Memorandum

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: March 16-17, 2016

Reference No.: 3.6
Information Item

From: NORMA ORTEGA
Chief Financial Officer

Prepared by: Steven Keck, Chief
Division of
Budgets

Subject: **FISCAL YEAR 2015-16 - SECOND QUARTER FINANCE REPORT**

Attached is the California Department of Transportation's Fiscal Year 2015-16 Second Quarter Finance Report.

Attachment

Department of Transportation
Quarterly Finance Report

Second Quarter
2015-16

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 2015-16 and 2016-17 Quarterly Finance Reports.

Quarterly Finance Report			
Schedule of Reports			
Fiscal Year	**Quarterly Report**	**Activity**	**Date**
2015-16	**2014-15 Q4**	**Close of Quarter**	**6/30/15**
		Quarterly Report to Commission Staff	**8/30/15**
		Presented to Commission	**10/21/15**
	2015-16 Q1	**Close of Quarter**	**9/30/15**
		Quarterly Report to Commission Staff	**11/15/15**
		Presented to Commission	**12/10/15**
	2015-16 Q2	**Close of Quarter**	**12/31/15**
		Quarterly Report to Commission Staff	**2/15/16**
		Presented to Commission	**3/17/16**
	2015-16 Q3	**Close of Quarter**	**3/31/16**
		Quarterly Report to Commission Staff	**5/15/16**
		Presented to Commission	**5/19/16**
2016-17	**2015-16 Q4**	**Close of Quarter**	**6/30/16**
		Quarterly Report to Commission Staff	**8/30/16**
		Presented to Commission	**10/20/16**

Department of Transportation Quarterly Finance Report

Second Quarter 2015-16

EXECUTIVE SUMMARY

2015-16 Capital Allocations vs. Capacity
Summary through December 31, 2015
($ in millions)

	SHOPP[1]	STIP[1]	TCRP	AERO	ATP	TIRCP	BONDS	TOTAL
Total Allocation Capacity	$1,849	$449	$82	$2	$147	$265	$283	$3,077
Total Votes	638	201	39	2	25	121	69	1,095
Authorized Changes[2]	-27	-9	0	0	0	0	0	-36
Total Remaining Capacity	**$1,239**	**$257**	**$43**	**$0**	**$122**	**$144**	**$214**	**$2,019**

Note: Amounts may not sum to totals due to independent rounding.
[1]Proposition 1B Bond included in totals: $149 million total capacity ($77 million SHOPP; $72 million STIP).
[2]Authorized changes include project increases and decreases pursuant to the Commission's G-12 process and project rescissions.

The California Transportation Commission (Commission) has allocated $1.1 billion toward 255 projects through the second quarter of fiscal year 2015-16. Adjustments totaled negative $36 million leaving $2 billion (65 percent) in remaining allocation capacity.

The State Highway Account (SHA) ended the second quarter with a higher than projected cash balance. The variance is primarily due to higher than forecasted revenues and lower than forecasted expenditures. Revenues are higher than originally anticipated due to current economic factors, which have contributed to increased fuel consumption. The Public Transportation Account (PTA) ended the second quarter with a higher than projected forecast due to a delayed transfer to the State Transit Assistance, which is now anticipated to occur in the third quarter. The Traffic Congestion Relief Fund (TCRF), the Transportation Investment Fund (TIF), and the Transportation Deferred Investment Fund (TDIF) each ended the second quarter with higher than forecasted balances due to lower than projected expenditures.

During the second quarter, the State Treasurer's Office (STO) conducted no general obligation bond sales for proceeds to the California Department of Transportation's (Department) use on bond projects. The Department has sufficient resources to fund bond projects through the next bond sale. Additional information regarding bonds can be located in the Proposition 1A and 1B Bonds section of this report.

On December 4, 2015, President Obama signed a federal transportation act, providing a stable funding source for transportation over the next five years. The Fixing America's Surface Transportation Act, or FAST Act, creates $305 billion in federal transportation funding including $205 billion for highways and $48 billion for transit projects and is the first long-term national transportation package in a decade. The bill utilizes the collection of the 18.4 cents per gallon gasoline tax as a primary source of revenue; however, roughly $70 billion from other non-transportation related areas was used to close the annual funding deficit. Congress continues to work toward finding more sustainable ways to pay for transportation projects. The Department will continue to monitor progress and will report updates as necessary.

State Budget Outlook

On January 7, 2016, Governor Brown released his fiscal year 2016-17 Budget proposal. The Budget includes $10.5 billion in expenditures for the Department, which is an increase of approximately $2 million from the 2015-16 Enacted Budget.

Despite increases related to the Governor's transportation funding and reform package, capital expenditures in the 2016-17 Budget reflect decreases from the current year. This is due to a $500 million current year expenditure related to Public-Private Partnerships, a significant number of projects that were successfully delivered in 2014-15, but allocated by the Commission early in 2015-16, and a nearly $200 million decrease to Proposition 1B Bond expenditures. Local Assistance expenditures are expected to increase by approximately $63 million and State Operations expenditures are proposed to increase by $167 million, due primarily to increases for the Maintenance Program related to the Governor's proposed transportation plan. Additional changes to the budget, including staffing changes for the delivery of projects, are expected in the spring.

The 2016-17 Budget estimates a reduction to the price-based excise tax on gasoline from 12 cents to 9.8 cents per gallon. This is approximately $325 million less than 2015-16 estimated revenues and $1.2 billion less than 2014-15 revenues. The Commission approved a revised revenue assumption for the 2016 STIP Fund Estimate (FE) as a result of the reduction. See the STIP SHA Outlook section for additional information related to the revised assumption and amended 2016 STIP FE.

The Governor included his proposed transportation funding and reform package in the Budget as a means to address funding shortfalls. With the exception of enactment dates, the proposal remains virtually unchanged from the September 2015 transportation funding plan. The package includes a combination of new revenues, additional investments of Cap and Trade proceeds, and accelerated loan repayments. Revenues are proposed to be divided evenly between state and local transportation priorities. During 2016-17 approximately half of the annual expected revenues will be collected, with greater revenues being realized in subsequent years. The package also includes reforms and efficiencies to streamline the Department's project delivery. The plan, including increased revenues for transportation, must be enacted by the Legislature in order to take effect.

The Governor's transportation plan proposes the accelerated repayment of $879 million in Tribal Gaming loans owed to various funds over four years, commencing in 2016-17. The Department will continue to monitor progress of repayments and will notify the Commission of any new payment reschedules in future quarterly finance reports. See Appendix D for additional information regarding Tribal Gaming loans.

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	$300	$273	$4	$277	$23
FTF	1,472	365	-31	333	1,139
Proposition 1B	77	0	0	0	77
Total	**$1,849**	**$638**	**-$27**	**$610**	**$1,239**

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

Capital Allocations vs. Capacity

The Commission allocated $638 million toward 120 SHOPP projects through the second quarter. Adjustments totaled negative $27 million, leaving $1.2 billion (approximately 67 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

SHA. Net allocations totaling $277 million were allocated toward STIP SHA projects through the second quarter, leaving $23 million (approximately 8 percent) in remaining allocation capacity due to an increased number of G-11s. The 2016-17 Governor's Budget estimates a significant reduction to the price-based excise tax on gasoline, from 12 cents to 9.8 cents per gallon. The reduced rate is not anticipated to affect SHOPP capacity because price-based excise tax revenue represents only a small portion of SHOPP funding.

Federal Trust Fund (FTF). Net allocations totaling $333 million were committed toward federally eligible SHOPP projects through the second quarter. Due to the enactment of the new FAST Act, there are adequate resources to fund federally eligible transportation projects over the next five years.

Proposition 1B. No SHOPP Proposition 1B projects were allocated during the second 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	$100	$73	-$4	$69	$31
FTF	168	69	-5	64	104
PTA	69	7	0	7	62
TDIF	40	5	0	5	35
Prop 1B STIP	72	47	0	47	25
Total	**$449**	**$201**	**-$9**	**$192**	**$257**

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

Capital Allocations vs. Capacity

The Commission allocated $192 million toward 56 STIP projects through the second quarter. Adjustments totaled negative $9 million, leaving $257 million (approximately 57 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

SHA. As mentioned previously, the 2016-17 Governor's Budget estimates a significant reduction to the price-based excise tax rate on gasoline, which would translate into a large reduction in revenue. As a result of the reduction, a revised revenue assumption and an amended 2016 STIP FE were adopted by the Commission. The revised 2016 STIP FE reflects a need for approximately $754 million in cuts from road and transit capacity projects over the FE period.

FTF. Net allocations totaling $64 million were committed toward federally eligible STIP projects through the second quarter. Due to the enactment of the new FAST Act, there are adequate resources to fund federally eligible transportation projects over the next five years.

PTA. No new allocations were committed toward STIP PTA projects during the second quarter.

TDIF. A total of $5 million was allocated toward STIP TDIF projects during the second quarter.

Proposition 1B. A $47 million STIP Proposition 1B project was allocated during the second quarter.

Recommendations

The Department will continue to work with the Commission to mitigate any impacts related to the reduction of the price-based excise tax on gasoline.

TRAFFIC CONGESTION RELIEF PROGRAM (TCRP)

Traffic Congestion Relief Program ($ in millions)					
Fund	**Allocation Capacity**	**Allocations to Date**	**Adjustments**	**Net Allocations**	**Remaining Capacity**
TCRF	$82	$39	$0	$39	$43
Total	**$82**	**$39**	**$0**	**$39**	**$43**

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

Capital Allocations vs. Capacity

The Commission allocated $39 million toward five TCRP projects through the second quarter, leaving $43 million (approximately 52 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

The TCRF is owed approximately $482 million in Pre-Proposition 42 (Tribal Gaming) loan repayments, which are scheduled to begin in 2016-17. The lower than anticipated annual repayment amounts and extended loan repayment schedule may negatively impact the ability to meet obligations in future years. The Governor's 2016-17 proposed transportation funding and reform package included an accelerated Tribal Gaming loan repayment schedule. If adopted, the new loan repayment schedule would provide resources to fund currently programmed transportation projects for the TCRP, but no new projects. See Appendix D for additional details regarding the distribution of proposed loan repayments.

Recommendations

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

AERONAUTICS (AERO) PROGRAM

Aeronautics Program ($ in millions)					
Fund	**Allocation Capacity**	**Allocations to Date**	**Adjustments**	**Net Allocations**	**Remaining Capacity**
AERO Account	$2.6	$2.1	$0	$2.1	$.5
Total	**$2.6**	**$2.1**	**$0**	**$2.1**	**$.5**

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

Capital Allocations vs. Capacity

The Commission allocated approximately $2.1 million toward five AERO Program projects through the second quarter, leaving $500,000 (approximately 19 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 second quarter, the Commission approved a total of $1.3 million, of which roughly $1 million was allocated to match 33 federal AIP grants and $300,000 was allocated toward two Aeronautics Acquisition and Development Program projects.

On December 9, 2015, the Commission approved an updated AERO Account FE which includes a $1.3 million transfer from the Local Airport Loan Account (LALA) to the AERO Account in the current fiscal year and $4 million in each subsequent year over the 2016 AERO Program FE period. Upon approval by the Department of Finance, these resources will be used to provide relief to the AERO Account in order to fund grants.

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	$45	$14	$0	$14	$31
FTF	102	11	0	11	91
Total	**$147**	**$25**	**$0**	**$25**	**$122**

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

Capital Allocations vs. Capacity

The Commission allocated $25 million toward 37 projects through the second quarter, leaving $122 million (approximately 83 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

The deadline to request 2015-16 funds is June 30, 2016. To date, no projects have been completed and no funds have lapsed.

Recommendations

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

TRANSIT AND INTERCITY RAIL CAPITAL PROGRAM (TIRCP)

Transit and Intercity Rail Capital Program ($ in millions)					
Fund	**Allocation Capacity**	**Allocations to Date**	**Adjustments**	**Net Allocations**	**Remaining Capacity**
GHG – (Cap and Trade)	$265	$121	$0	$121	$144
Total	**$265**	**$121**	**$0**	**$121**	**$144**

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

Capital Allocations vs. Capacity

The Commission allocated $121 million toward seven TIRCP projects through the second quarter, leaving $144 million (approximately 54 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

The 2015-16 Budget authorized resources for the Department's role in the newly implemented TIRCP, which utilizes a percentage of the annual proceeds deposited into the Greenhouse Gas Reduction Fund (GHG). The TIRCP currently receives 10 percent of the Cap and Trade auction proceeds deposited into the GHG.

The TIRCP was created to provide grants from the GHG to fund transformative capital improvements that will modernize California's intercity, commuter, and urban rail systems, and bus and ferry transit systems, to significantly reduce emissions of greenhouse gases, vehicle miles traveled, and congestion.

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	$142	$5	$137
CMIA	0	0	0
TCIF	54	35	19
Intercity Rail	52	0	52
Local Bridge Seismic	15	10	5
Grade Separations*	0	18	-18
Traffic Light Synch.	7	0	7
Route 99	14	0	14
Total	**$283**	**$69**	**$215**

Note: Amounts may not sum to totals due to independent rounding.
*A Budget Revision to increase allocation capacity is anticipated to occur in the third quarter.

Capital Allocations vs. Capacity

The Commission allocated $69 million toward 25 Bond projects through the second quarter, leaving $215 million (approximately 76 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

Bond Funding. In October 2015, the Department received $150 million from Commercial Paper (CP) issued by the STO and an additional $100 million in November 2015. In October 2015, the Department received $86 million in CP authority to draw upon for use on Proposition 1B local transit projects and $49.6 million for use on Proposition 1A projects. To date, the Department has been issued approximately $1.8 billion in CP, of which $1.4 billion has been refunded. Remaining CP authority for Proposition 1B is $746 million and $50 million for Proposition 1A.

The Department and the Commission have received a total of $9.8 billion for use on Proposition 1B projects and administration, $3.5 billion for Public Transportation Modernization Improvement Service Enhancement Act local transit projects and administration, and $582 million for Proposition 1A connectivity projects. Taking into account Commission allocations through December 2015, $181 million of Proposition 1B authority is available for allocation in 2015-16, plus an additional estimated authority of $171 million in future years. These amounts largely consist of authority that was appropriated for the use of potential program savings consistent with the Proposition 1B savings policy adopted by the Commission in January 2014. Original allocations are nearly complete for all programs except for the Local Bridge Seismic Retrofit Account program, which will continue to make original allocations for several more years. A remaining amount of $137 million is available for allocation on Proposition 1A connectivity projects.

No general obligation bond funding was received for projects during the second quarter of 2015-16. On occasion, the STO sells general obligation bonds solely to refund certain outstanding bonds for economic savings. In October 2015, the STO refunded one series administered by the Department under the Proposition 192 – Seismic Retrofit Bond Act of 1996, and two series administered by the Commission under the Proposition 116 – Clean Air and Transportation Improvement Bond Act of 1990.

Recommendations

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

APPENDICES

APPENDIX A – ALLOCATION CAPACITY AND ASSUMPTIONS

2015-16 Allocation Capacity
By Fund and Program
($ in millions)

Fund	SHOPP	STIP	TCRP	AERO	ATP	TIRCP	BONDS	Total
SHA	$300	$100	$0	$0	$45	$0	$0	**$445**
FTF	1,472	168	0	0	102	0	0	**1,742**
PTA	0	69	0	0	0	0	0	**69**
TCRF	0	0	82	0	0	0	0	**82**
AERO	0	0	0	2	0	0	0	**2**
TDIF	0	40	0	0	0	0	0	**40**
GHG (Cap and Trade)	0	0	0	0	0	265	0	**265**
Prop 1A Bonds *	0	0	0	0	0	0	142	**142**
Prop 1B Bonds *****	77	72	0	0	0	0	141	**290**
Total Capacity	**$1,849**	**$449**	**$82**	**$2**	**$147**	**$265**	**$283**	**$3,077**

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

* Subject to Bond Sales

The 2015-16 allocation capacity of approximately $3.1 billion is based on the following:

- The SHOPP allocation capacity is based on the 2015-16 Budget Act revenue and expenditure estimates and the 2016 STIP FE federal receipts. The total allocation capacity includes carryover capacity and project allocations that were voted during the August 2015 Commission meeting.

- The STIP PTA allocation capacity of $69 million is based on the 2016 STIP FE, a prudent cash balance of $100 million, and includes 2014-15 carryover allocation capacity.

- The TDIF capacity is based on available cash in the fund and is intended to provide financial relief to the STIP SHA due to the dramatic decrease in price-based excise tax revenue in 2015-16.

- The TCRP allocation is based on the anticipated final suspended Proposition 42 loan repayment of approximately $84 million, less the reduction for 2014-15 over-allocation of approximately $2 million.

- The AERO capacity is based on the 2016 AERO FE.

- The ATP allocation capacity is based on the 2015 ATP FE and includes 2014-15 carry-over capacity. The 2015-16 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 TIRCP capacity is based on the 2015-16 Budget's projected Cap and Trade revenues in the GHG.

- Bond capacity is based on the remaining bond authority, budget authority, and any administrative costs.
  - Proposition 1A and 1B capacities are based on the 2015-16 Enacted Budget and includes 2014-15 remaining authority of approximately $211 million. The bond capacities are also dependent on the sale of sufficient bonds for funding.
  - Transportation Facilities Account (TFA) and CMIA allocation capacities are contingent upon project close-out and administrative savings.

APPENDIX B – AUTHORIZED CHANGES

2015-16 Authorized Changes
Summary through December 31, 2015
($ in thousands)

Program	# of Adjustments			Net Change[3]
	Increases	Decreases	Total[3]	
SHOPP[1]	62	113	175	-$27,483
STIP[2]	3	7	10	-8,627
TOTAL	**65**	**120**	**185**	**-$36,111**

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

Summary of Authorized Changes

The Department has processed a total of 185 allocation adjustments through the second quarter, resulting in a $36 million decrease.

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 2015-16 cash forecasts are based on the following assumptions:

- State Operations projections are based on historical trends and assumes a 2.2 percent increase each year, based on the DOF's 2015-16 Price Letter.
- Includes the most current expenditure projections available for Right-of-Way SHOPP and STIP.
- Capital Outlay and Local Assistance expenditures are based on actual and projected Commission allocations using historical and seasonal construction patterns.
- Monthly adjustments are not forecasted, since they comprise timing differences between the Department's accounting system and the State Controller's Office (SCO). These adjustments include short-term loans made to the General Fund (GF), short-term loan repayments, Plans of Financial Adjustments, funds transferred in and out, and reimbursements.
- Federal receipts are based on the 2016 STIP FE.

SHA

- Weight fee and excise tax revenue projections provided by the DOF.
- All other revenues are based on historical trends.
- Continued monthly transfers of weight fee revenues to the Transportation Debt Service Fund (TDSF).
- Receipt of approximately $169 million in remaining assets and $23 million in remaining liabilities from the TIF due to closure of the fund.
- Receipt of approximately $2 million in remaining assets from the Pedestrian Safety Account due to closure of the fund.
- Delays in processing expenditures in July and August due to 2014-15 year-end closing.
- Prudent cash balance of $415 million.

PTA

- Revenue projections provided by the DOF.
- Repayment of an approximately $14 million Public Employees' Pension Reform Act of 2013 (PEPRA) loan in 2015-16.
- Prudent cash balance of $100 million.

TCRF

- A final transfer amount of approximately $84 million from the TDIF in 2015-16.

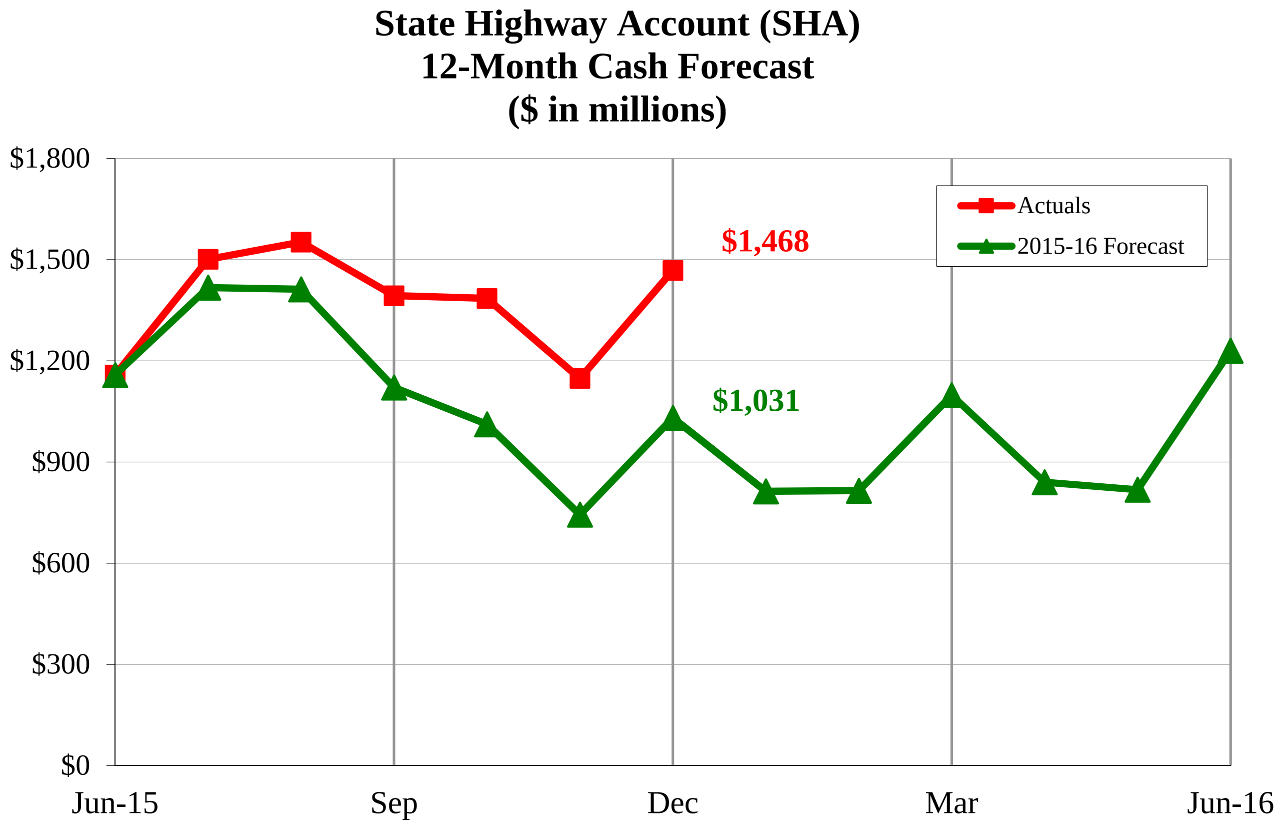
TIF

- No revenues will be received and no obligations will be made by the TIF.
- As authorized by the 2015-16 Budget, the TIF will be closing in 2015-16 and all remaining assets and liabilities will be transferred to the SHA.

TDIF

- Receipt of a final suspended Proposition 42 loan repayment in the amount of approximately $84 million in 2015-16.
- A transfer of approximately $84 million to the TCRF, immediately following the receipt of the suspended Proposition 42 loan repayment.

APPENDIX C – CASH FORECASTS – STATE HIGHWAY ACCOUNT



Year-to-Date SHA Summary

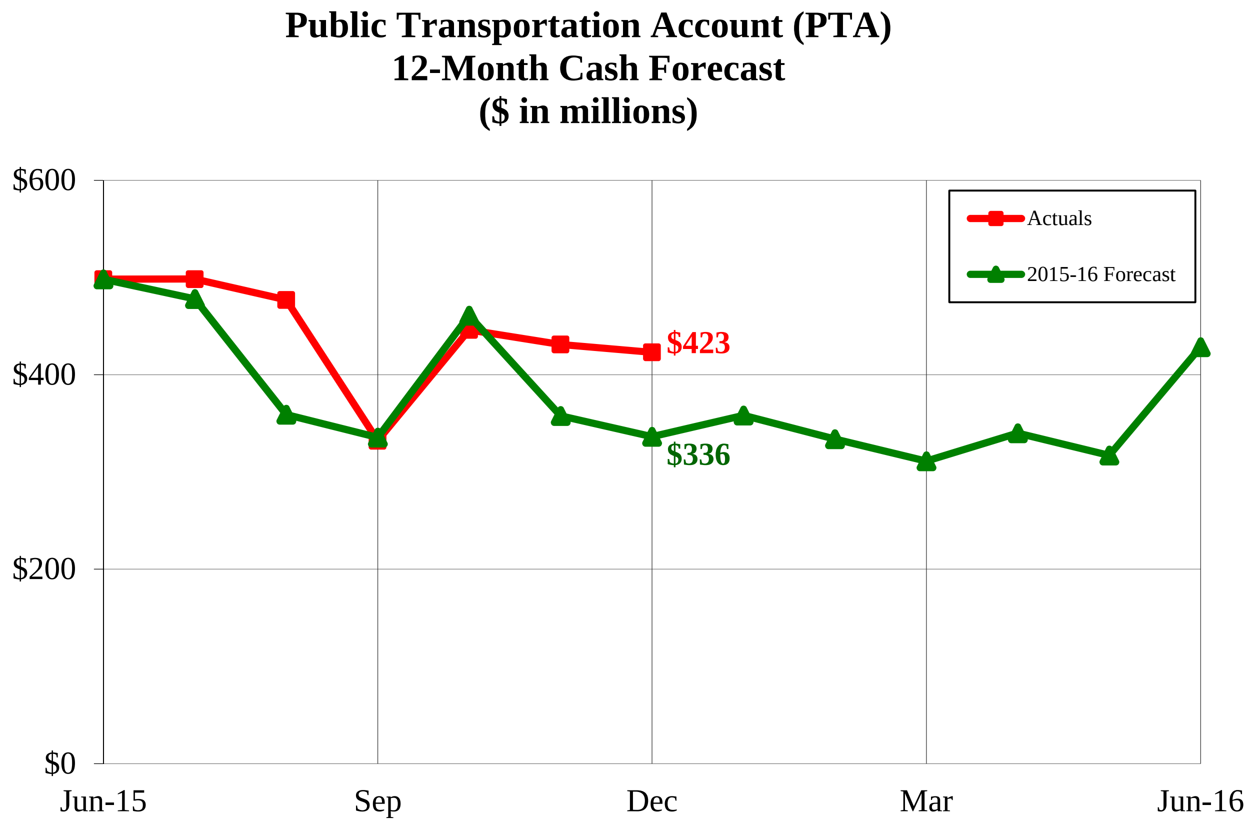
The SHA ending cash balance through the second quarter was approximately $1.5 billion, $437 million (42 percent) above the forecasted amount of $1 billion. The variance is primarily due to higher than forecasted revenues and lower than forecasted expenditures. Revenues are higher than originally anticipated due to current economic factors, which have contributed to increased fuel consumption. Revenues totaled $2.3 billion, $154 million (7 percent) above forecast. Transfers out of the SHA totaled $575 million, $6 million (1 percent) below forecast. Expenditures totaled $1.7 billion, $31 million (2 percent) below forecast. Adjustments, which represent timing differences between the Department's accounting system and the SCO's accounting system, totaled a positive $246 million.

Year-to-Date Reconciliation

($ in millions)	Forecast	Actual	Difference	%
Beginning Cash Balance	**$1,158**	**$1,158**	**N/A**	
Revenues	2,138	2,292	154	
Transfers	-581	-575	6	
Expenditures	-1,684	-1,653	31	
Adjustments	0	246	246	
Ending Cash Balance	**$1,031**	**$1,468**	**$437**	**42%**

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

APPENDIX C – CASH FORECASTS – PUBLIC TRANSPORTATION ACCOUNT



Year-to-Date PTA Summary

The PTA ending cash balance through the second quarter was $423 million, $87 million (26 percent) above the forecasted amount of $336 million. The variance is due to the delayed transfer of $70 million to the State Transit Assistance, which is now anticipated in the third quarter. Revenues totaled $112 million. Transfers totaled $6 million, which was above the forecasted amount, as a result of a delayed loan to the High-Speed Rail Authority (HSRA). It is unknown when, or if, the loan will be needed by the HSRA during the current fiscal year. Expenditures totaled $102 million, $80 million (44 percent) lower than anticipated in the forecast. Expenditures are expected to increase in the third and fourth quarters. Adjustments, which represent timing differences between the Department's accounting system and the SCO's accounting system, totaled a negative $92 million.

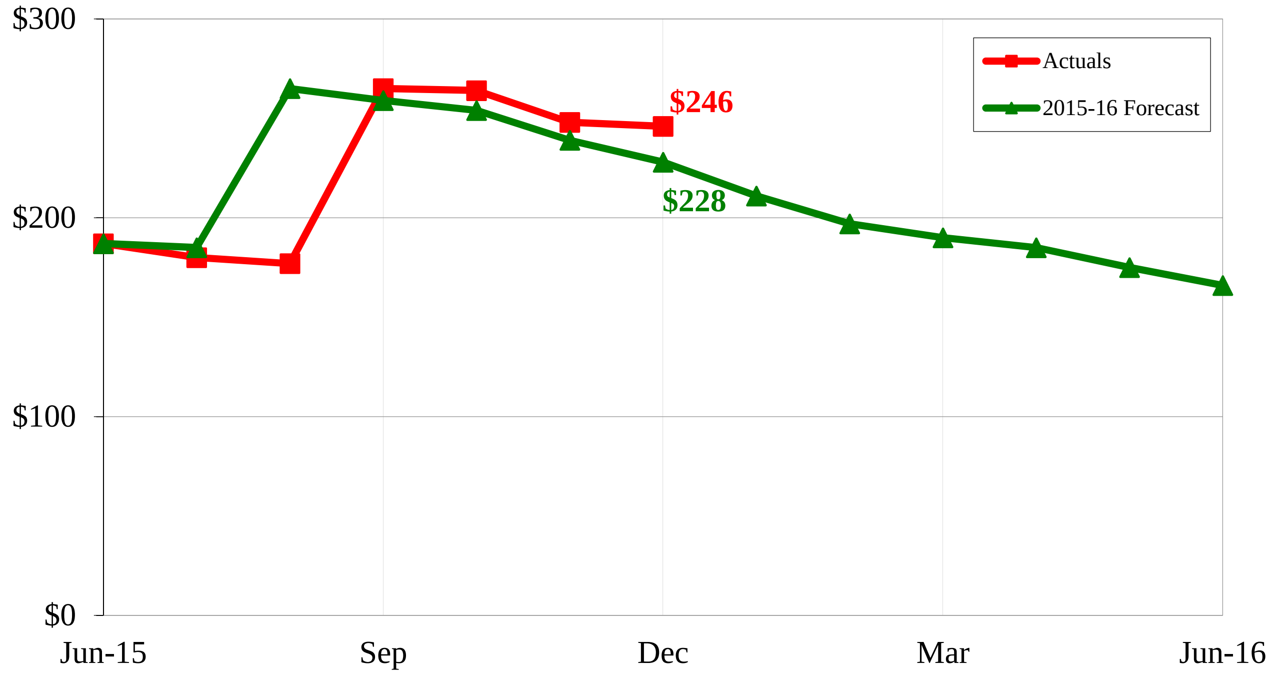
Year-to-Date Reconciliation

($ in millions)	Forecast	Actual	Difference	%
Beginning Cash Balance	**$498**	**$498**	**N/A**	
Revenues	140	112	-27	
Transfers	-7	6	13	
Expenditures	-182	-102	80	
Adjustments	-113	-92	21	
Ending Cash Balance	**$336**	**$423**	**$87**	**26%**

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

APPENDIX C – CASH FORECASTS – TRAFFIC CONGESTION RELIEF FUND

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



Year-to-Date TCRF Summary

The TCRF ending cash balance through the second quarter was $246 million, $18 million (8 percent) above the forecasted amount of $228 million. The variance is primarily due to lower than forecasted expenditures. Transfers totaled $83.4 million, which consisted of the final suspended Proposition 42 loan repayment from the TDIF. Expenditures totaled $32 million, $11 million (25 percent) below forecast. Adjustments, which represent timing differences between the Department's accounting system and the SCO's accounting system, totaled $8 million.

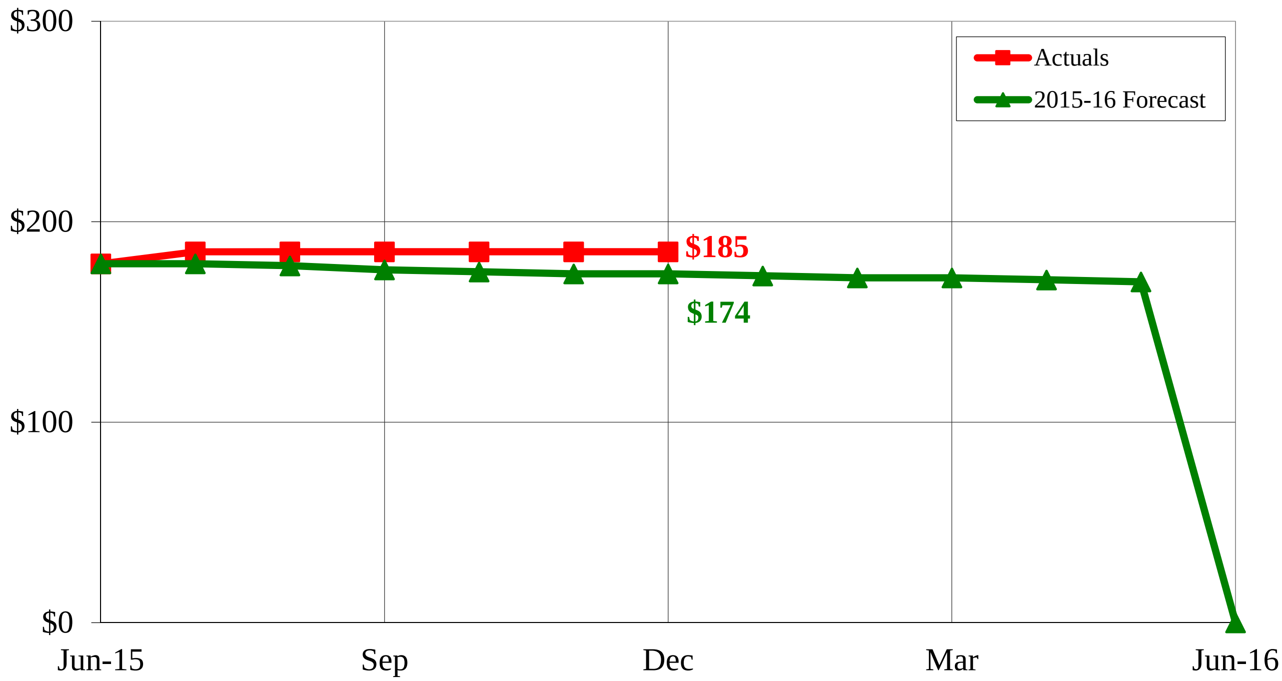
Year-to-Date Reconciliation

($ in millions)	Forecast	Actual	Difference	%
Beginning Cash Balance	**$187**	**$187**	**N/A**	
Revenues	0	0	0	
Transfers	84	83	-1	
Expenditures	-43	-32	11	
Adjustments	0	8	8	
Ending Cash Balance	**$228**	**$246**	**$18**	**8%**

Note: Amounts may not sum to totals due to independent 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 second quarter was $185 million, $11 million (6 percent) above forecast. The variance is primarily due to lower than forecasted expenditures. No revenues, transfers, or expenditures occurred during the second quarter. Adjustments, which represent timing differences between the Department's accounting system and the SCO's accounting system, totaled $6 million. Closure of the TIF is scheduled to occur by the end of 2015-16. At that time, all remaining cash and commitments will be transferred to the SHA.

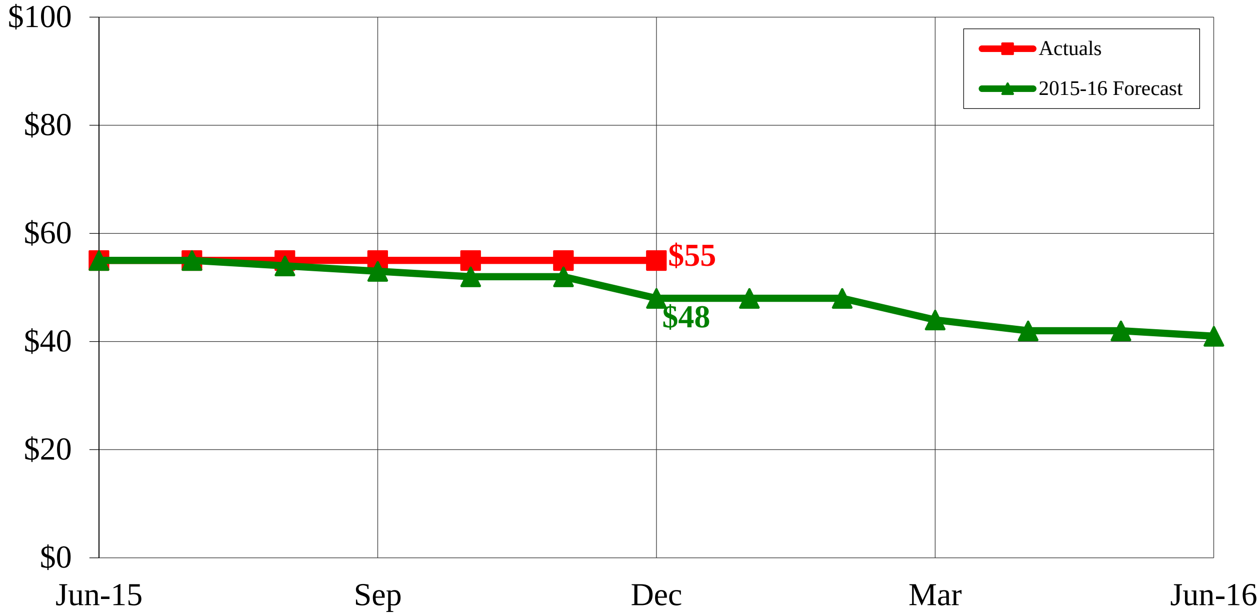
Year-to-Date Reconciliation

($ in millions)	Forecast	Actual	Difference	%
Beginning Cash Balance	**$179**	**$179**	**N/A**	
Revenues	0	0	0	
Transfers	0	0	0	
Expenditures	-5	0	5	
Adjustments	0	6	6	
Ending Cash Balance	**$174**	**$185**	**$11**	**6%**

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

APPENDIX C – CASH FORECASTS – TRANSPORTATION DEFERRED INVESTMENT FUND

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



Year-to-Date TDIF Summary

The TDIF ending cash balance through the second quarter was $55 million, $7 million (14 percent) above forecast. The variance is primarily due to lower than forecasted expenditures. Revenues totaled $83.4 million and transfers totaled negative $83.4 million, which represents the final suspended Proposition 42 loan repayment to the TCRF. No expenditures occurred during the second quarter. Adjustments, which represent timing differences between the Department's accounting system and the SCO's accounting system, were nominal.

Year-to-Date Reconciliation

($ in millions)	Forecast	Actual	Difference	%
Beginning Cash Balance	**$55**	**$55**	**N/A**	
Revenues	84	83	-1	
Transfers	-84	-83	1	
Expenditures	-7	0	7	
Adjustments	0	0	0	
Ending Cash Balance	**$48**	**$55**	**$7**	**14%**

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

APPENDIX D – TRANSPORTATION LOANS

Status of Outstanding Transportation Loans, as of December 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)	$1,066	$1,066	$0
Subtotal Proposition 42 Loans:	**$1,066**	**$1,066**	**$0**
General Fund:			
State Highway Account - Weight Fee Revenues[1]	$227	$0	$227
State Highway Account - Weight Fee Revenues[1]	1,237	0	1,237
Public Transportation Account (PTA)[2]	29	0	29
Local Airport Loan Account (LALA)[3]	8	0	8
Motor Vehicle Fuel Account (MVFA)[3]	8	0	8
Subtotal General Fund Loans:	**$1,508**	**$0**	**$1,508**
High-Speed Passenger Train:			
2013-14 Public Transportation Account (PTA)[4]	$23	$0	$23
2014-15 Public Transportation Account (PTA)[4]	31	0	31
Subtotal High-Speed Passenger Train Loans:	**$54**	**$0**	**$54**
Local Mass Transit Providers (PEPRA):			
Public Transportation Account (PTA)[5]	$14	$0	$14
Subtotal Local Mass Transit Providers Loans:	**$14**	**$0**	**$14**
Totals:	**$3,872**	**$1,417**	**$2,455**

Note: Amounts may not sum to totals due to independent rounding.
[1]Loan repayments will be directed to the GF for debt service payments.
[2]Repayment is expected to occur in 2020-21.
[3]Repayment is expected to occur in 2016-17.
[4]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.
[5]Repayment 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, future loan repayments made to the SHA will be subsequently transferred to the Transportation Debt Service Fund (TDSF).

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 were 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 final loan repayment of $83.4 million was received in September 2015. The final repayment amount was originally anticipated to be $84 million. The Department in conjunction with the SCO performed a final reconciliation of repayments and have determined no additional amounts are owed.

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 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 total, there are $1.464 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). As of December 2015, the only loans left outstanding are to the MVFA and the LALA, which are owed $8 million and $7.5 million, respectively. These repayments are expected to occur in 2016-17.

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.

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 $31 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. Repayments will occur when the PTA is determined to be in need of the funds or when the High-Speed Rail Authority no longer has need for 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 granted the State's motion to enforce the court's previous order to remand the matter to the DOL. A second motion was also granted by the court for leave to file a supplemental complaint against the DOL.

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 December 31, 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 continue to cause delays in repayment of these loans. The Department will monitor the ongoing litigation and work with the DOF to determine a repayment schedule for the PTA.

PROPOSED TRANSPORTATION LOAN REPAYMENTS – TRIBAL GAMING

Proposed Tribal Gaming Loan Repayment Schedule
($ in millions)

Fund	Repayment Year				Repayment Total
	2016-17	2017-18	2018-19	2019-20	
SHA[1]	$5	$40	$40	$48	$132
GHG[2]	9	80	80	96	265
TCEA[3]	11	100	100	123	334
TCRF[4]	148	0	0	0	148
Totals:	**$173**	**$220**	**$220**	**$267**	**$879**

Note: Amounts may not sum to totals due to independent rounding.
[1]Per AB 115, the $132 million is considered to be derived from weight fees and should be repaid to the TDSF. The Governor's proposal redirects these resources to the SHA for maintenance and rehabilitation projects.
[2]The $265 million is proposed to be used for TIRCP projects. It is assumed that these resources will be deposited into the PTA, then subsequently transferred to the GHG.
[3]The TCEA is a new fund included in the Governor's proposal. The $334 million was originally owed to the TCRF.
[4]The $148 million repaid to the TCRF will be used to pay for existing projects programmed in the TCRP.

The Governor's 2016-17 Budget included a transportation funding and reform package which proposes the accelerated repayment of $879 million in Tribal Gaming loans owed to various funds. The repayments are expected to begin in 2016-17 and end in 2019-20. The proposed loan repayments would be allocated as follows: $132 million to the SHA for highway maintenance and rehabilitation, which was originally anticipated to be transferred to the TDSF for repayment of debt services; $265 million for use on TIRCP projects, which was originally owed to the PTA; $334 million to the Trade Corridor Enhancement Account (TCEA), which was originally owed to the TCRF; and $148 million to the TCRF for existing projects programmed in the TCRP. Due to unanticipated transfers to other programs and accounts, the Department is currently performing an impact analysis of these proposed loan repayments. If the proposed loan repayment schedule is adopted, additional recommendations may be made.