

Memorandum

Tab 30

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: June 25, 2015

Reference No.: 3.7
Information Item

From: NORMA ORTEGA
Chief Financial Officer

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Division of
Budgets

Subject: FISCAL YEAR 2014-15 THIRD QUARTER FINANCE REPORT

Attached is the California Department of Transportation's Fiscal Year 2014-15 Third Quarter Finance Report.

Attachment



Department of Transportation Quarterly Finance Report

Third Quarter 2014-15

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 or Commission regarding transportation funding policy, allocation capacity, or forecast methodology to ensure the efficient and prudent management of transportation resources. Below is the schedule of dates for the development of the fiscal year 2013-14 and 2014-15 Quarterly Finance Reports.

Quarterly Finance Report			
Schedule of Reports			
Fiscal Year	Quarterly Report	Activity	Date
2014-15	2013-14 Q4	Close of Quarter	6/30/14
		Quarterly Report to Commission Staff	8/30/14
		Presented to Commission	10/8/14
	2014-15 Q1	Close of Quarter	9/30/14
		Quarterly Report to Commission Staff	11/15/14
		Presented to Commission	12/10/14
	2014-15 Q2	Close of Quarter	12/31/14
		Quarterly Report to Commission Staff	2/15/15
		Presented to Commission	3/26/15
	2014-15 Q3	Close of Quarter	3/31/15
		Quarterly Report to Commission Staff	5/15/15
		Presented to Commission	5/28/15
2015-16	2014-15 Q4	Close of Quarter	6/30/15
		Quarterly Report to Commission Staff	8/30/15
		Presented to Commission	10/22/15

Department of Transportation Quarterly Finance Report

Third Quarter 2014-15

EXECUTIVE SUMMARY

2014-15 Capital Allocations vs. Capacity Summary through March 31, 2015 (\$ in millions)							
	SHOPP ¹	STIP ¹	TCRP	AERO	ATP	BONDS	TOTAL
Total Allocation Capacity	\$1,969	\$745	\$76	\$6	\$248	\$611	\$3,655
Total Votes	512	600	79	3	56	244	\$1,494
Authorized Changes ²	-71	-4	0	0	0	0	-\$75
Total Remaining Capacity	\$1,528	\$149	\$0	\$3	\$192	\$368	\$2,237

Note: Totals may not add due to rounding

¹Proposition 1B Bond included in totals: \$179 million total capacity (\$77 million SHOPP; \$102 million STIP).

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

The California Transportation Commission (Commission) has allocated \$1.5 billion toward 471 projects through the third quarter of fiscal year 2014-15. Adjustments totaled negative \$75 million, leaving approximately \$2.2 billion (61 percent) in remaining allocation capacity.

The State Highway Account (SHA) ended the third quarter with a lower than projected cash balance. The variance is primarily due to lower expenditures and higher adjustments than anticipated. The Traffic Congestion Relief Fund (TCRF) ended the third quarter with a higher than projected cash balance due to lower than anticipated expenditures. The Public Transportation Account (PTA), the Transportation Investment Fund (TIF), and the Transportation Deferred Investment Fund (TDIF) each ended the third quarter within acceptable range of forecast.

During the third quarter, the State Treasurer's Office (STO) conducted a general obligation bond sale that yielded upfront proceeds of \$409 million for Proposition 1B projects and \$36 million for Proposition 1A, High-Speed Rail connectivity projects. Additional information can be located in the Proposition 1A and 1B Bonds section of this report.

On February 24, 2015 the California Board of Equalization (BOE) voted to adopt a new price-based excise tax rate of 12 cents per gallon for 2015-16. The amount is a 6 cent reduction from the 2014-15 rate of 18 cents per gallon. The decrease is anticipated to result in the loss of about \$845 million in state and local revenue. The anticipated changes due to the drop in the excise tax rate for this could result in lower allocation capacity in the State Highway Operation and Protection Program (SHOPP), State Transportation Improvement Program (STIP), and local streets and roads.

The BOE also voted to increase the diesel fuel excise tax rate by two cents to 13 cents per gallon in 2015-16. These modifications will be taken into account when the Department completes the 2016 STIP Fund Estimate (FE), as well as the SHA and PTA Cash Forecasts.

As of April 2015, the Federal Highway Trust Fund (FHTF) is projected to reach insolvency in July or August 2015, about two months later than originally anticipated. A bipartisan effort is currently under way to create sustainable funding solutions for the FHTF. The Department will continue to monitor the progress of the FHTF and any potential long-term funding solution proposals.

The current federal transportation act includes funding authority through May 31, 2015. The Department received a letter from the Federal Highway Administration (FHWA) on May 11, 2015. The letter states that unless a new transportation act is approved or an extension passed, all federal obligations and reimbursements will be halted when the transportation act expires. Congress is currently reviewing a surface transportation reauthorization proposal. The Department will continue to obligate federal funds on eligible projects until the current transportation act expires. If federal reimbursements cease, the Department may be able to continue paying expenditures for a limited time before experiencing cash flow problems.

State Budget Outlook

The Legislature is working on addressing the estimated \$59 billion roadway maintenance funding shortfall. Various proposals that may increase revenues for short and long-term use are being discussed. Additional information regarding these proposals will be provided as it becomes available.

STATE HIGHWAY OPERATION AND PROTECTION PROGRAM (SHOPP)

State Highway Operation and Protection Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	\$410	\$190	-\$8	\$182	\$228
FTF	1,482	322	-64	259	1,223
Proposition 1B	77	0	0	0	77
Total	\$1,969	\$512	-\$71	\$441	\$1,528

Note: Totals may not add due to rounding

Capital Allocations vs. Capacity

The Commission allocated \$441 million, including adjustments, toward 202 SHOPP projects through the third quarter of 2014-15, leaving approximately \$1.5 billion (nearly 78 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

SHA. Approximately \$10 million in SHA SHOPP authority will be requested to be made available for SHA STIP allocation in the fourth quarter. Effective July 1, 2015 the BOE has approved a decrease in the price-based excise tax from 18 cents to 12 cents per gallon. The Department anticipates a decrease of more than \$100 million in revenue for the SHOPP in 2015-16, which could result in a significant reduction to the allocation capacity for the SHOPP. This reduction will be taken into account when the Department completes both the 2016 STIP FE and the SHA Cash Forecast.

Federal Trust Fund (FTF). Net allocations totaling \$259 million were committed toward federally eligible SHOPP projects through the third quarter, leaving roughly \$1.2 billion (83 percent) in remaining allocation capacity. Although the current federal transportation act is set to expire on May 31, 2015, the Department will continue to obligate funds on federally eligible projects while long-term funding solutions are determined. The majority of remaining SHOPP capacity is federal, which is anticipated to be allocated during the fourth quarter.

Proposition 1B. No SHOPP Proposition 1B projects were authorized during the third quarter.

Recommendations

The Department will continue to monitor for potential impacts, and if necessary, recommend changes.

STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)

State Transportation Improvement Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	\$200	\$145	-\$1	\$144	\$56
FTF	370	440	-3	437	-67
PTA	73	15	0	15	58
Prop 1B STIP*	102	0	0	0	102
Total	\$745	\$600	-\$4	\$596	\$149

Note: Totals may not add due to rounding.

*Contingent upon Corridor Mitigation Improvement Act (CMIA) project closeout savings

Capital Allocations vs. Capacity

The Commission allocated \$596 million, including adjustments, toward 119 STIP projects through the third quarter of 2014-15, leaving \$149 million (approximately 20 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

SHA. A \$10 million BR will be processed in the fourth quarter to transfer allocation authority from SHA SHOPP to STIP. In addition, \$102 million in Proposition 1B allocation capacity will be requested for use toward the STIP. These resources will be used to cover SHA STIP project needs as well as any FTF overruns. Effective July 1, 2015 the BOE has approved a decrease in the price-based excise tax from 18 cents to 12 cents per gallon. As a result, the Department anticipates a decrease of more than \$380 million in revenue for the STIP in 2015-16, which could result in a significant reduction to the allocation capacity for the STIP. This reduction will be taken into account when the Department completes both the 2016 STIP FE and the SHA Cash Forecast.

FTF. Net allocations totaling \$437 million were committed toward federally eligible STIP projects through the third quarter, leaving a negative balance of 67 million. The overage will be partially offset by SHA savings in the fourth quarter. Although the current federal transportation act is set to expire on May 31, 2015, the Department will continue to obligate funds on federally eligible projects while long-term funding solutions are determined.

PTA. The BOE voted to increase the diesel fuel excise tax rate to 13 cents per gallon in 2015-16 from 11 cents per gallon in 2014-15. This may result in an increase to allocation capacity for the PTA in 2015-16. This increase will be taken into account when the Department completes both the 2016 STIP FE and the PTA Base Forecast. Any projected impacts will be conveyed to the Commission. As of March 2015, approximately \$24 million has been loaned to the High-Speed Passenger Train Bond Fund for the 2014-15 year. Repayments will occur when the PTA is determined to be in need or when the High-Speed Passenger Train Bond Fund no longer requires the resources. The PTA has loaned \$14.2 million to local mass transit providers, as required by Assembly Bill (AB) 1222 (2013). AB 1222 authorizes up to \$26 million to be loaned. Due to a recent Federal District Court decision, the Department is working with the Department of Finance (DOF) to coordinate repayment. Additional information can be found in Appendix E.

Proposition 1B. No STIP Proposition 1B projects were allocated during the third quarter. A request to transfer \$102 million in allocation capacity to SHA STIP will be made in the fourth quarter. This will free up additional capacity for use in the STIP.

Recommendations

The Department will continue to monitor for potential impacts, and if necessary, recommend changes.

TRAFFIC CONGESTION RELIEF PROGRAM (TCRP)

Traffic Congestion Relief Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
TCRF	\$76	\$79	\$0	\$79	\$0
Total	\$76	\$79	\$0	\$79	\$0

Note: Totals may not add due to rounding

Capital Allocations vs. Capacity

The Commission has allocated \$79 million toward eight TCRP projects through the third quarter of 2014-15. The TCRF is currently over-allocated by almost \$3 million. No remaining project allocations are expected during 2014-15. The Department will reduce the 2015-16 allocation capacity to offset the overage.

Outlook for Funding & Allocations

The remaining balance of Proposition 42 loans totals approximately \$84 million. Final repayment is expected to be made to the TCRF in 2015-16. Refer to Appendix E for additional details.

The TCRF is also owed \$482 million in Pre-Proposition 42 (Tribal Gaming) loan repayments, which are scheduled to begin in 2016-17. The DOF recently announced reduced revenue projections with a repayment schedule that is approximately \$22 million lower than originally anticipated and would extend repayments by three years. Loan repayments are needed to cover existing obligations of the TCRF and the reduced repayments may result in cash flow problems, should expenditures come in earlier than Department projections. Refer to Appendix E for additional details.

Recommendations

The Department is updating the TCRF cash forecast for 2015-16 and will report on any anticipated changes in the fourth quarter.

AERONAUTICS PROGRAM (AERO)

Aeronautics Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
AERO	\$5.6	\$2.7	\$0	\$2.7	\$2.9
Total	\$5.6	\$2.7	\$0	\$2.7	\$2.9

Note: Totals may not add due to rounding

Capital Allocations vs. Capacity

The Commission allocated about \$2.7 million toward 13 AERO projects through the third quarter of 2014-15, leaving \$2.9 million (approximately 50 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

Each year the Commission approves a “set-aside” to match federal Airport Improvement Program (AIP) grants. This allocation provides the authority for the Department to subvent matching funds to individual projects as requested by airport sponsors. Through the third quarter, the Commission approved a total of \$2.7 million, of which \$1.3 million was allocated to match federal AIP grants. The remaining \$1.4 million was allocated toward seven Aeronautics Acquisition and Development Program projects. The majority of the remaining capacity is anticipated to be allocated during the fourth quarter.

Recommendations

The Department will continue to monitor for potential impacts, and if necessary, recommend changes.

ACTIVE TRANSPORTATION PROGRAM (ATP)

Active Transportation Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	\$77	\$20	\$0	\$20	\$57
FTF	171	37	0	37	134
Total	\$248	\$56	\$0	\$56	\$192

Note: Totals may not add due to rounding

Capital Allocations vs. Capacity

The Commission allocated \$56 million toward 115 projects through the third quarter of 2014-15, leaving \$192 million (approximately 77 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

Through the third quarter of 2014-15, all projects have been fully programmed and adopted by the Commission. At the January Commission meeting, 50 ATP project allocations were made, totaling \$18.9 million. At the March Commission meeting, 51 ATP project allocations were made, totaling \$27 million.

Recommendations

The Department will continue to monitor for potential impacts, and if necessary, recommend changes.

PROPOSITION 1A & 1B BONDS

Proposition 1A & 1B Bonds (\$ in millions)			
Fund	Allocation Capacity	Allocations to Date	Remaining Capacity
Proposition 1A	\$210	\$68	\$142
CMIA*	102	0	102
TCIF	57	47	10
Intercity Rail	192	108	83
Local Bridge Seismic	13	7	6
Grade Separations	1	0	1
Traffic Light Synch.	21	14	7
Route 99	16	0	16
Total	\$611	\$244	\$368

Note: Totals may not add due to rounding.

*Contingent upon project close-out and administrative savings.

Capital Allocations vs. Capacity

The Commission allocated \$244 million toward 14 Bond projects through the third quarter of 2014-15, leaving \$368 million (approximately 60 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

Bond Funding. During the third quarter, BR-09 and 10 were processed to increase TCIF allocation capacity from \$44 million to \$57 million.

In March 2015, the STO conducted a general obligation bond sale that yielded upfront proceeds of \$409 million for Proposition 1B projects and \$36 million for Proposition 1A, High-Speed Rail connectivity projects. To date, the Department has received upfront proceeds of \$9 billion for Proposition 1B projects, \$3 billion for Public Transportation Modernization Improvement Service Enhancement Act Local Transit projects, and \$582 million for Proposition 1A projects. Remaining bond authority is approximately \$3 billion, \$164 million, and \$368 million, respectively.

In March 2015, the STO conducted a general obligation refunding bond sale and attributed the \$395 million in proceeds toward CP debt owed by the Department. To date, the Department has been issued approximately \$1.4 billion in CP authority. Remaining authority totals about \$829 million.

Recommendations

The Department will continue to monitor for potential impacts, and if necessary, recommend changes.

APPENDICES

Appendix A Allocation Capacity and Assumptions

Appendix B Authorized Changes

Appendix C Cash Forecasts

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

Appendix D Federal Emergency Projects

Appendix E Transportation Loans

**Status of Outstanding Transportation Loans, as of March 31, 2015
Interfund Transportation Loans**

APPENDIX A – ALLOCATION CAPACITY AND ASSUMPTIONS

2014-15 Allocation Capacity By Fund and Program (\$ in millions)							
Fund	SHOPP	STIP	TCRP	AERO	ATP	BONDS	Total
SHA	\$410	\$200	\$0	\$0	\$77	\$0	\$687
FTF	1,482	370	0	0	171	0	2,023
PTA	0	73	0	0	0	0	73
TCRF	0	0	76	0	0	0	76
AERO	0	0	0	6	0	0	6
Prop 1A Bonds *	0	0	0	0	0	210	210
Prop 1B Bonds *	77	102	0	0	0	401	581
Total Capacity	\$1,969	\$745	\$76	\$6	\$248	\$611	\$3,655

Note: Totals may not add due to rounding

* Subject to Bond Sales

The 2014-15 allocation capacity of \$3.7 billion is based on the following:

- The SHOPP allocation capacity is based on the 2014-15 Budget Act revenue and expenditure estimates and the 2014 STIP FE federal receipts. The total allocation capacity includes \$32 million in 2013-14 carryover capacity and approximately \$600 million in project allocations that were voted during the August 2014 Commission meeting.
- The ATP allocation capacity is based on the 2014 FE, includes 2013-14 carry-over capacity, and \$9 million in loan repayments from the GF. The 2014-15 ATP also incorporates the following assumptions:
 - Federal Highway Safety Improvement Program funds are not incorporated into the ATP.
 - State and federal resources are forecasted to remain stable throughout the FE period.
- The STIP PTA allocation capacity of \$73 million includes approximately \$8 million in 2013-14 carryover capacity and is based on a prudent cash balance of \$100 million.
- The TCRP allocation is based on annual Proposition 42 suspension repayments of approximately \$83 million.
 - The TCRP allocation capacity for 2014-15 was reduced from \$83 million to \$76 million due to a \$7 million over-allocation in 2013-14.
- The AERO capacity is based on the 2014 FE, revised on July 21 2014, and includes a one-time, \$4 million transfer from the LALA, authorized by the 2014-15 Budget.
 - The 2014-15 AERO capacity assumes approximately \$1 million in remaining 2013-14 authority will be available due to project de-allocations.
- Bond capacity for the SHOPP is based on the remaining bond authority, budget authority, and any administrative costs.
 - Proposition 1A and 1B capacities are based on the 2014-15 Enacted Budget and include 2013-14 remaining authority of approximately \$134 million. The bond capacities are also dependent on the sale of sufficient bonds for funding.
 - Transportation Financing Subaccount (TFA) and CMIA allocation capacities are contingent upon project close-out and administrative savings.
 - Includes increased capacity for TCIF of \$13.5 million during the third quarter of 2014-15.

APPENDIX B – AUTHORIZED CHANGES

2014-15 Authorized Changes Summary through February 28, 2015 (\$ in millions)				
Program	# of Adjustments			Net Change ³
	Increases	Decreases	Total ³	
SHOPP ¹	105	108	214	-\$71
STIP ²	7	6	15	-4
TOTAL	112	114	229	-\$75

Note: Totals may not add due to rounding

¹Includes SHOPP and Proposition 1B Bond G-12 (SHOPP Augmentation) adjustments

²Includes STIP and Proposition 1B Bond G-12 (TFA) adjustments

³Includes net zero adjustments

Summary of Authorized Changes

The Department has processed a total of 229 allocation adjustments through the third quarter of 2014-15, resulting in savings totaling \$75 million.

Background

Commission Resolution G-09-12 (Resolution G-12) allows for the Director of the Department to adjust project allocations within specific limits. It is intended that the Director's approved "decreases" will offset the Director's approved "increases." These authorized changes are known as G-12 authority. This delegation of authority greatly reduces the volume of financial transactions submitted to the Commission and increases the efficiency of the Department in processing changes. The Resolution G-12 requires that the Department report on all project capital outlay allocation changes made under this delegation to the Commission's Executive Director on a monthly basis. The Department provides a detailed, project by project, report to Commission staff each month.

APPENDIX C – CASH FORECASTS – FORECAST METHODOLOGY

Methodology and Assumptions

The cash forecasts for the SHA, PTA, TCRF, TIF and TDIF are used by the Department to estimate and monitor the cash balance of transportation funds to determine the level of allocations that can be supported, and to prepare for low or high cash periods. Variances are identified and reported to management and the Commission. If necessary, adjustments are made to capital allocation levels, funding policy, or forecast methodology. The 2014-15 cash forecasts and allocation capacities are based on the following assumptions:

- State Operations projections are based on historical trends and assumes a two-percent increase each year, based on the 2014-15 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 GF, short-term loan repayments, Plans of Financial Adjustments, funds transferred in and out, and reimbursements.
- Federal receipts are based on the 2014 STIP FE.

SHA

- Beginning cash balance includes two payments to the Project Information System and Analysis (PISA).
- Repayments totaling \$100 million from the GF in 2014-15 (two \$50 million repayments), coinciding with \$100 million in loan repayments to the TCRF in 2014-15 (two \$50 million repayments).
- Repayment of a \$135 million loan to the PTA in 2014-15.
- Receipt of approximately \$29 million in remaining assets from the Bicycle Transportation Account (BTA) due to closure of the fund.
- Repayment of a \$6 million loan from the GF in 2014-15 (formerly owed to the BTA).
- Proceeds from a \$237 million loan repayment to the HUTA in 2014-15.
- Includes anticipated expenditures from the new ATP.
- State Operations expenditures are based on historical trends.
- Weight fee and excise tax revenue projections provided by the Department of Finance (DOF).
- Miscellaneous revenues are based on historical trends.
- Continued monthly transfers of weight fee revenues to the Transportation Debt Service Fund (TDSF).
- Prudent cash balance of \$415 million.

PTA

- Revenue projections provided by the DOF.
- Repayment of a \$135 million loan from the SHA in 2014-15.
- Includes an anticipated \$29 million loan to the High-Speed Passenger Train Bond Fund in 2014-15.
- Prudent cash balance of \$100 million.

TCRF

- Annual suspended Proposition 42 transfers from the TDIF in the amount of \$83 million in 2014-15 and 2015-16.
- Reduced 2014-15 allocation capacity from \$83 million to \$76 million due to a \$7 million over-allocation in 2013-14.
- Future allocations are based on the projected net revenues received in 2014-15.

TIF

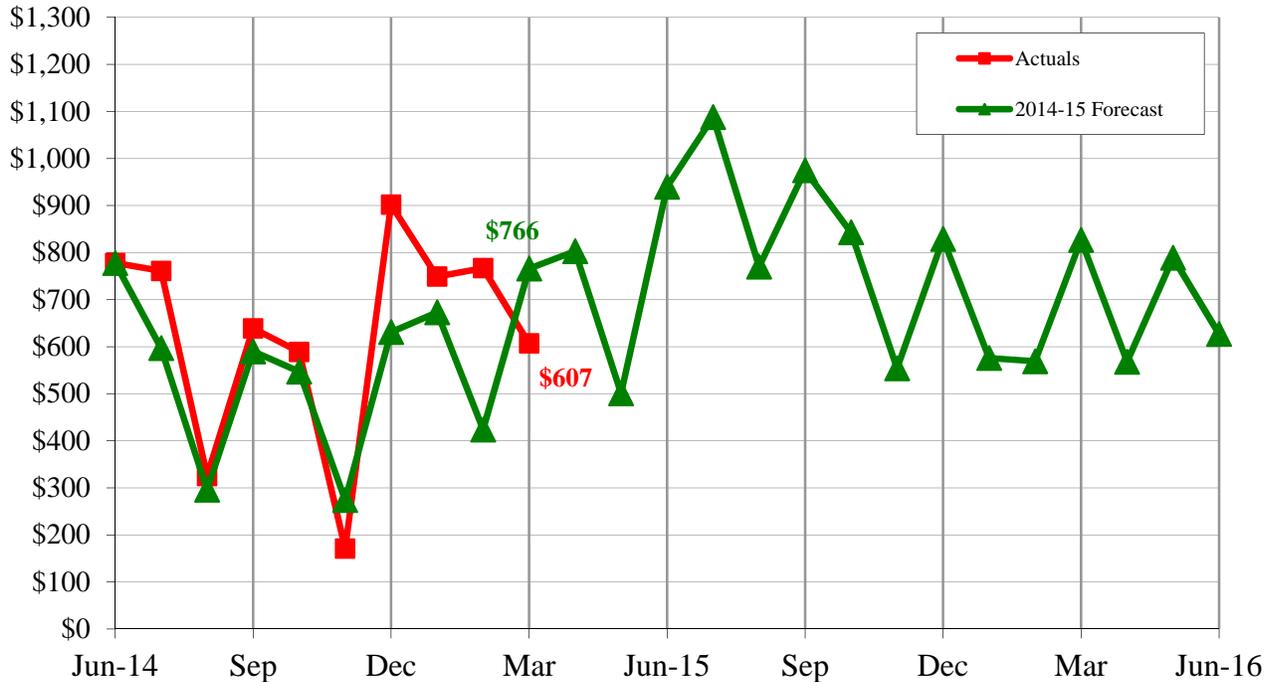
- The fund will not receive any new revenue.

TDIF

- Annual suspended Proposition 42 transfers in the amount of \$83 million in 2014-15 and 2015-16.
- Annual transfers in the amount of \$83 million to the TCRF.

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 through the third quarter was \$607 million, \$160 million (21 percent) below the forecasted amount of \$766 million. The variance is primarily due to lower than anticipated expenditures and a large adjustment from the previous quarter as a result of delayed financial reports. Revenues totaled \$3.3 billion, \$130 million (4 percent) below forecast and transfers totaled \$749 million, \$139 million (16 percent) below forecast. Expenditures totaled \$2.2 billion, \$328 million (13 percent) below forecast. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled a negative \$537 million. Second quarter figures were estimates due to delayed financial reports. Once the reports were received an adjustment was made, resulting in the large variance in the third quarter.

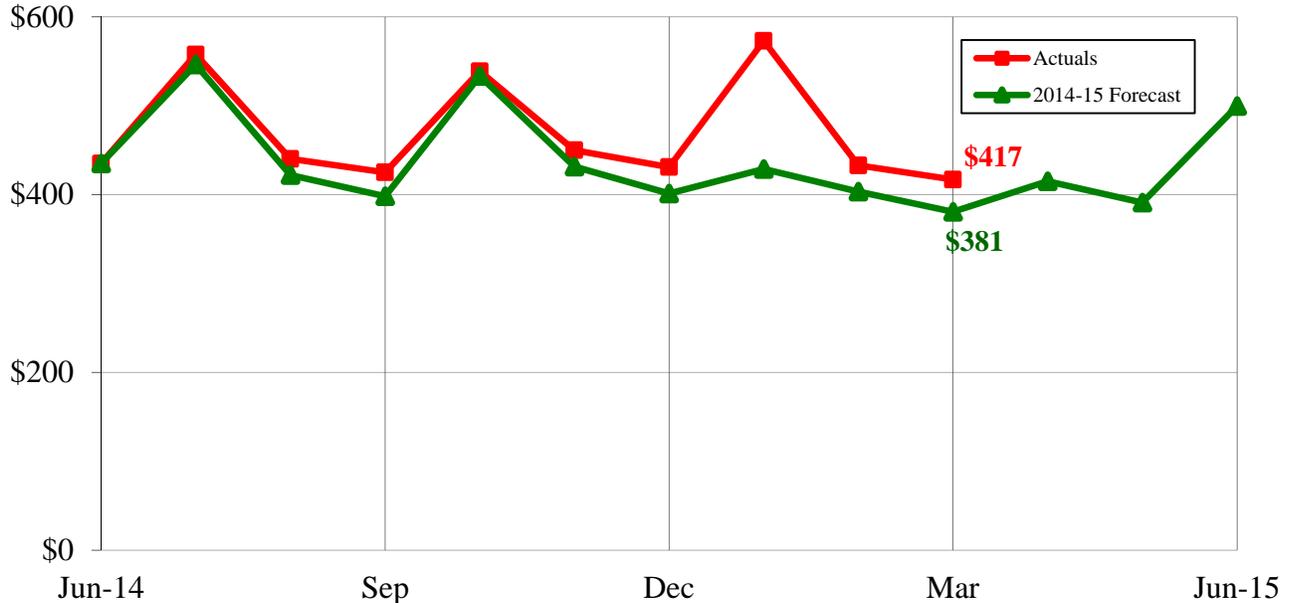
Year-to-Date Reconciliation

	(\$ in millions)			
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$778	\$778	N/A	
Revenues	3,437	3,307	-130	
Transfers	-887	-749	139	
Expenditures	-2,521	-2,193	328	
Adjustments	-40	-537	-497	
Ending Cash Balance	\$766	\$607	-\$160	-21%

Note: Ending cash balance may differ due to rounding.

APPENDIX C – CASH FORECASTS – PUBLIC TRANSPORTATION ACCOUNT

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



Year-to-Date PTA Summary

The PTA ending cash balance through the third quarter was \$417 million, which was within acceptable range of forecast. Revenues totaled \$290 million, \$11 million (4 percent) below forecast. Transfers totaled \$123 million, \$2 million (2 percent) below forecast. Expenditures totaled \$301 million, \$15 million (5 percent) above forecast. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled a negative \$131 million which contributed to the slightly higher than anticipated cash balance.

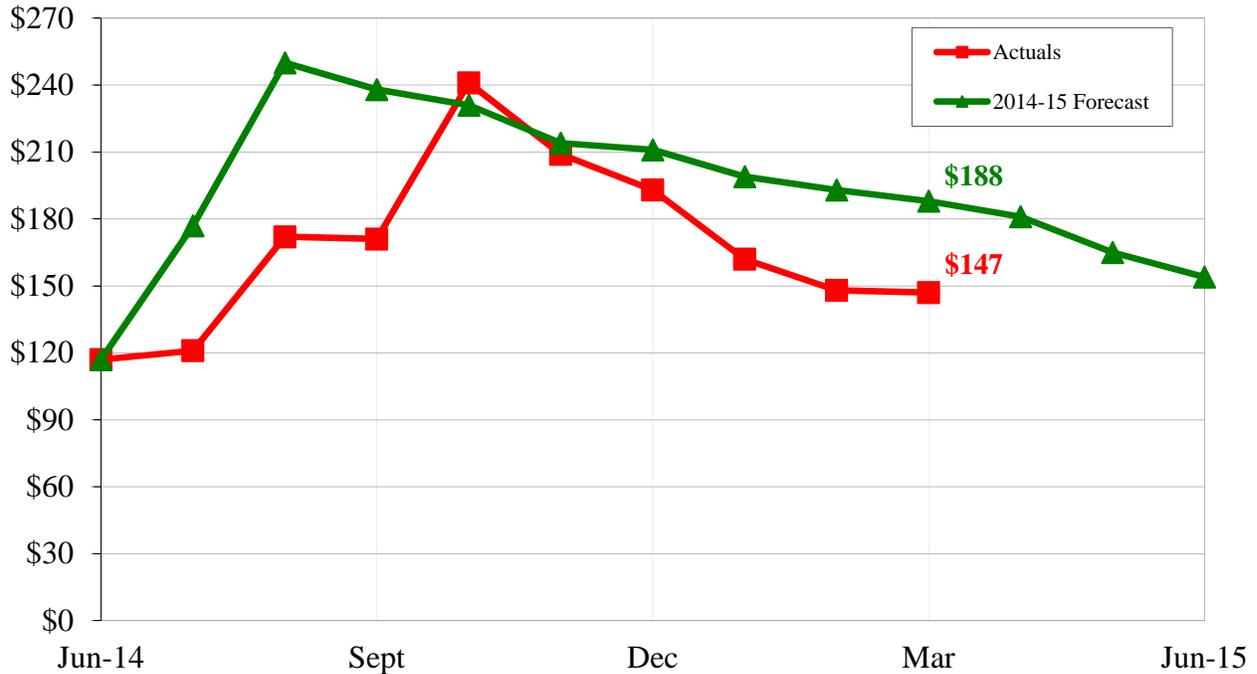
Year-to-Date Reconciliation

(\$ in millions)				
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$435	\$435	N/A	
Revenues	302	290	-11	
Transfers	126	123	-2	
Expenditures	-286	-301	-15	
Adjustments	-195	-131	65	
Ending Cash Balance	\$381	\$417	\$36	10%

Note: Ending cash balance may differ due to rounding.

APPENDIX C – CASH FORECASTS – TRAFFIC CONGESTION RELIEF FUND

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



Year-to-Date TCRF Summary

The TCRF ending cash balance through the third quarter was \$147 million, \$41 million (22 percent) below the forecasted amount of \$188 million. The variance is due to higher than forecasted expenditures. Transfers totaled \$133 million. Expenditures totaled \$105 million, \$43 million (70 percent) higher than forecast. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled \$1 million.

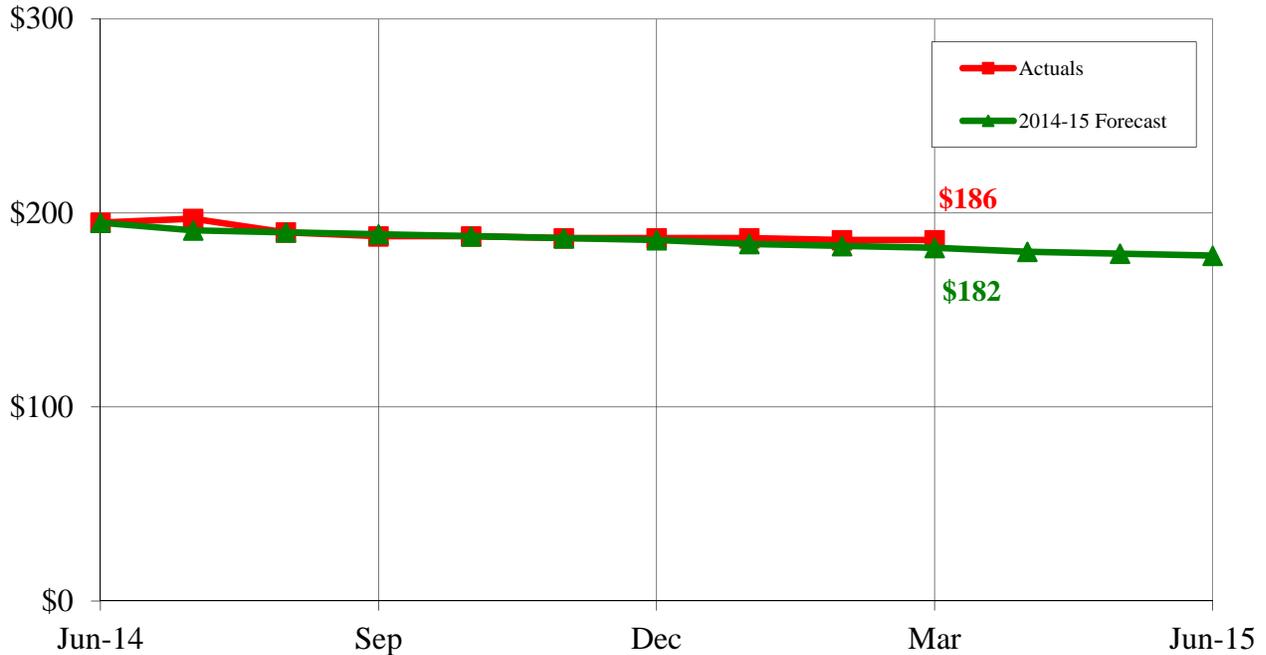
Year-to-Date Reconciliation

(\$ in millions)				
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$117	\$117	N/A	
Revenues	0	0	0	
Transfers	133	133	0	
Expenditures	-61	-105	-43	
Adjustments	0	1	1	
Ending Cash Balance	\$188	\$147	-\$41	-22%

Note: Ending cash balance may differ due to rounding.

APPENDIX C – CASH FORECASTS – TRANSPORTATION INVESTMENT FUND

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



Year-to-Date TIF Summary

The TIF ending cash balance through the third quarter was \$186 million, which was within acceptable range of forecast. No revenues or transfers occurred during the third quarter. Expenditures totaled \$13 million, approximately \$155,000 (1 percent) lower than forecast due to prior year expenditures being processed in the current fiscal year. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled \$4 million. The Department submitted a proposal to close the TIF and transfer all remaining assets and liabilities of the fund to the SHA. Pending approval, the TIF would be closed by the end of 2015-16.

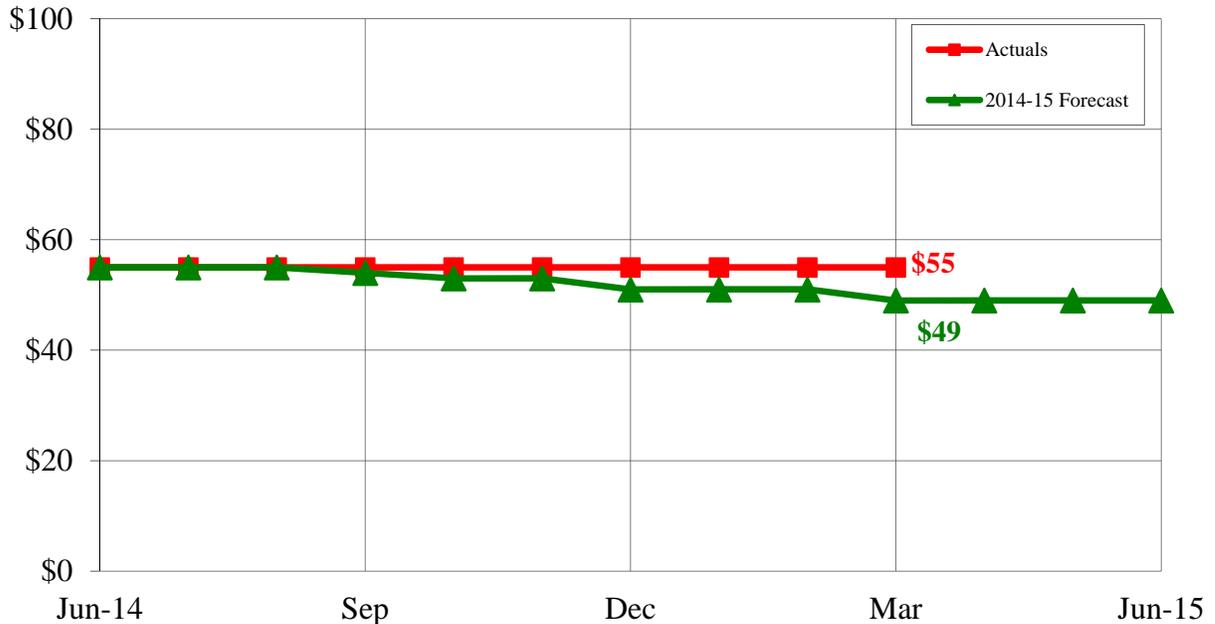
Year-to-Date Reconciliation

	(\$ in millions)			
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$195	\$195	N/A	
Revenues	0	0	0	
Transfers	0	0	0	
Expenditures	-13	-13	0	
Adjustments	0	4	4	
Ending Cash Balance	\$182	\$186	\$4	2%

Note: Ending cash balance may differ due to rounding.

APPENDIX C – CASH FORECASTS – TRANSPORTATION DEFERRED INVESTMENT FUND

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



Year-to-Date TDIF Summary

The TDIF ending cash balance through the third quarter was \$55 million, which was within acceptable range of forecast. Revenues totaled \$83 million. Transfers totaled \$83 million. Expenditures totaled \$160,000, approximately \$6 million (97 percent) lower than forecast due to a refunding credit in November. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled approximately \$339,000.

Year-to-Date Reconciliation

(\$ in millions)				
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$55	\$55	N/A	
Revenues	83	83	0	
Transfers	-83	-83	0	
Expenditures	-6	0	6	
Adjustments	0	0	0	
Ending Cash Balance	\$49	\$55	\$6	13%

Note: Ending cash balance may differ due to rounding.

APPENDIX D – FEDERAL EMERGENCY PROJECTS

For the quarter ending on March 31, 2015, the Federal Highway Administration (FHWA) acknowledged as a declared disaster the December 2014 winter storm event. Furthermore, the Department received an Emergency Relief allocation in the amount of \$7.6 million on February 19, 2015. The chart below represents disasters that have not been completely funded by FHWA.

Disaster Repair Costs			
Approved Federal Funding and State/Local Impact			
(\$ millions)			
Disaster	Identified Cost of Disaster Repair		
	State	Local	Total
Devil's Slide CA83-1	\$622	\$0	\$622
Dec. 2004 Storm CA05-1	210	105	315
Dec. 2005 Storm CA06-1	380	48	428
Jan. 2010 Storm CA10-1	87	24	111
Dec. 2010 Storm CA11-1	68	18	86
Mar. 2011 Storm CA11-3	166	22	188
So. California Windstorm CA12-2	1	4	5
Mar. 2012 Storm CA12-3	8	0	8
San Mateo Co. Storm CA13-1	1	3	4
LA Co. Wildfires CA13-2	0	3	3
Riverside Co. Wildfires CA13-3	2	0	2
July 2013 LA Tanker Fire CA13-4	20	0	20
Aug. 2013 Rim Fire CA13-5	2	0	2
July 2013 Inyo Co. Flood CA13-6	0	3	3
Feb. 2014 Storm CA14-1	3	3	6
Aug. 2014 Napa Earthquake CA14-2	6	1	7
Dec. 2014 Storm CA 15-2	69	7	76
Total Damage Estimate	\$1,645	\$241	\$1,886
Amount Obligated To Date			\$1,607
Allocation Available for Future Project Costs			\$92
Remaining Need			\$187

Note: Totals may not add due to rounding.

Future federal emergency relief of this type can only be used to fund emergency 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, 2015			
(\$ in millions)			
FUND	Original Loan	Loans / Interest Paid-to-Date	Remaining Balance
Pre-Proposition 42 (Tribal Gaming Revenue):			
State Highway Account (SHA) ¹	\$473	\$341	\$132
Public Transportation Account (PTA)	275	10	265
Traffic Congestion Relief Fund (TCRF)	482	0	482
Subtotal Pre-Proposition 42 Tribal Gaming Loans:	\$1,230	\$351	\$879
Proposition 42:			
Transportation Congestion Relief Fund (TCRF) ²	\$1,066	\$981	\$84
Subtotal Proposition 42 Loans:	\$1,066	\$981	\$84
General Fund:			
State Highway Account - Weight Fee Revenues ³	\$227	\$0	\$227
State Highway Account - Weight Fee Revenues ^{3a}	1,086	0	1,086
State Highway Account (SHA) ⁴	335	290	50
Highway User Tax Account (HUTA) ⁵	328	334	0
Public Transportation Account (PTA) ⁶	29	0	29
State Highway Account (SHA) ⁷	6	7	0
Local Airport Loan Account (LALA) ⁸	8	0	8
Motor Vehicle Fuel Account (MVFA) ⁹	8	0	8
Historic Property Maintenance Fund (HPMF) ¹⁰	3	3	0
Pedestrian Safety Account (PSA) ¹¹	2	2	0
Subtotal General Fund Loans:	\$2,031	\$636	\$1,407
High-Speed Passenger Train:			
Fiscal Year 2013-14 Public Transportation Account (PTA) ¹²	\$23	\$0	\$23
Fiscal Year 2014-15 Public Transportation Account (PTA) ¹³	24	0	24
Subtotal High-Speed Passenger Train Loans:	\$47	\$0	\$47
Local Mass Transit Providers (PEPRA):			
Public Transportation Account (PTA) ¹⁴	\$14	\$0	\$14
Subtotal Local Mass Transit Providers PEPRA Loans:	\$14	\$0	\$14
Totals:	\$4,388	\$1,968	\$2,431

Note: Numbers may not add due to rounding.

¹The remaining balance of \$132 million will be directed to the GF for debt service, per Assembly Bill (AB) 115 of 2011. Approximately \$30 million of the remaining balance is estimated interest.

²The remaining amount owed to the TCRF as a result of Proposition 42 suspensions will be repaid in equal annual installments ending in 2015-16.

³The \$80 and \$147 million (total \$227 million) was authorized by the 2010-11 Budget Act and subsequently characterized as weight fees via AB 115.

^{3a}Post AB 115 weight fee transfers - 2011-12 Budget Act: \$43.7 million loan, \$139 million-excess weight fee loan to GF (2011-12), \$24.7 million-excess weight fee loan to GF (2011-12), Vehicle Code 9400.4(b)(2) - \$42 million loan, \$203.7 million-excess weight fee loan to GF (2010-11), \$200 million-excess weight fee loan to GF (2010-11), \$30.3 million-excess weight fee loan to GF (2011-12), \$310 million-excess weight fee loan to GF (2012-13), \$92 million-excess weight fee loan to GF (2013-14).

⁴The SHA is expected to be repaid \$50 million in principal in 2014-15. The \$290 million in repayments is made up of \$285 million in principal and approximately \$4.5 million in interest.

⁵The HUTA was repaid \$328 million, plus interest, in August 2014.

⁶The PTA is expected to be repaid \$29 million in 2020-21.

⁷Pursuant to Senate Bill (SB) 99 of 2013, the Bicycle Transportation (BTA) has been eliminated and is now an element of the ATP within the SHA. The \$6 million in principal owed to the BTA was repaid, along with \$1 million in interest, to the SHA in August 2014.

⁸The LALA is expected to be repaid \$7.5 million in 2016-17.

⁹The MVFA is expected to be repaid \$8 million in 2016-17.

¹⁰The HPMF was repaid with three \$1 million payments in June 2012, June 2013, and June 2014.

¹¹The PSA was repaid \$1.715 million in August 2014.

¹²Appropriation of up to \$26 million authorized for 2013-14. Approximately \$23 million was loaned during 2013-14. Repayments 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.

¹³Appropriation of up to \$31.6 million authorized for 2014-15, including an initial authorization of approximately \$29.3 million and an additional authorization of approximately \$2.3 million. As of March 2015, approximately \$24 million was loaned for 2014-15. Repayments 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.

¹⁴Appropriation of up to \$26 million authorized per AB 1222 of 2013. As of March 2015, approximately \$14.3 million was loaned. Repayments must occur no later than January 1, 2019.

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, loan repayments made to the SHA will be subsequently transferred to the Transportation Debt Service Fund (TDSF). Repayments to the PTA and TCRF are currently scheduled to occur in installments between 2017-18 and 2027-28. The DOF recently announced reduced revenue projections with a repayment schedule that is approximately \$22 million lower than originally anticipated. The Department will monitor progress of repayments and will address potential cash flow issues as they arise.

Proposition 42 Loans

Pursuant to Proposition 42 (2002), the transfer of gasoline sales tax for transportation purposes was made permanent. However, as State budget shortfalls continued, Proposition 42 transfers were partially suspended in 2003-04 and completely suspended in 2004-05, creating the Proposition 42 loan balances. These loans were partially repaid in 2006-07 with a payment of \$1.4 billion, leaving approximately \$752 million due to the TCRF. As of July 2007, outstanding Proposition 42 loans are required to be repaid in annual installments with not less than one-tenth of the total amount of the remaining loan and the balance being repaid in full by June 30, 2016. A repayment of \$83.4 million to the TCRF was issued in October 2014. As of March 2015, the TCRF is owed approximately \$84 million. The final installment to fully repay the Proposition 42 loans is expected in 2015-16.

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 price-based excise tax 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 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. 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 total, there are \$1.313 billion in outstanding loans to the GF derived from weight fee revenues. As a result, the June 30, 2021 scheduled repayment of the loans to the SHA will be subsequently transferred to the TDSF.

General Fund Loans

The 2008-09 Budget Act authorized \$227 million in loans to the GF from the SHA, the Bicycle Transportation Account (BTA), the Local Airport Loan Account (LALA), the Motor Vehicle Fuel Account (MVFA), the Historic Property Maintenance Fund (HPMF), and the Pedestrian Safety Account (PSA). The SHA loaned a total of \$200 million to the GF and has received \$150 million in partial principal repayments along with \$1.8 million in interest: \$50 million in July 2012, \$50 million in December 2013, and \$50 million in July 2014. The remaining \$50 million is scheduled to be repaid by the end of 2014-15. As of March 2015, the \$3 million HPMF loan and the \$1.715 million PSA loan have been repaid in full. Pursuant to Senate Bill (SB) 99 (2013), the BTA has been eliminated and is now an element of the ATP within the SHA. As a result, the \$6 million owed to the BTA was repaid in full, along with \$1 million in interest, to the SHA in August 2014. The MVFA and the LALA are owed \$8 million and \$7.5 million, respectively. These repayments are expected to occur in 2016-17.

A \$135 million loan from the SHA to the GF was authorized by the 2009-10 Budget Act. The authorized \$135 million loan was originally scheduled to be repaid by June 30, 2012, but the 2012-13 Budget Act delayed the repayment. In 2013-14, the loan repayment was authorized by an Executive Order from the DOF in an effort to reduce the State’s “Wall of Debt”. On June 10, 2014, the loan was repaid in full along with \$2.7 million in interest.

The 2010-11 Budget Act authorized a loan of \$29 million from the PTA to the GF. This loan is scheduled to be repaid by June 30, 2021.

The 2010-11 Budget Act authorized loans to the GF totaling \$328 million from the HUTA. The 2014-15 Budget Act authorized up to \$337 million in loan repayments, including interest. During August 2014, the HUTA repayments were received and \$237 million was subsequently transferred from the HUTA to the SHA for the SHOPP and Maintenance projects.

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 about \$23 million was loaned: \$5.4 million on August 16, 2013; \$8.9 million on October 8, 2013; and \$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. As of March 2015, loans

totaling about \$24 million have been made in 2014-15: \$7.3 million on September 17, 2014; \$7.3 million on December 18, 2014; \$7.3 million on February 17, 2015; and \$2.3 million on March 25, 2015. Repayments will occur when the PTA is determined to be in need of 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 noncertification 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". As of May 2015, the DOL has neither filed an appeal of the district court's ruling nor announced a final determination on the PEPRA, Section 13(c) issue, pursuant to the court's order. However, certain California transit agencies (i.e. Monterey-Salinas Transit) have received notice that the DOL has resumed certification of federal transit grants.

AB 1222, Section 2(b)(1) states that a local mass transit provider must repay the amount loaned on or before 60 days after a Federal District Court rules that the DOL erred in their determination, or the repayment may be made at a later date if authorized by the DOF. As of March 2015, a total of \$14.2 million has been loaned from the PTA to the local mass transit providers (Sacramento Regional Transit and Monterey-Salinas Transit). Ongoing issues related to the DOL litigation caused a delay in repayment of these loans. Barring an appeal, the Department will work with the DOF to ensure the PTA receives full repayment.

APPENDIX E – INTERFUND TRANSPORTATION LOANS

Interfund Transportation Loans (\$ in millions)						
Fiscal Year Borrowed	From Account	To Account	Description	Amount	Repaid	Remaining Balance
2008-09	TCRF	SHA	Backfill SHA transfer to the GF	\$200	\$150	\$50
2009-10	PTA	SHA	Backfill SHA transfer to the GF	135	135	0
Totals				\$335	\$285	\$50

A loan in the amount of \$200 million was made from the TCRF to the SHA in 2008-09, as a means to backfill a \$200 million loan to the GF. A partial repayment of \$50 million was applied to the TCRF in July 2012, a second partial repayment of \$50 million was made in February 2014, and a third partial repayment of \$50 million was made in August 2014, leaving a balance of \$50 million. Once the SHA receives the remaining \$50 million loan repayment from the GF, a subsequent transfer to the TCRF is expected to occur by the end of 2014-15.

A loan of \$135 million was made from the PTA to the SHA in 2009-10, as a means to backfill a \$135 million loan to the GF. A full repayment of \$135 million was applied to the PTA in July 2014.