

Memorandum

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: October 21-22, 2015

Reference No.: 3.6
Information Item

From: NORMA ORTEGA
Chief Financial Officer

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Division of
Budgets

Subject: **FISCAL YEAR 2014-15 FOURTH QUARTER FINANCE REPORT**

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

Attachment



Department of Transportation Quarterly Finance Report

Fourth Quarter 2014-15

Department of Transportation
Division of Budgets

The purpose of the Quarterly Finance Report is to provide the California Transportation Commission (Commission) with the status of capital allocations versus capacity and to report any trends or issues that may require action by the California Department of Transportation or Commission regarding transportation funding policy, allocation capacity, or forecast methodology to ensure the efficient and prudent management of transportation resources. Below is the schedule of dates for the development of the fiscal year 2014-15 and 2015-16 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	10/22/15
	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

Fourth Quarter 2014-15

EXECUTIVE SUMMARY

2014-15 Capital Allocations vs. Capacity Summary through June 30, 2015 (\$ in millions)							
	SHOPP ¹	STIP ¹	TCRP	AERO	ATP	BONDS	TOTAL
Total Allocation Capacity	\$1,969	\$745	\$76	\$6	\$248	\$611	\$3,655
Total Votes ³	1,992	681	78	5	75	318	\$3,150
Authorized Changes ²	-100	-4	0	0	0	0	-\$104
Total Remaining Capacity	\$78	\$67	\$0	\$0	\$173	\$293	\$609

Note: Totals may not add due to rounding

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

²Includes approximately \$813 million in August allocations, attributable to 2014-15.

³Authorized changes include project increases and decreases pursuant to the Commission's G-12 process and project rescissions.

The California Transportation Commission (Commission) has allocated \$3.2 billion toward 761 projects through the end of fiscal year 2014-15. Adjustments totaled negative \$104 million, leaving approximately \$609 million (17 percent) in remaining allocation capacity. Approximately \$813 million was delivered in June and is scheduled to be allocated against the 2014-15 allocation capacity in August. The remaining allocation capacity is primarily bond funds, which will be rolled forward for use in 2015-16.

The State Highway Account (SHA) ended 2014-15 with a higher than projected cash balance primarily due to lower expenditures and higher adjustments than anticipated. The Traffic Congestion Relief Fund (TCRF) ended 2014-15 with a higher than projected cash balance due to a \$50 million interfund loan repayment from the SHA that was originally anticipated to occur in 2015-16. The Public Transportation Account (PTA), the Transportation Investment Fund (TIF), and the Transportation Deferred Investment Fund (TDIF) each ended 2014-15 within acceptable range of forecast.

During the fourth quarter, the State Treasurer's Office (STO) conducted no general obligation bond sales. Additional information regarding bonds can be located in the Proposition 1A and 1B Bonds section of this report.

Effective July 1, 2015, the price-based excise tax rate for gasoline was reduced to 12 cents per gallon and the diesel fuel excise tax rate was increased to 13 cents per gallon for 2015-16. The 6 cent reduction in the gasoline tax rate is anticipated to result in a loss of revenue exceeding \$800 million in 2015-16. The drop in revenue may cause a reduction to the 2015-16 allocation capacity for the State Highway Operation and Protection Program (SHOPP), State Transportation Improvement Program (STIP), and local streets and roads. Adjustments to the excise tax rates are being considered as part of the Proposed 2016 State Transportation Improvement Program (STIP) Fund Estimate (FE) and have been incorporated into the 2015-16 Cash Forecasts. Refer to Appendices A and C for additional details.

On July 31, 2015, President Obama signed a three-month stopgap bill to provide \$8.1 billion in temporary funding to the Federal Highway Trust Fund (FHTF), through October 29, 2015. The bill funds surface transportation programs at the level authorized for the 2014-15 federal fiscal year. Of the authorized \$8.1 billion, \$6.1 billion will be transferred to the Federal Highway Account, and the remaining \$2 billion will be transferred to the Federal Mass Transit Account. While the authority has been extended through October 2015, there are resources available to fund projects through December 2015.

On July 30, 2015, the Senate passed a six-year surface transportation bill that would provide funding for highways, transit, and rail programs for three years. The House is expected to propose their own long-term surface transportation bill in coming months. The California Department of Transportation (Department) will continue to monitor the progress of the FHTF and any potential long-term federal transportation act proposals.

State Budget Outlook

The 2015-16 Budget was signed by Governor Brown on June 24, 2015, and authorized \$10.5 billion for the Department. This represents a decrease of approximately \$570 million from 2014-15 levels. An extraordinary legislative session has been convened to address transportation infrastructure funding shortfalls. The session is intended to result in legislation that will identify permanent and sustainable funding for transportation. Progress of the extraordinary session will be communicated to the Commission in future presentations and finance reports.

The Budget included \$9.4 million for the implementation of a Road Charge Pilot Program. This Program will explore an alternative revenue collection methodology based on the vehicle miles travelled on California's highways and roads, and the feasibility to serve as a replacement to the current fuel tax. The Budget also authorized \$1.3 million in funds for 2016-17 in order to accelerate the schedule of the Program from four years to three years.

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	\$410	\$277	-\$10	\$267	\$143
FTF	1,482	1,715	-91	1,625	-143
Proposition 1B	77	0	0	0	77
Total	\$1,969	\$1,992	-\$100	\$1,892	\$78

Note: Totals may not add due to rounding

¹Includes approximately \$813 million in August allocations, attributable to 2014-15.

Capital Allocations vs. Capacity

The Commission allocated \$1.9 billion, including adjustments, toward 342 SHOPP projects through the end of 2014-15, leaving \$78 million (approximately 4 percent) in remaining allocation capacity, which will be carried forward to 2015-16. Approximately \$813 million in SHOPP projects were delivered in June and are scheduled to be allocated toward 2014-15 capacity in August.

Outlook for Funding & Allocations

SHA. Effective July 1, 2015 the price-based excise tax was reduced from 18 cents to 12 cents per gallon. The Department anticipates a decrease of more than \$100 million in revenue for the SHOPP in 2015-16, which may result in a reduction to the allocation capacity. The \$100 million in decreased revenue will be taken into account when the Department completes the Proposed 2016 STIP FE and has already been incorporated into the 2015-16 SHA Cash Forecast. Additional information can be found in Appendices A and C.

Federal Trust Fund (FTF). Net allocations totaling \$864 million were committed toward federally eligible SHOPP projects through the end of 2014-15. On July 31, 2015, Congress passed a three-month extension to FHTF resources, while they continue to negotiate sustainable transportation funding solutions and long-term surface transportation legislation. Additional information will be provided

Proposition 1B. No bond sales occurred and no project allocations were made during the fourth quarter. The \$77 million in remaining SHOPP Proposition 1B allocation capacity will be rolled forward for use in 2015-16.

Recommendations

The Department prepared the final 2015-16 allocation capacity for the SHOPP based on long-range cash forecasts and expected revenues. Refer to Appendices A and C for Allocation Capacity Assumptions and Forecast Methodology 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	\$200	\$183	-\$2	\$181	\$19
FTF	370	444	-2	442	-72
PTA	73	54	0	54	19
Prop 1B STIP*	102	0	0	0	102
Total	\$745	\$681	-\$4	\$678	\$67

Note: Totals may not add due to rounding.

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

Capital Allocations vs. Capacity

The Commission allocated \$678 million, including adjustments, toward 178 STIP projects through the end of 2014-15, leaving \$67 million (approximately 9 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

SHA. During the fourth quarter, SHA STIP savings were utilized to cover FTF STIP overruns. Effective July 1, 2015 the price-based excise tax was reduced from 18 cents to 12 cents per gallon. As a result, the Department anticipates a decrease of more than \$380 million in revenue for the STIP in 2015-16, which may result in a significant reduction to the allocation capacity. The \$380 million in decreased revenue will be taken into account when the Department completes the Proposed 2016 STIP FE and has already been reflected in the SHA Cash Forecast. Additional information can be found in Appendices A and C.

FTF. Net allocations totaling \$442 million were committed toward federally eligible STIP projects through the fourth quarter, leaving a negative balance of \$72 million. The overage was partially offset by SHA savings in the fourth quarter. As previously mentioned, Congress passed a three-month extension to FHTF resources, while they continue to negotiate sustainable transportation funding solutions and long-term surface transportation legislation.

PTA. As of June 2015, approximately \$31.6 million has been loaned to the High-Speed Passenger Train Bond Fund for the 2014-15 year. Repayments will occur when the PTA is determined to be in need or when the High-Speed Passenger Train Bond Fund no longer requires the resources. The PTA also loaned \$14.2 million to local mass transit providers, as required by Assembly Bill (AB) 1222 (2013). AB 1222 authorizes up to \$26 million to be loaned. Due to a recent Federal District Court decision, the Department is working with the Department of Finance (DOF) to coordinate repayment. Additional information can be found in Appendix E. Effective July 1, 2015, the diesel fuel excise tax rate increased from 11 cents per gallon to 13 cents per gallon. This increase will be taken into account when the Department completes both the Proposed 2016 STIP FE and has been reflected in the 2015-16 PTA Base Forecast.

Proposition 1B. No STIP Proposition 1B projects were allocated during the fourth quarter. The \$102 million in remaining STIP Proposition 1B allocation capacity will be rolled forward for use in 2015-16.

Recommendations

The Department prepared the final 2015-16 allocation capacity for the STIP based on long-range cash forecasts and expected revenues. The Department has included \$40 million in TDIF allocation capacity for 2015-16, as means to relieve some of the financial pressure caused by the dramatic reduction in price-based excise tax revenue. Refer to Appendices A and C for Allocation Capacity Assumptions and Forecast Methodology 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	\$76	\$78	\$0	\$78	\$0
Total	\$76	\$78	\$0	\$78	\$0

Note: Totals may not add due to rounding

Capital Allocations vs. Capacity

The Commission allocated \$78 million toward nine TCRP projects through the end of 2014-15. The TCRF is currently over-allocated by nearly \$2 million. The Department will reduce the 2015-16 allocation capacity to offset the overage.

Outlook for Funding & Allocations

A \$50 million interfund loan repayment was received from the SHA during the fourth quarter of 2014-15, which was originally projected to occur during the first quarter of 2015-16. This loan repayment will be utilized to cover existing obligations of the TCRF.

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

The TCRF is also owed \$482 million in Pre-Proposition 42 (Tribal Gaming) loan repayments, which are scheduled to begin in 2016-17. The lower than anticipated payment amounts and extended loan repayment schedule may negatively impact the TCRF's ability to meet its obligations in future years. Refer to Appendix E for additional details.

Recommendations

The Department's recommendation remains the same; to adopt legislation to allow temporary interfund loans from the SHA. This may assist the TCRF in remaining insolvent while awaiting for Pre-Proposition 42 loan repayments.

AERONAUTICS PROGRAM (AERO)

Aeronautics Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
AERO	\$5.6	\$5.4	\$0	\$5.4	\$0.2
Total	\$5.6	\$5.4	\$0	\$5.4	\$0.2

Note: Totals may not add due to rounding

Capital Allocations vs. Capacity

The Commission allocated approximately \$5.4 million toward 26 AERO projects through the end of 2014-15, utilizing nearly all of the AERO 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 fourth quarter, the Commission approved a total of \$5.4 million, of which roughly \$1.3 million was allocated to match federal AIP grants. The remaining \$4 million was allocated toward 20 Aeronautics Acquisition and Development Program projects.

Recommendations

The Department prepared the final 2015-16 allocation capacity for the Aeronautics Account based on the Proposed 2016 AERO 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	\$77	\$33	\$0	\$33	\$44
FTF	171	42	0	42	129
Total	\$248	\$75	\$0	\$75	\$173

Note: Totals may not add due to rounding

Capital Allocations vs. Capacity

The Commission allocated \$75 million toward 184 Active Transportation Program (ATP) projects through the end of 2014-15, leaving \$173 million (approximately 70 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

All 2014-15 projects were fully programmed and adopted by the Commission by the third quarter. In June, approximately \$27 million in project allocation extensions were approved. As a result, the 2015-16 ATP capacity includes \$27 million in rollover capacity.

Recommendations

The final 2015-16 allocation capacity for the ATP is consistent with the Adopted 2015 ATP FE and includes 2014-15 rollover capacity.

PROPOSITION 1A & 1B BONDS

Proposition 1A & 1B Bonds (\$ in millions)			
Fund	Allocation Capacity	Allocations to Date	Remaining Capacity
Proposition 1A	\$210	\$68	\$142
CMIA*	102	72	30
TCIF	57	48	9
Intercity Rail	192	109	82
Local Bridge Seismic	13	7	6
Grade Separations	1	0	1
Traffic Light Synch.	21	14	7
Route 99	16	0	16
Total	\$611	\$318	\$293

Note: Totals may not add due to rounding.

*Contingent upon project close-out and administrative savings.

Capital Allocations vs. Capacity

The Commission allocated \$293 million toward 22 Bond projects through the end of 2014-15, leaving \$293 million (approximately 50 percent) in remaining allocation capacity.

Outlook for Funding & Allocations

Bond Funding. Through the fourth quarter of 2014-15 the Department has received upfront proceeds of \$9 billion for Proposition 1B projects, \$3 billion for Public Transportation Modernization Improvement Service Enhancement Act Local Transit projects, and \$582 million for Proposition 1A projects. Remaining bond authority is approximately \$3 billion, \$164 million, and \$368 million, respectively.

No general obligation bond funding was received by the Department during the fourth quarter of 2014-15. However, in April 2015, the Department received approximately \$231 million in additional authority to draw upon Commercial Paper (CP) issued by the State Treasurer's Office. To date, the Department has been issued about \$1.4 billion in CP of which \$1.3 billion has been refunded. Remaining authority for Proposition 1B projects totals \$1.1 billion.

Remaining allocation capacity will be made available for use in 2015-16. This amount includes authority related to potential program savings, consistent with the Proposition 1B savings policy adopted by the Commission in January 2014.

Recommendations

The Department prepared the final 2015-16 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

Appendix B Authorized Changes

Appendix C Cash Forecasts

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

Appendix D Federal Emergency Projects

Appendix E Transportation Loans

- Status of Outstanding Transportation Loans, as of June 30, 2015**
- Interfund Transportation Loans**

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: Totals may not add due to 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 Proposed 2016 STIP FE federal receipts. The total allocation capacity includes carryover capacity and project allocations that are anticipated to be voted during the August 2015 Commission meeting.
- The STIP PTA allocation capacity of \$69 million is based on the Proposed 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 final suspended Proposition 42 loan repayment of \$84 million, less the reduction for 2014-15 over-allocation of approximately \$2 million.
- The AERO capacity is based on the Proposed 2016 AERO FE.
- The ATP allocation capacity is based on the Proposed 2016 STIP 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 Transit and Intercity Rail Program (TIRCP) capacity is based on the 2015-16 Budget's projected Cap and Trade revenues in the Greenhouse Gas Fund (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 Financing Subaccount (TFA) and CMIA allocation capacities are contingent upon project close-out and administrative savings.

APPENDIX B – AUTHORIZED CHANGES

2014-15 Authorized Changes Summary through June 30, 2015 (\$ in millions)				
Program	# of Adjustments			Net Change ³
	Increases	Decreases	Total ³	
SHOPP ¹	160	176	337	-\$100
STIP ²	9	9	20	-4
TOTAL	169	185	357	-\$104

Note: Totals may not add due to rounding

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

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

³Includes net zero adjustments

Summary of Authorized Changes

The Department has processed a total of 357 allocation adjustments through the end of 2014-15, resulting in savings totaling \$104 million.

Background

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

APPENDIX C – CASH FORECASTS – FORECAST METHODOLOGY

Methodology and Assumptions

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

- State Operations projections are based on historical trends and assumes a two-percent increase each year, based on the 2014-15 Price Letter.
- Includes the most current expenditure projections available for Right-of-Way SHOPP and STIP.
- Capital Outlay and Local Assistance expenditures are based on actual and projected Commission allocations using historical and seasonal construction patterns.
- Monthly adjustments are not forecasted, since they comprise timing differences between the Department's accounting system and the State Controller's Office (SCO). These adjustments include short-term loans made to the GF, short-term loan repayments, Plans of Financial Adjustments, funds transferred in and out, and reimbursements.
- Federal receipts are based on the 2014 STIP FE.

SHA

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

PTA

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

TCRF

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

TIF

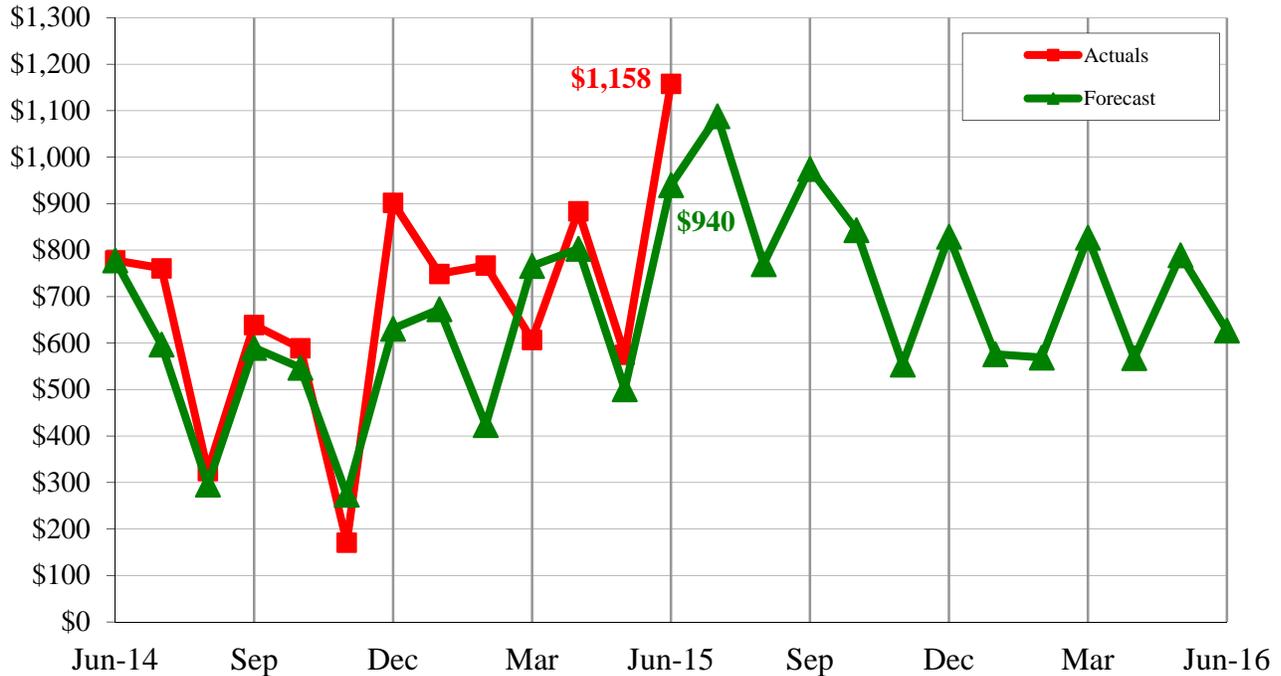
- The fund will not receive any new revenue.

TDIF

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

APPENDIX C – CASH FORECASTS – STATE HIGHWAY ACCOUNT

**State Highway Account (SHA)
24-Month Cash Forecast
(\$ in millions)**



Year-to-Date SHA Summary

The SHA ending cash balance through the fourth quarter was almost \$1.2 billion, \$218 million (23 percent) above the forecasted amount of \$940 million. The variance is primarily due to lower than anticipated expenditures. Revenues totaled \$4.8 billion, \$199 million (4 percent) above forecast and transfers totaled \$1 billion, \$112 million (12 percent) above forecast. Expenditures totaled \$3 billion, \$288 million (9 percent) below forecast. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled a negative \$397 million.

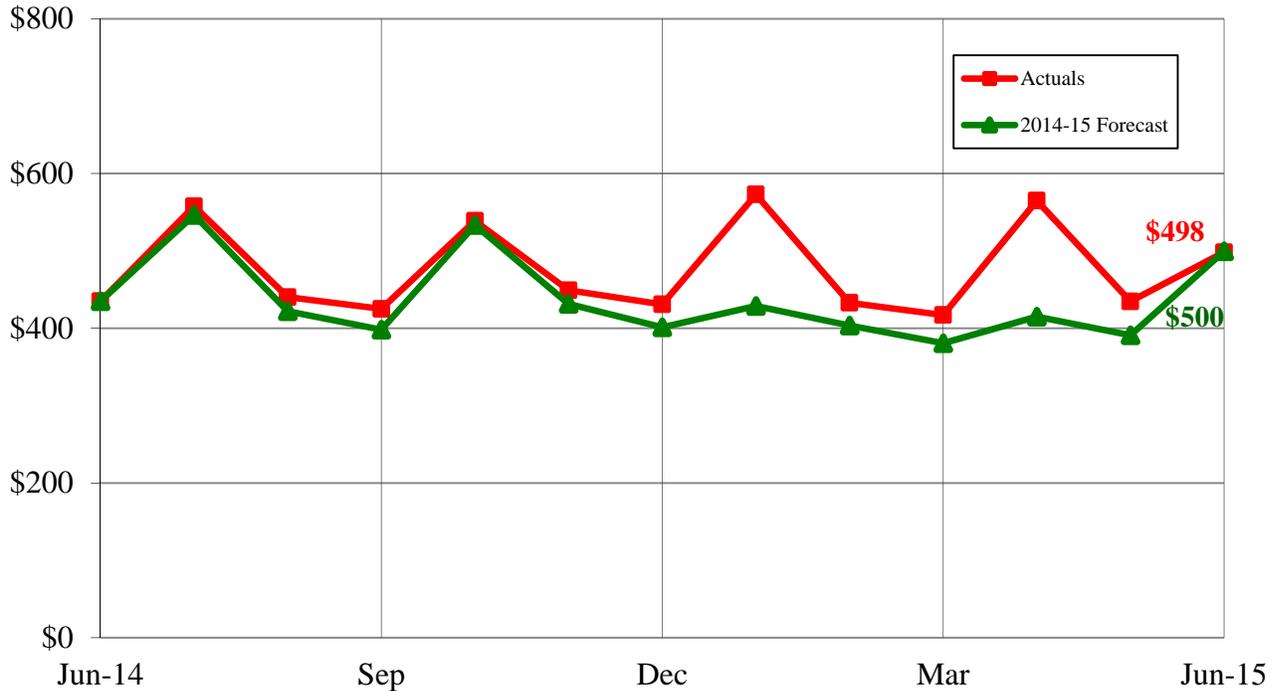
Year-to-Date Reconciliation

	(\$ in millions)			
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$778	\$778	N/A	
Revenues	4,604	4,803	199	
Transfers	-906	-1,017	-112	
Expenditures	-3,297	-3,009	288	
Adjustments	-240	-397	-157	
Ending Cash Balance	\$940	\$1,158	\$218	23%

Note: Ending cash balance may differ due to rounding.

APPENDIX C – CASH FORECASTS – PUBLIC TRANSPORTATION ACCOUNT

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



Year-to-Date PTA Summary

The PTA ending cash balance through the fourth quarter was \$498 million, which was within acceptable range of forecast. Revenues totaled \$612 million, \$8 million (1 percent) above forecast. Transfers totaled \$129 million, \$2 million (1 percent) below forecast. Expenditures totaled \$406 million, \$24 million (6 percent) above forecast. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled a negative \$272 million.

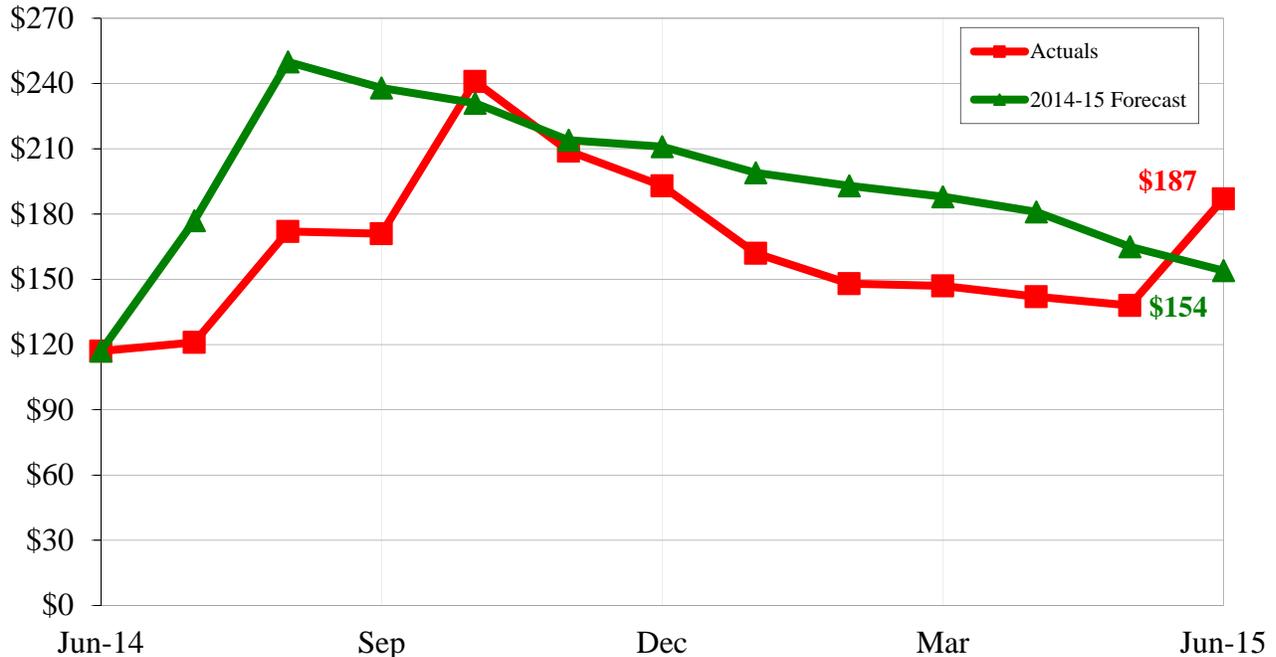
Year-to-Date Reconciliation

(\$ in millions)				
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$435	\$435	N/A	
Revenues	604	612	8	
Transfers	131	129	-2	
Expenditures	-382	-406	-24	
Adjustments	-288	-272	16	
Ending Cash Balance	\$500	\$498	-\$1	0%

Note: Ending cash balance may differ due to rounding.

APPENDIX C – CASH FORECASTS – TRAFFIC CONGESTION RELIEF FUND

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



Year-to-Date TCRF Summary

The TCRF ending cash balance through the fourth quarter was \$187 million, \$33 million (22 percent) above the forecasted amount of \$154 million. The variance is due to a \$50 million loan repayment from the SHA that was received in June 2015, but was not expected to occur until July 2015. As a result, transfers totaled \$183 million, \$50 million higher than forecast. Expenditures totaled \$114 million, \$19 million (19 percent) higher than forecast. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled \$2 million.

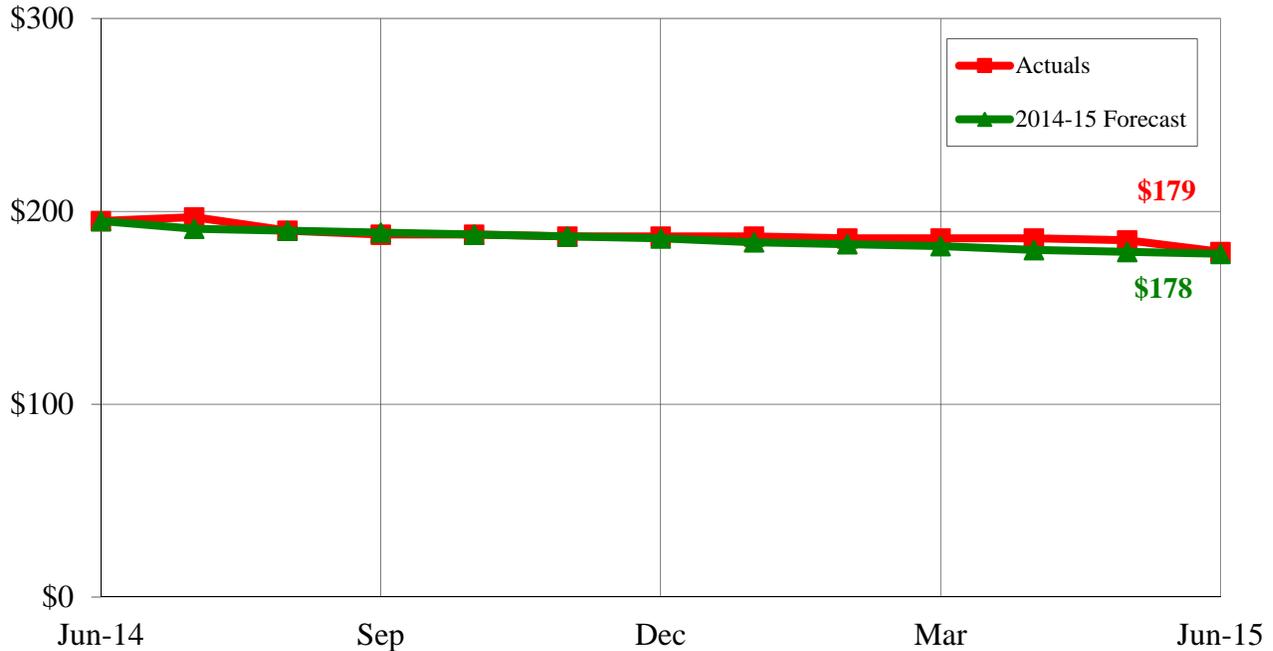
Year-to-Date Reconciliation

	(\$ in millions)			
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$117	\$117	N/A	
Revenues	0	0	0	
Transfers	133	183	50	
Expenditures	-96	-114	-19	
Adjustments	0	2	2	
Ending Cash Balance	\$154	\$187	\$33	22%

Note: Ending cash balance may differ due to rounding.

APPENDIX C – CASH FORECASTS – TRANSPORTATION INVESTMENT FUND

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



Year-to-Date TIF Summary

The TIF ending cash balance through the fourth quarter was \$179 million, which was within acceptable range of forecast. No revenues or transfers occurred during the fourth quarter. Expenditures totaled \$15 million, 2 million (14 percent) lower than forecast due to expenditures processing slower than anticipated. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled a negative \$1 million. The proposal to close the TIF and transfer all remaining assets and liabilities of the fund to the SHA was approved in the 2015-16 Budget. Closure of the TIF is scheduled to occur by the end of 2015-16.

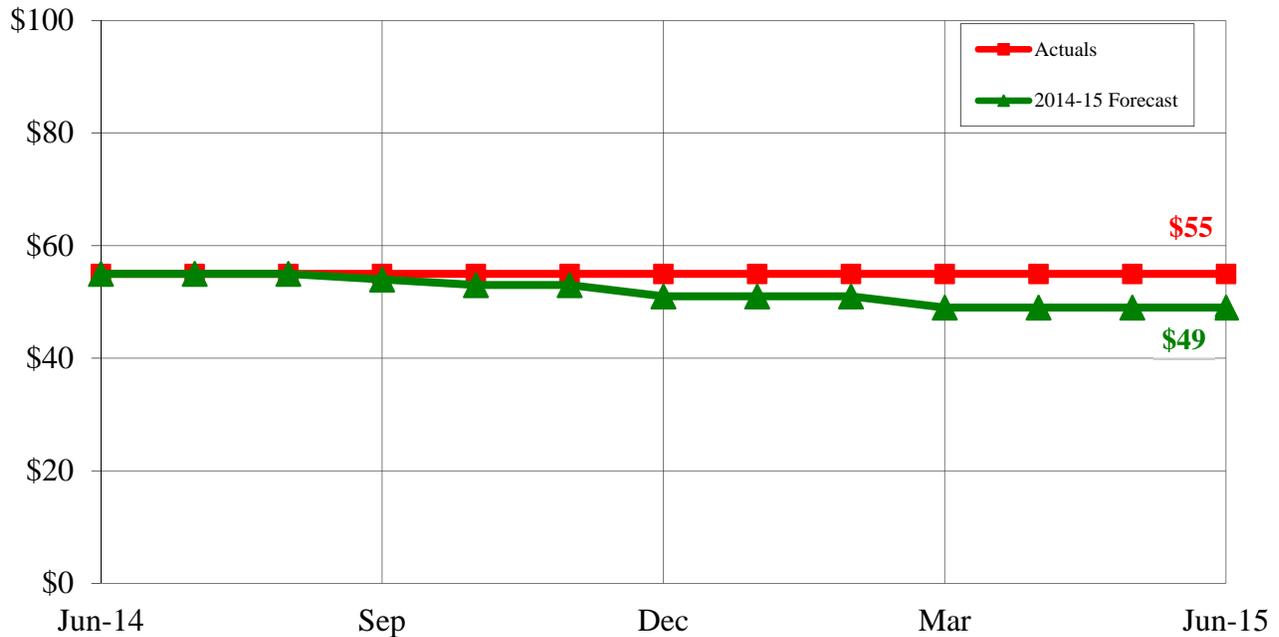
Year-to-Date Reconciliation

(\$ in millions)				
	Forecast	Actual	Difference	%
Beginning Cash Balance	\$195	\$195	N/A	
Revenues	0	0	0	
Transfers	0	0	0	
Expenditures	-17	-15	2	
Adjustments	0	-1	-1	
Ending Cash Balance	\$178	\$179	\$1	1%

Note: Ending cash balance may differ due to rounding.

APPENDIX C – CASH FORECASTS – TRANSPORTATION DEFERRED INVESTMENT FUND

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



Year-to-Date TDIF Summary

The TDIF ending cash balance through the fourth quarter was \$55 million, which was within acceptable range of forecast. Revenues totaled \$83 million. Transfers totaled \$83 million. Expenditures totaled \$78,531, approximately \$6 million (99 percent) lower than forecast due to a refunding credit. The credit occurred during the second quarter and caused a consistent variance between projected and actual expenditures throughout remainder of the year. 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	83	83	0	
Transfers	-83	-83	0	
Expenditures	-6	0	6	
Adjustments	0	0	0	
Ending Cash Balance	\$49	\$55	\$6	13%

Note: Ending cash balance may differ due to rounding.

APPENDIX D – FEDERAL EMERGENCY PROJECTS

The chart below represents disasters that have not been completely funded by Federal Highway Administration (FHWA) through March 31, 2015. The FHWA is changing their reporting database, eliminating the tools used to develop the Federal Emergency Projects list, below. Commencing in 2015-16, the Department will no longer report on Federal Emergency Projects and this section of the Quarterly Finance Report will be discontinued.

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

Note: Totals may not add due to rounding.

APPENDIX E – TRANSPORTATION LOANS

Status of Outstanding Transportation Loans, as of June 30, 2015			
(\$ in millions)			
FUND	Original Loan	Loans / Interest Paid-to-Date	Remaining Balance
Pre-Proposition 42 (Tribal Gaming Revenue):			
State Highway Account (SHA) ¹	\$473	\$341	\$132
Public Transportation Account (PTA)	275	10	265
Traffic Congestion Relief Fund (TCRF)	482	0	482
Subtotal Pre-Proposition 42 Tribal Gaming Loans:	\$1,230	\$351	\$879
Proposition 42:			
Transportation Congestion Relief Fund (TCRF) ²	\$1,066	\$981	\$84
Subtotal Proposition 42 Loans:	\$1,066	\$981	\$84
General Fund:			
State Highway Account - Weight Fee Revenues ³	\$227	\$0	\$227
State Highway Account - Weight Fee Revenues ^{3a}	1,237	0	1,237
State Highway Account (SHA) ⁴	335	340	0
Highway User Tax Account (HUTA) ⁵	328	334	0
Public Transportation Account (PTA) ⁶	29	0	29
State Highway Account (SHA) ⁷	6	7	0
Local Airport Loan Account (LALA) ⁸	8	0	8
Motor Vehicle Fuel Account (MVFA) ⁹	8	0	8
Historic Property Maintenance Fund (HPMF) ¹⁰	3	3	0
Pedestrian Safety Account (PSA) ¹¹	2	2	0
Subtotal General Fund Loans:	\$2,182	\$686	\$1,508
High-Speed Passenger Train:			
Fiscal Year 2013-14 Public Transportation Account (PTA) ¹²	\$23	\$0	\$23
Fiscal Year 2014-15 Public Transportation Account (PTA) ¹³	31	0	31
Subtotal High-Speed Passenger Train Loans:	\$54	\$0	\$54
Local Mass Transit Providers (PEPRA):			
Public Transportation Account (PTA) ¹⁴	\$14	\$0	\$14
Subtotal Local Mass Transit Providers PEPRA Loans:	\$14	\$0	\$14
Totals:	\$4,546	\$2,019	\$2,539

Note: Numbers may not add due to rounding.

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

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

³A \$80 and a \$147 million (totaling \$227 million) were authorized in the 2010-11 Budget Act and subsequently characterized as weight fees in AB 115.

^{3a}Post AB 115 weight fee transfers: \$43.7 million loan per Budget Act of 2011-12, \$139 million-excess weight fee loan to GF (2011-12), \$24.7 million-excess weight fee loan to GF (2011-12), \$42 million loan per Vehicle Code 9400.4(b)(2), \$203.7 million-excess weight fee loan to GF (2010-11), \$200 million-excess weight fee loan to GF (2010-11), \$30.3 million-excess weight fee loan to GF (2011-12), \$310 million-excess weight fee loan to GF (2012-13), \$92.1 million-excess weight fee loan to GF (2013-14), \$151.3 million-excess weight fee loan to GF (2014-15).

⁴The \$340 million in repayments is made up of \$335 million in principal and approximately \$5.4 million in interest.

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

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

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

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

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

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

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

¹²Appropriation of up to \$26 million authorized for 2013-14. Approximately \$23 million was loaned during 2013-14. Repayments will occur when the PTA is determined to be in need of the funds or when the High-Speed Passenger Train Bond Fund no longer needs the funds.

¹³Appropriation of up to \$31.6 million authorized for 2014-15, including an initial authorization of approximately \$29.3 million and an additional authorization of approximately \$2.3 million. Approximately \$31 million was loaned during 2014-15. Repayments will occur when the PTA is determined to be in need of the funds or when the High-Speed Passenger Train Bond Fund no longer needs the funds.

Pre-Proposition 42 Loans (Tribal Gaming)

The Pre-Proposition 42 (Tribal Gaming) loans occurred in 2001-02, when the State was faced with a growing budget deficit and looked to transportation funds to help fill the budget shortfall. The Transportation Refinancing Plan, Assembly Bill (AB) 438 (2001), authorized a series of loans that included delaying the transfers of gasoline sales tax to transportation for two years (until 2003-04), a loan from the TCRF to the GF, and loans from the SHA and the PTA to the TCRF.

In 2004-05, the Governor negotiated compacts that authorized the use of Tribal Gaming bond revenue to repay these loans in 2005-06, but legal challenges prevented the bonds from being issued. Due to the lack of Tribal Gaming bond proceeds, the GF was tasked with repayment of the loans. Between 2005-06 and 2007-08, the GF made partial loan repayments to the SHA and the PTA, totaling \$351 million. However, since statute did not specify repayment dates and the State was facing continuing budget shortfalls, repayments were suspended. The 2011-12 Governor's Budget indicated that the remaining Tribal Gaming loan repayments would start no earlier than 2016-17, with the SHA as the first fund to be repaid.

AB 115 (2011) declared that the SHA loan repayments are revenues derived from weight fees. As such, loan repayments made to the SHA will be subsequently transferred to the Transportation Debt Service Fund (TDSF). Repayments to the PTA and TCRF are currently scheduled to occur in installments between 2017-18 and 2027-28. The DOF recently announced reduced revenue projections with a repayment schedule that is approximately \$22 million lower than originally anticipated. The Department will monitor progress of repayments and will address potential cash flow issues as they arise.

Proposition 42 Loans

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

Weight Fees Loans

In 2010, California voters passed Proposition 22, which amended the California Constitution by significantly restricting the State from using fuel excise tax revenues for GF relief, which was previously allowed. Pursuant to AB 105 (2011), a "Weight Fee Swap" was created, which allowed the State to use weight fee revenues for GF relief rather than fuel excise tax revenues. Furthermore, the bill authorized transfers of weight fee revenues from the SHA to the TDSF for transportation debt service and loans. To offset this diversion, an equivalent amount from the new price-based excise tax is transferred to the SHA.

The 2010-11 Budget Act authorized a total of \$227 million in loans from the SHA to the GF (\$80 million and \$147 million). Pursuant to AB 115, these loans were “grandfathered” into statute and characterized as being derived from weight fees; consequently, the repayment of these loans to the SHA will be transferred to the TDSF for transportation bond debt service.

An additional loan of \$44 million to the GF was authorized by the 2011-12 Budget Act. At the end of 2011-12 and 2012-13, excess weight fees available in the SHA were transferred as loans to the GF in the amount of \$139 million, \$25 million, and \$310 million. Pursuant to Section 9400.4(b)(2) of the Vehicle Code, an additional \$42 million was transferred as a loan from excess weight fee revenues in the SHA to the GF in July 2012. The \$42 million shall be repaid no later June 30, 2021. In July 2012, \$204 million was transferred to the GF from excess weight fees in 2010-11. In April 2013, \$200 million was transferred to the GF from excess weight fees in 2010-11. In May 2013, \$30 million was transferred to the GF from remaining weight fees in 2011-12. In July 2014, excess weight fees available in the SHA were transferred as loans to the GF in the amount of \$92 million for 2013-14. In 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). The SHA loaned a total of \$200 million to the GF and has received \$200 million in principal repayments, along with \$2.7 million in interest: \$50 million in July 2012, \$50 million in December 2013, \$50 million in July 2014, and \$50 million in June 2015. The \$3 million HPMF loan and the \$1.715 million PSA loan have been repaid in full. Pursuant to Senate Bill (SB) 99 (2013), the BTA has been eliminated and is now an element of the ATP within the SHA. As a result, the \$6 million owed to the BTA was repaid in full, along with \$1 million in interest, to the SHA in August 2014. The MVFA and the LALA are owed \$8 million and \$7.5 million, respectively. These repayments are expected to occur in 2016-17.

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

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

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

High-Speed Passenger Train Loans

The 2013-14 Budget Act authorized up to \$26 million in loans from the PTA to the High-Speed Passenger Train Bond Fund to cover support costs incurred by the High-Speed Rail Authority. During 2013-14, a total of about \$23 million was loaned: \$5.4 million on August 16, 2013; \$8.9 million on October 8, 2013; and \$5.6 million on March 13, 2014; and \$3 million on June 9, 2014. The 2014-15 Budget Act authorized an additional amount of up to \$31.6 million for support costs, including an initial authorization of approximately \$29.3 million and an additional authorization of \$2.3 million. During 2014-15, a total of about \$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.

Local Mass Transit Providers Loans (PEPRA)

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

As a result, the California Legislature enacted AB 1222, which authorized the DOF to loan up to \$26 million from the PTA to local mass transit providers in amounts equal to federal transportation grants not received due to noncertification from the DOL. Concurrently, the State of California pursued litigation against the DOL, challenging its determination that PEPRA is incompatible with federal labor laws. On December 30, 2014, the court ruled that the DOL's determination that PEPRA precluded certification of federal transit grants under Section 13(c) was "arbitrary and capricious," and that the DOL "misinterpreted the law". The matter was remanded to the DOL "for further proceedings consistent with the court's order". As of May 2015, the DOL has neither filed an appeal of the district court's ruling nor announced a final determination on the PEPRA, Section 13(c) issue, pursuant to the court's order. However, certain California transit agencies (i.e. Monterey-Salinas Transit) have received notice that the DOL has resumed certification of federal transit grants.

AB 1222, Section 2(b)(1) states that a local mass transit provider must repay the amount loaned on or before 60 days after a Federal District Court rules that the DOL erred in their determination, or the repayment may be made at a later date if authorized by the DOF. As of June 30, 2015, a total of \$14.2 million has been loaned from the PTA to the local mass transit providers (Sacramento Regional Transit and Monterey-Salinas Transit). Ongoing issues related to the DOL litigation caused a delay in repayment of these loans. Barring an appeal, the Department will work with the DOF to ensure the PTA receives full repayment.

APPENDIX E – INTERFUND TRANSPORTATION LOANS

Interfund Transportation Loans, as of June 30, 2015						
(\$ in millions)						
Fiscal Year Borrowed	From Account	To Account	Description	Amount	Repaid	Remaining Balance
2008-09	TCRF	SHA	Backfill SHA transfer to the GF	\$200	\$200	\$0
2009-10	PTA	SHA	Backfill SHA transfer to the GF	135	135	0
Totals				\$335	\$335	\$0

A loan in the amount of \$200 million was made from the TCRF to the SHA in 2008-09 to backfill a \$200 million loan from the SHA to the GF. The \$200 million loan was paid in full in four installments of \$50 million each in July 2012, December 2013, July 2014, and June 2015.

A loan in the amount of \$135 million was made from the PTA to the SHA in 2009-10 to backfill a \$135 million loan from the SHA to the GF. The \$135 million loan was repaid in full in July 2014.

The interfund transportation loans section of the Quarterly Finance Report will be discontinued commencing in 2015-16 because all outstanding interfund loans have been repaid.