State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

Tab 34

M e m o r a n d u m

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: October 19-20, 2016

Reference No.: 3.6
Information Item

From: NORMA ORTEGA
Chief Financial Officer

Prepared by: Steven Keck, Chief
Division of
Budgets

Subject: **<u>FISCAL YEAR 2015-16 - FOURTH QUARTER FINANCE REPORT</u>**

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

Attachment

Department of Transportation
Quarterly Finance Report

Fourth 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.

California Department of Transportation			
Quarterly Finance Report			
Schedule of Reports			
Fiscal Year	**Quarterly Report**	**Activity**	**Date**
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**
	2016-17 Q1	**Close of Quarter**	**9/30/16**
		Quarterly Report to Commission Staff	**11/15/16**
		Presented to Commission	**12/8/16**
	2016-17 Q2	**Close of Quarter**	**12/31/16**
		Quarterly Report to Commission Staff	**2/15/17**
		Presented to Commission	**3/16/17**
	2016-17 Q3	**Close of Quarter**	**3/31/17**
		Quarterly Report to Commission Staff	**5/15/17**
		Presented to Commission	**5/18/17**
2017-18	**2016-17 Q4**	**Close of Quarter**	**6/30/17**
		Quarterly Report to Commission Staff	**8/30/17**
		Presented to Commission	**10/19/17**

Department of Transportation Quarterly Finance Report

Fourth Quarter 2015-16

EXECUTIVE SUMMARY

2015-16 Capital Allocations vs. Capacity Summary through June 30, 2016 ($ in millions)								
	SHOPP[1]	STIP[1]	TCRP	AERO	ATP	TIRCP	BONDS	TOTAL
Total Allocation Capacity	$1,849	$449	$82	$5	$147	$265	$302	$3,099
Total Votes	1,586	486	39	4	142	193	120	2,570
Authorized Changes[2]	-149	-49	0	0	0	0	0	-198
Total Remaining Capacity	**$411**	**$12**	**$43**	**$1**	**$5**	**$72**	**$182**	**$726**

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 $2.6 billion toward 848 projects through the end of fiscal year 2015-16. Adjustments totaled negative $198 million, leaving approximately $726 million (23 percent) in remaining allocation capacity. August allocations will be more than enough to absorb the remaining State Highway Operation and Protection Program (SHOPP) 2015-16 rollover capacity.

The State Highway Account (SHA) ended the fourth quarter with a higher than projected cash balance. The variance is primarily due to higher than forecasted revenues due to current economic factors, which have contributed to increased fuel consumption. The Public Transportation Account (PTA) ended the fourth quarter with a higher than projected cash balance, primarily due to the delay of the fourth quarter State Transit Assistance (STA) expenditure transfer which is now anticipated to occur by the end of August 2016. The Traffic Congestion Relief Fund (TCRF) and the Transportation Deferred Investment Fund (TDIF) each ended the fourth quarter with slightly higher than forecasted balances due to lower than projected expenditures. As of June 30, 2016, the Transportation Investment Fund (TIF) has been closed and all remaining resources and obligation of the fund have been transferred to the SHA, per legislation.

During the fourth quarter, the Aeronautics (AERO) Account received a $1.3 million transfer from the Local Airport Loan Account (LALA), which will be used to provide relief to the AERO grant programs. As a result of a Revised 2016 AERO Fund Estimate (FE) and the $1.3 million transfer, the AERO 2015-16 allocation capacity was increased from $2.6 million to $5.2 million. See the AERO Program section of this report for additional details.

State Budget Outlook

On June 27, 2016, Governor Brown signed the 2016-17 Budget, authorizing $9.7 million and 19,044 positions for the California Department of Transportation (Department). This represents a decrease of approximately $800 million and 252 positions from 2015-16. The reduction is primarily due to the projected decrease in fuel tax revenues and successful completion of the majority of Proposition 1B Bond projects. Despite Governor Brown's inclusion of a comprehensive Transportation Funding Reform Package proposal in his January Budget, the Legislature chose to remove those provisions from the final budget package.

Transportation funding reform remains a priority for Governor Brown and the California Legislature. As a result, Senator Jim Beall and Assembly Member Jim Frazier, have collaborated on a joint transportation funding package. In August 2016, the Beall-Frazier Transportation Funding Package was announced, which proposes approximately $7.4 billion annually in revenue to repair and maintain state highways and local streets, roads and bridges. The proposed revenue would come primarily from increased fuel taxes, registration fees, and the restoration of weight fee revenue to fund transportation. The Beall-Frazier Package also proposes accelerated loan repayments and increased Cap and Trade proceeds. The Department is preparing an in-depth analysis of the proposals included in the Beall-Frazier Package, as well as other legislative proposals. Additional information regarding these proposed funding solutions will be provided as they become available.

STATE HIGHWAY OPERATION AND PROTECTION PROGRAM (SHOPP)

State Highway Operation and Protection Program ($ in millions)					
Fund	Allocation Capacity	Allocations to Date[1]	Adjustments	Net Allocations	Remaining Capacity
SHA	$300	$466	-$5	$460	-$160
FTF	1,472	1,120	-143	977	495
Proposition 1B	77	0	0	0	77
Total	**$1,849**	**$1,586**	**-$149**	**$1,438**	**$411**

Note: Amounts may not sum to totals due to independent rounding.
[1]Inlcudes approximately $70 million in August allocations, attributable to 2015-16.

Capital Allocations vs. Capacity

The Commission allocated $1.6 billion toward 416 SHOPP projects through the fourth quarter. Adjustments totaled negative $149 million, leaving $411 million (approximately 22 percent) in remaining allocation capacity. Remaining capacity will be allocated at the August Commission meeting pursuant to approved extensions.

Outlook for Funding & Allocations

SHA. Effective July 1, 2016, the Board of Equalization (BOE) approved a decrease to the price-based excise tax from 12 cents in 2015-16 to 9.8 cents per gallon in 2016-17. As a result, the Department anticipates a decrease of approximately $40 million in revenue for the SHOPP in 2016-17. The reduced rate is not anticipated to materially affect SHOPP capacity because price-based excise tax revenue represents only a small portion of SHOPP funding.

Federal Trust Fund (FTF). Net allocations totaling $977 million were committed toward federally eligible SHOPP projects through the fourth quarter. The majority of remaining SHOPP capacity is federal, which is anticipated to be obligated prior to the end of the federal fiscal year.

Proposition 1B. No SHOPP Proposition 1B projects were allocated during 2015-16.

Recommendations

The Department prepared the final 2016-17 allocation capacity for the SHOPP based on long-range cash forecasts, expected revenues, and 2015-16 carryover allocation capacity. Refer to Appendix A, Allocation Capacity and Assumptions, for details.

STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)

State Transportation Improvement Program ($ in millions)					
Fund	**Allocation Capacity**	**Allocations to Date**	**Adjustments**	**Net Allocations**	**Remaining Capacity**
SHA	$100	$90	-$4	$86	$14
FTF	168	237	-34	203	-35
PTA	69	62	0	62	7
TDIF	40	25	0	25	15
Prop 1B STIP	72	72	-10	62	10
Total	**$449**	**$486**	**-$49**	**$437**	**$12**

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

Capital Allocations vs. Capacity

The Commission allocated $486 million toward 138 STIP projects through the fourth quarter. Adjustments totaled negative $49 million, leaving $12 million (approximately three percent) in remaining allocation capacity.

Outlook for Funding & Allocations

SHA. As mentioned previously, the BOE voted for a significant reduction to the 2016-17 price-based excise tax rate on gasoline, which translates into a large reduction in revenue. As a result of the reduction, an Amended 2016 STIP FE was adopted by the Commission. The revised FE reflects a need for approximately $754 million in cuts from road and transit capacity projects over the FE period. Various proposals that may increase revenues for short and long-term use are being discussed in the Legislature. Additional information regarding these proposals will be provided as they become available.

FTF. Net allocations totaling $203 million were committed toward federally eligible STIP projects through the fourth quarter. The remaining allocation capacity is anticipated to be fully committed before the end of the federal fiscal year.

PTA. Net allocations totaling $62 million were committed toward PTA STIP projects through the fourth quarter, leaving approximately $7 million in remaining allocation capacity. Remaining capacity will be rolled forward for use in 2016-17.

TDIF. Net allocations totaling $25 million were allocated toward TDIF STIP projects through the fourth quarter, leaving approximately $15 million in remaining allocation capacity. Remaining capacity will be rolled forward for use in 2016-17.

Proposition 1B. Net allocations totaling $62 million were committed toward STIP Proposition 1B projects through the fourth quarter, leaving $10 million in remaining allocation capacity due to project cost savings.

Recommendations

The Department prepared the final 2016-17 allocation capacity for the STIP based on long-range cash forecasts, expected revenues, and 2015-16 carryover allocation capacity. Refer to Appendix A, Allocation Capacity and Assumptions, for details.

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 seven TCRP projects through the fourth quarter, leaving $43 million (approximately 52 percent) in remaining allocation capacity. Remaining allocation capacity will be rolled forward for use in 2016-17.

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. Assembly Bill (AB) 133, approved in March 2016, authorized the repayment of $148 million to the TCRF in 2016-17. The remaining $334 million owed to the TCRF has no specified repayment schedule.

Loan repayments received by the TCRF in 2016-17 would provide sufficient resources for currently programmed TCRP projects, but not for new projects. See Appendix D for additional details regarding loan repayments.

Recommendations

The Department prepared the final 2016-17 allocation capacity for the TCRP based on a long-range cash forecast and 2015-16 carryover allocation capacity. Refer to Appendix A, Allocation Capacity and Assumptions, for details.

AERONAUTICS (AERO) PROGRAM

Aeronautics Program ($ in millions)					
Fund	**Allocation Capacity**	**Allocations to Date**	**Adjustments**	**Net Allocations**	**Remaining Capacity**
AERO Account	$5.2	$4.4	$0	$4.4	$0.8
Total	**$5.2**	**$4.4**	**$0**	**$4.4**	**$0.8**

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

Capital Allocations vs. Capacity

The Commission allocated approximately $4.4 million toward 18 AERO Program projects through the fourth quarter, leaving $800,000 (approximately 16 percent) in remaining allocation capacity. Of the $4.4 million allocated, roughly $1.8 million was allocated to match 49 federal Airport Improvement Program (AIP) grants and $2.5 million was allocated toward 10 AERO Acquisition and Development Program (A&D) projects. Remaining allocation capacity will be rolled forward for use in 2016-17.

Outlook for Funding & Allocations

During the fourth quarter, a $1.3 million transfer from the LALA to the AERO Account occurred (details below), which increased the 2015-16 AERO allocation capacity. In addition, the Revised 2016 AERO Account FE was recorded, resulting in an increase of $1.4 million in 2015-16 allocation capacity. As a result, the AERO 2015-16 allocation capacity increased a total of $2.6 million to approximately $5.2 million during the fourth quarter.

On December 9, 2015, the Commission approved an updated 2016 AERO Account FE which included the aforementioned $1.3 million transfer from the LALA to the AERO Account in 2015-16 plus an additional $4 million in each subsequent year over the FE period. The $1.3 million transfer occurred during the fourth quarter. If the remaining $4 million annual transfers are approved by the Department of Finance (DOF), these resources will be used to provide relief to the AERO Account in order to fund Program grants.

Recommendations

The Department prepared the final 2016-17 allocation capacity for the AERO based on the Revised 2016 AERO Account FE. Refer to Appendix A, Allocation Capacity and Assumptions, for details.

ACTIVE TRANSPORTATION PROGRAM (ATP)

Active Transportation Program ($ in millions)					
Fund	**Allocation Capacity**	**Allocations to Date**	**Adjustments**	**Net Allocations**	**Remaining Capacity**
SHA	$45	$65	$0	$65	-$20
FTF	102	77	0	77	25
Total	**$147**	**$142**	**$0**	**$142**	**$5**

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

Capital Allocations vs. Capacity

The Commission allocated $142 million toward 203 projects through the fourth quarter, leaving $5 million (approximately three percent) in remaining allocation capacity.

Outlook for Funding & Allocations

The deadline for Active Transportation Program (ATP), Cycle 1 projects has concluded and remaining project allocations have received approved time extensions from the Commission. All extended ATP, Cycle 1 projects should be allocated within the next 20 months.

Starting in 2016-17, Cycle 2 projects will be eligible for allocations. Several projects are on the August 2016 Commission meeting agenda for vote.

Recommendations

The final 2016-17 allocation capacity for the ATP is consistent with the Adopted 2017 ATP FE. Refer to Appendix A, Allocation Capacity and Assumptions, for details.

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	$193	$0	$193	$72
Total	**$265**	**$193**	**$0**	**$193**	**$72**

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

Capital Allocations vs. Capacity

The Commission allocated $193 million toward 14 TIRCP projects through the fourth quarter, leaving $72 million (approximately 27 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 prepared the final 2016-17 allocation capacity for the TIRCP based on the Enacted Budget's projected Cap and Trade revenues in the GHG. Revenues are subject to change. The Department will monitor the Program and, if necessary, will recommend modifications to the Commission. Refer to Appendix A, Allocation Capacity and Assumptions, for details.

PROPOSITION 1A & 1B BONDS

Proposition 1A & 1B Bonds ($ in millions)			
Fund	**Allocation Capacity**	**Allocations to Date**	**Remaining Capacity**
Proposition 1A	$142	$14	$128
CMIA	0	0	0
TCIF	54	45	9
Intercity Rail	52	31	20
Local Bridge Seismic	15	10	5
Grade Separations*	18	18	0
Traffic Light Synch.	7	0	7
Route 99	14	0	14
Total	**$302**	**$120**	**$182**

Note: Amounts may not sum to totals due to independent rounding.
*Highway-Railroad Crossing Safety Account (HRCSA)

Capital Allocations vs. Capacity

The Commission allocated $120 million toward 52 Bond projects through the fourth quarter, leaving $182 million (approximately 60 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

Bond Funding. In April 2016, the State Treasurer's Office (STO) conducted a general obligation refunding bond sale, of which $125.6 million was used to retire Commercial Paper (CP) that had been previously issued to the Department. To date, the Department has been issued approximately $2 billion in CP, of which $1.8 billion has been refunded. Remaining CP authority for Proposition 1B is $540 million and $50 million for Proposition 1A. Also in April, the STO refunded one series administered by the Department under the Proposition 192 – the Seismic Retrofit Bond Act of 1996, and two series administered by the Commission under the Proposition 116 – the Clean Air and Transportation Improvement Bond Act of 1990. In May 2016, $16.5 million in CP was used to fund 16 Proposition 1B Local Transit projects. To date, $86 million in CP has been authorized and issued for Proposition 1B Local Transit projects, all of which was refunded by the end of the fourth quarter.

Taking into account Commission allocations through June 2016, $134 million of Proposition 1B authority is available for allocation in 2016-17, plus an additional estimated authority of $285 million in future years. These amounts include authority for the use of potential savings consistent with the Proposition 1B savings policy adopted by the Commission in January 2014. The Trade Corridor Improvement Fund program is actively de-allocating project savings, including $42 million in 2015-16, for use on future projects. The program's 2016-17 authority of $40 million will enable it to make use of additional savings as it becomes available. Original allocations are nearly complete for all Bond programs, except the Local Bridge Seismic Retrofit Account program, which will continue to make original allocations for several more years. A remaining amount of $130 million is available for allocation on Proposition 1A connectivity projects.

Recommendations

The Department prepared the final 2016-17 Bond allocation capacity including remaining bond authority, budget authority, and administrative costs. Refer to Appendix A, Allocation Capacity and Assumptions, for details.

APPENDICES

APPENDIX A – ALLOCATION CAPACITY AND ASSUMPTIONS

2016-17 Allocation Capacity
By Fund and Program[1]
($ in millions)

Fund	SHOPP	STIP	TCRP	AERO[2]	ATP	TIRCP	BONDS	Total
SHA	$402	$74	$0	$0	$42	$0	$0	**$518**
FTF	1,770	100	0	0	175	0	0	**2,045**
PTA	0	47	0	0	0	0	0	**47**
TCRF	0	0	191	0	0	0	0	**191**
AERO	0	0	0	6	0	0	0	**6**
TDIF	0	15	0	0	0	0	0	**15**
GHG (Cap and Trade)	0	0	0	0	0	200	0	**200**
Prop 1A Bonds [3]	0	0	0	0	0	0	128	**128**
Prop 1B Bonds [3]	0	0	0	0	0	0	134	**134**
Total Capacity	**$2,172**	**$236**	**$191**	**$6**	**$217**	**$200**	**$263**	**$3,284**

Note: Amounts may not sum to totals due to independent rounding.
[1] Allocation capacity related to trade corridors is not included.
[2] Aeronautics allocation capacity is contingent upon DOF approval of $4 million LALA transfer.
[3] Subject to Bond Sales.

The 2016-17 allocation capacity of approximately $3.3 billion is based on the following:

- The STIP SHA, SHOPP SHA, and FTF allocation capacities are based on:
  - The 2016-17 Enacted Budget revenue and expenditure estimates,
  - The Revised 2016 STIP FE estimated federal receipts,
  - The SHA prudent cash balance of $415 million, and
  - Anticipated 2015-16 carryover allocation capacity

- The STIP PTA allocation capacity of $47 million is based on the 2016-17 Enacted Budget, the PTA prudent cash balance of $100 million, and includes approximately $7 million in 2015-16 carryover allocation capacity.

- The STIP TDIF capacity is based on available cash in the fund and includes 2015-16 carryover capacity of approximately $15 million.

- The TCRP allocation capacity of $191 million is based on the anticipated tribal gaming loan repayment of $148 million, which will be used for Tier 2 projects, and includes approximately $43 million in 2015-16 carryover allocation capacity for Tier 1 projects.

- The AERO capacity is based on the Revised 2016 AERO Account FE and is contingent upon the DOF's approval of a $4 million transfer from the LALA. AERO 2016-17 capacity also includes 2015-16 carryover allocation capacity of approximately $800,000.

- The ATP capacity is based on the Adopted 2017 ATP FE and projects with time extensions approved by the Commission. The ATP capacity 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 2016-17 Enacted Budget's projected Cap and Trade revenues in the GHG.

- Bond capacity is based on remaining bond authority, budget authority, and any administrative costs.
  - Proposition 1A and 1B capacities are based on the 2016-17 Enacted Budget and includes 2015-16 remaining authority. The bond capacities are also dependent on the sale of sufficient bonds for funding.
  - Any increases to the Transportation Facilities Account (TFA), Highway-Railroad Crossing Safety Account (HRCSA), and State Route 99 Account allocation capacities are a result of project close-out and administrative savings.
  - Inter-City Rail capacity is based on the allocation of originally programmed projects.

APPENDIX B – AUTHORIZED CHANGES

2015-16 Authorized Changes
Summary through June 30, 2016
($ in millions)

Program	# of Adjustments			Net Change[3]
	Increases	Decreases	Total[3]	
SHOPP[1]	149	259	408	-$149
STIP[2]	6	14	20	-53
TOTAL	**155**	**273**	**428**	**-$201**

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]May include net zero adjustments

Summary of Authorized Changes

The Department has processed a total of 428 allocation adjustments through June 30, 2016, resulting in a $201 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

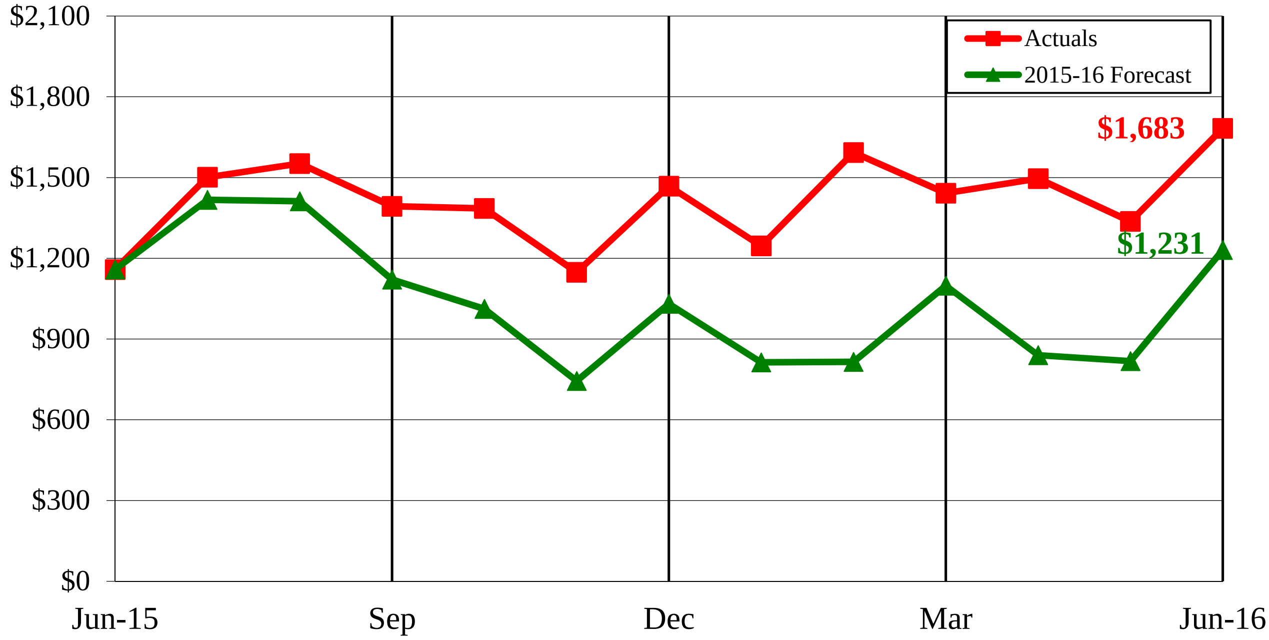
- No revenues will be received and no obligations will be made by the TIF.
- As authorized by the 2015-16 Budget, the TIF will be closing in 2015-16 and all remaining assets and liabilities will be transferred to the SHA.

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

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



Year-to-Date SHA Summary

The SHA ending cash balance through the fourth quarter was approximately $1.7 billion, $453 million (37 percent) above the forecasted amount of $1.2 billion. The variance is primarily due to continued higher than forecasted revenues and lower than forecasted capital outlay expenditures. Also, pursuant to legislation the TIF remaining assets and liabilities were transferred to the SHA during the fourth quarter. The final transfer amount was slightly higher than anticipated, resulting in a higher SHA balance; however, the majority of these resources are outstanding liabilities of the fund and cannot be used for new project allocations. Revenues were higher than anticipated due to current economic factors, which contributed to increased fuel consumption. Capital outlay expenditures were lower than anticipated due to project closeout savings that occurred during 2015-16. Revenues totaled $4.6 billion, $279 million (7 percent) above forecast. Transfers out of the SHA totaled $957 million, $15 million (2 percent) above forecast. Expenditures totaled $3.2 billion, $41 million (1 percent) below forecast. Adjustments, which represent timing differences between the Department's accounting system and the SCO's accounting system, totaled a positive $148 million.

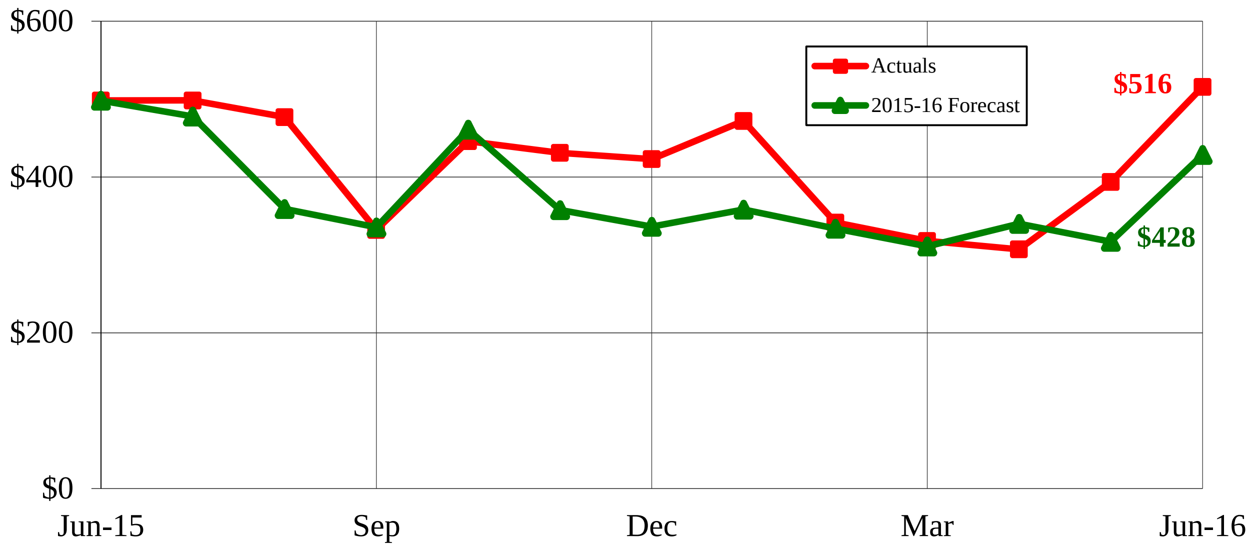
Year-to-Date Reconciliation

($ in millions)	Forecast	Actual	Difference	%
Beginning Cash Balance	**$1,158**	**$1,158**	**N/A**	
Revenues	4,276	4,555	279	
Transfers	-942	-957	-15	
Expenditures	-3,261	-3,220	41	
Adjustments	0	148	148	
Ending Cash Balance	**$1,231**	**$1,683**	**$453**	**37%**

Note: Amounts may not sum to totals due to independent 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 fourth quarter was $516 million, $88 million (approximately 21 percent) above the forecasted amount of $428 million. Revenues totaled $467 million (16 percent) lower than the forecasted amount of $560 million due to lower than forecasted diesel revenue. Transfers, which were above forecast, totaled $55 million. The variance can be attributed to the absence of $26 million in High-Speed Passenger Train Bond Fund loans, and an early $30 million General Fund loan repayment that was originally anticipated to occur in 2016-17. Expenditures totaled $251 million, $112 million (31 percent) lower than anticipated, primarily due to lower than anticipated STA expenditures. Four quarterly STA expenditures usually occur in each fiscal year, however only three occurred in 2015-16. The Department has contacted the SCO to determine if this trend will continue, or if this transfer is imminent. According to the SCO, the STA expenditure was delayed and is now anticipated to occur by the end of August 2016. Adjustments, which represent timing differences between the Department's accounting system and the SCO's accounting system, totaled a negative $253 million.

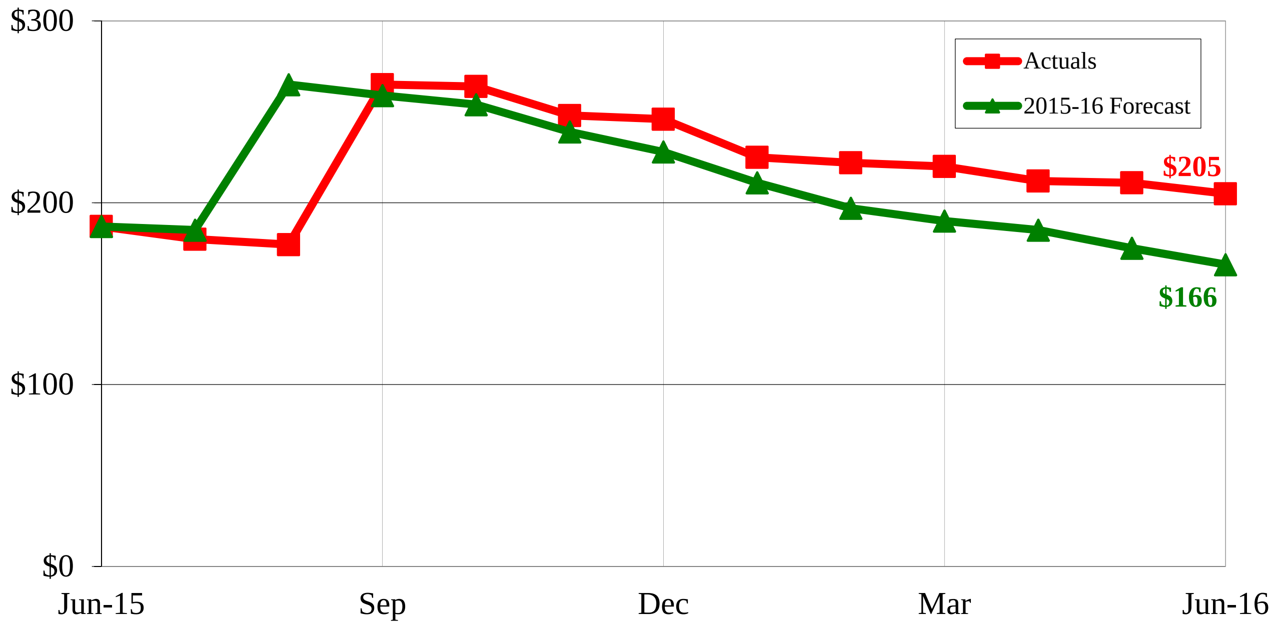
Year-to-Date Reconciliation

($ in millions)	Forecast	Actual	Difference	%
Beginning Cash Balance	**$498**	**$498**	**N/A**	
Revenues	560	467	-92	
Transfers	13	55	42	
Expenditures	-364	-251	112	
Adjustments	-279	-253	26	
Ending Cash Balance	**$428**	**$516**	**$88**	**21%**

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 fourth quarter was $205 million, $39 million (23 percent) above the forecasted amount of $166 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 $61 million, $43 million (42 percent) below forecast. As a result, the 2016-17 TCRF Cash Forecast will reflect a more conservative expenditure model. Adjustments, which represent timing differences between the Department's accounting system and the SCO's accounting system, totaled $4 million.

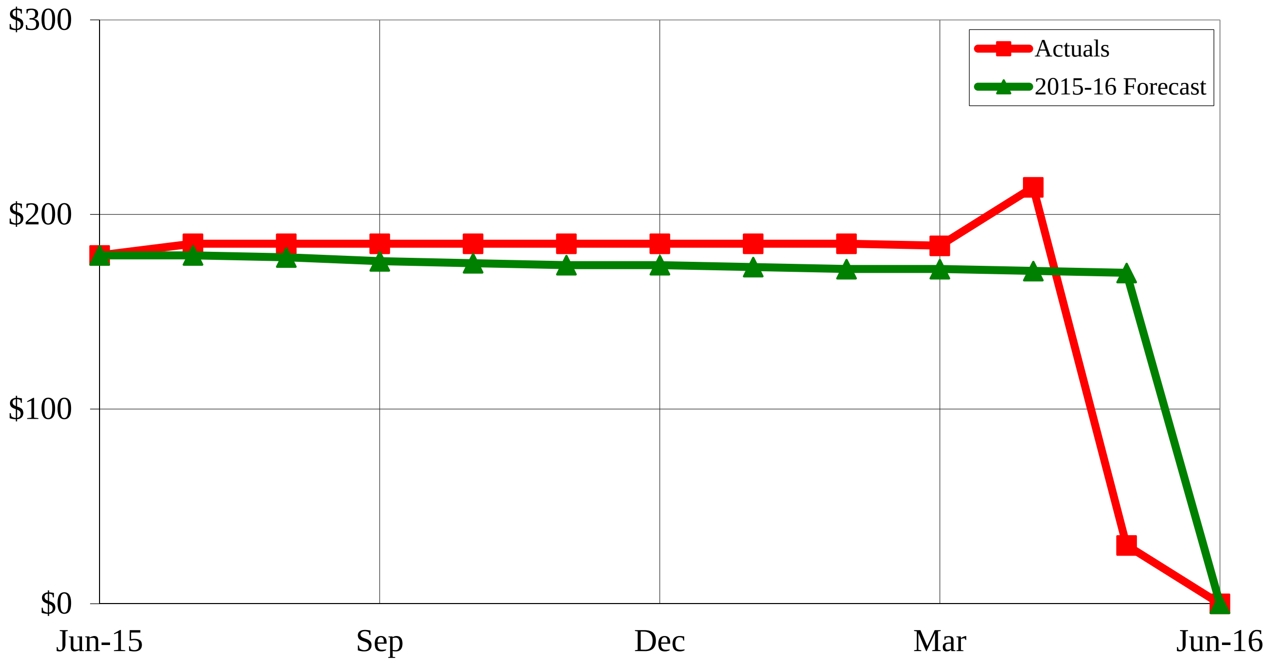
Year-to-Date Reconciliation

($ in millions)	Forecast	Actual	Difference	%
Beginning Cash Balance	**$187**	**$187**	**N/A**	
Revenues	0	0	0	
Transfers	84	83	-1	
Expenditures	-104	-61	43	
Adjustments	0	-4	-4	
Ending Cash Balance	**$166**	**$205**	**$39**	**23%**

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

As of June 30, 2016, the TIF is officially closed and the balance is zero. All remaining cash and commitments were transferred to the SHA, per legislation. This fund will be removed from future quarterly reports.

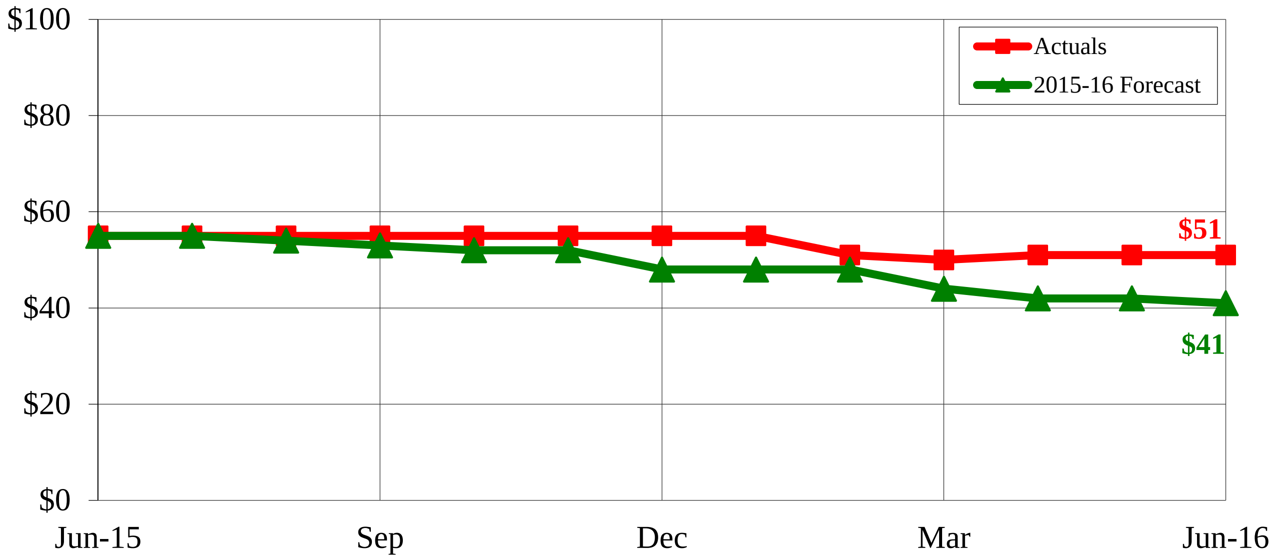
Year-to-Date Reconciliation

($ in millions)	Forecast	Actual	Difference	%
Beginning Cash Balance	**$179**	**$179**	**N/A**	
Revenues	0	0	0	
Transfers	-169	-185	-16	
Expenditures	-10	-1	9	
Adjustments	0	6	6	
Ending Cash Balance	**$0**	**$0**	**$0**	**0%**

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 fourth quarter was $51 million, $10 million (24 percent) above forecast. The variance is primarily due to lower than forecasted expenditures. Revenues totaled positive $83 million and transfers totaled negative $83 million, which represents the final suspended Proposition 42 loan repayment to the TCRF. Expenditures totaled $5 million, $9 million (68 percent) below forecast. As a result, the 2016-17 TDIF Cash Forecast will reflect a more conservative expenditure model. 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	-14	-5	9	
Adjustments	0	0	0	
Ending Cash Balance	**$41**	**$51**	**$10**	**24%**

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

APPENDIX D – TRANSPORTATION LOANS

Status of Outstanding Transportation Loans, as of June 30, 2016 ($ 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:			
Traffic 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)	29	29	0
Local Airport Loan Account (LALA)	8	8	0
Motor Vehicle Fuel Account (MVFA)	8	8	0
Subtotal General Fund Loans:	**$1,509**	**$45**	**$1,464**
High-Speed Passenger Train Bond Fund:			
2013-14 Public Transportation Account (PTA)[2]	$23	$0	$23
2014-15 Public Transportation Account (PTA)[2]	31	0	31
Subtotal High-Speed Passenger Train Loans:	**$54**	**$0**	**$54**
Local Mass Transit Providers (PEPRA):			
Public Transportation Account (PTA)[3]	$14	$0	$14
Subtotal Local Mass Transit Providers Loans:	**$14**	**$0**	**$14**
Totals:	**$3,872**	**$1,462**	**$2,411**

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

[1]Loan repayments will be directed to the TDSF for debt service payments.

[2]Repayment will occur when the PTA is determined to be in need of funds or when the High-Speed Rail Authority no longer needs the funds.

[3]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, future loan repayments made to the SHA are expected to be subsequently transferred to the Transportation Debt Service Fund (TDSF).

AB 133, approved by Governor Brown on March 1, 2016, appropriates $173 million from the GF to provide for partial repayment of outstanding Tribal Gaming loans. The repayments are expected to occur no later than January 1, 2017 and will be allocated as follows: $148 million to the TCRF; $11 million for trade corridor improvements, which will be allocated to the SHA; $9 to the TIRCP, from loans owed to the PTA; $5 million to the SHA for the SHOPP. Since language in AB 133 specifically allocates the $5 million to the SHOPP, this money is expected to be utilized by the program instead of being diverted to the 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 determined no additional amounts were owed. This section will be removed from future quarterly reports.

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 California Vehicle Code, an additional $42 million was transferred as a loan from excess weight fee revenues in the SHA to the GF in July 2012. Per legislation, the $42 million shall be repaid no later June 30, 2021. In July 2012, $204 million was transferred to the GF from excess weight fees in 2010-11. In April 2013, $200 million was transferred to the GF from excess weight fees in 2010-11. In May 2013, $30 million was transferred to the GF from remaining weight fees in 2011-12. In July 2014, excess weight fees available in the SHA were transferred as loans to the GF in the amount of $92 million for 2013-14. In July 2015, excess weight fees available in the SHA were transferred as loans to the GF in the amount of $151 million for 2014-15. As of June 30, 2016, excess weight fees have been estimated at approximately $20 million for 2015-16; however, to date, the final amount has not been determined. Updated weight fee loan amounts to the GF will be included in the 2016-17 first quarter report. Through the fourth quarter of 2015-16, there have been $1.464 billion in weight fee revenue loans made to the GF. Based on the way current legislation is written, repayment of these loans is anticipated to be subsequently transferred to the TDSF for transportation bond debt service.

General Fund Loans

The Budget Act of 2008 authorized $227 million in loans to the GF from the SHA, the Bicycle Transportation Account, the LALA, the Motor Vehicle Fuel Account (MVFA), the Historic Property Maintenance Fund, and the Pedestrian Safety Account, to help fill the state's budget shortfall. At the beginning of 2015-16, the last of these outstanding loans included $8 million owed to the MVFA, $7.5 million owed to the LALA, and a $29 million loan (authorized by the Budget Act of 2010) owed to the PTA. On June 21, 2016, all of these remaining GF loans were repaid in full. This section will be removed from future quarterly reports.

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. No additional loans are anticipated to occur. Pursuant to statute, loans will be repaid when the PTA is determined to be in need of the funds or when the High-Speed Rail Authority no longer needs the funds.

Local Mass Transit Providers Loans (PEPRA)

Section 13(c) of the Urban Mass Transportation Act of 1964 mandates that employee protections for specified transit workers must be certified by the United States Department of Labor (DOL) before federal transit grants can be released to local mass transit employers. The California Public Employees' Pension Reform Act of 2013 (PEPRA) established new retirement formulas for employees first employed by a public entity on or after January 1, 2013. PEPRA requires such employees to contribute a specified percentage of the normal cost of their defined benefit pension plans, and prohibits public employers from paying an employee's share of retirement contributions. The DOL determined that PEPRA interferes with collective bargaining rights of transit workers protected under Section 13(c). Subsequently, the DOL refused to certify millions of dollars in federal transit grants to California transit agencies.

As a result, the California Legislature enacted AB 1222, which authorized the DOF to loan up to $26 million from the PTA to local mass transit providers in amounts equal to federal transportation grants not received due to non-certification from the DOL. Concurrently, the State of California pursued litigation against the DOL, challenging its determination that PEPRA is incompatible with federal labor laws. On December 30, 2014, the court ruled that the DOL's determination that PEPRA precluded certification of federal transit grants under Section 13(c) was "arbitrary and capricious," and that the DOL "misinterpreted the law". The matter was remanded to the DOL "for further proceedings consistent with the court's order". The DOL later appealed the decision, but subsequently filed to have the appeal voluntarily dismissed, which was granted by the court on August 12, 2015. A hearing was scheduled on October 23, 2015, which resulted from the State of California filing a supplemental complaint to enforce the court's previous order remanding the case. On January 7, 2016, the court found that the DOL complied with its order to reconsider the relevant factors that were lacking in its original denial of grant certification. However, the court granted the State's motion for leave to file a supplemental complaint against the DOL. The case currently remains in litigation. In total, $14.2 million has been loaned from the PTA to local mass transit providers (Sacramento Regional Transit and Monterey-Salinas Transit). Although ongoing litigation continues to cause delays in repayment, these loans are expected to be repaid no later than January 1, 2019, as mandated by statute.