agencies, under certain circumstances and upon approval of the Commission, to eliminate TCR projects that cannot be delivered and redirect funding to other projects in their jurisdiction. A significant number of TCR projects are uncapitalized or undercapitalized with limited hope for funding in the near term to deliver the project. In these situations, agencies could request that this project be removed from the TCRP and remaining funding redirected to another project in the agency's jurisdiction. The other project does not have to be another TCR project. Continued funding for the TCRF would allow agencies to use this statutory provision to redirect funds to the highest priority projects.