

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: December 12-13, 2007

Reference No.: 3.11
Information Item

From: CINDY McKIM
Chief Financial Officer

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Budgets

Subject: **FY 2007-08 1st QUARTER FINANCE REPORT**

Attached is the Department of Transportation's 1st Quarter Finance Report for FY 2007-08. There are no substantive changes from the version sent to the Commission's Executive Committee on November 16, 2007.

There is, however, an Addendum that has been added at the end of this report to provide the status of outstanding transportation loans.

Attachment



Department of Transportation Quarterly Finance Report

First Quarter 2007-08

**California Department of Transportation
Quarterly Finance Report
Schedule of Reports**

Fiscal Year	Quarterly Report	Activity	Date
2007-08	2006-07 Q4	Close of Quarter	6/30/07
		Quarterly Report to Commission Staff	8/31/07
		Presented to Commission	9/19/07
	2007-08 Q1	Close of Quarter	9/30/07
		Quarterly Report to Commission Staff	11/15/07
		Presented to Commission	12/12/07
	2007-08 Q2	Close of Quarter	12/31/07
		Quarterly Report to Commission Staff	2/15/08
		Presented to Commission	3/12/08
	2007-08 Q3	Close of Quarter	3/31/08
		Quarterly Report to Commission Staff	5/15/08
		Presented to Commission	6/25/08
2008-09	2007-08 Q4	Close of Quarter	6/30/08
		Quarterly Report to Commission Staff	9/1/08
		Presented to Commission	9/24/08

Department of Transportation Quarterly Finance Report

Fiscal Year 2007-08

Executive Summary

The purpose of this quarterly finance report is to enable the California Transportation Commission (Commission) and the Department of Transportation (Department) to evaluate transportation funding policy, allocation capacity, and forecast methodology in order to ensure the efficient and prudent management of transportation resources.

First Quarter Forecasts vs. Actuals

The first quarter cash balance for the State Highway Account (SHA) ended \$33 million (5 percent) below forecast. This is relatively on target with the forecast. The Transportation Investment Fund (TIF) and the Transportation Deferred Investment Fund (TDIF) ended the quarter above forecast. The Traffic Congestion Relief Fund (TCRF) ended the first quarter slightly lower than forecast.

The Public Transportation Account (PTA) first quarter cash balance ended \$408 million below forecast because the \$409 million General Fund transfer, authorized in the 2007-08 Budget Act, occurred sooner than had been anticipated.

September 2007				
Actuals vs. Forecast by Fund				
(\$ millions)				
Fund	Forecast	Actuals	Difference	
SHA	\$610	\$577	-\$33	-5%
PTA	\$520	\$113	-\$407	-78%
TCRF	\$700	\$640	-\$60	-9%
TIF	\$220	\$283	\$63	29%
TDIF	\$400	\$454	\$54	14%

Capital Allocations vs. Capacity

2007-08 Allocation Capacity vs. Allocations (\$ millions)					
	SHOPP	STIP	TCRP	BONDS	TOTAL
Total Allocation Capacity	\$2,232	\$1,881	\$303	\$924	\$5,340
Total Allocations	713	1,090	119	138	\$2,060
Total Remaining Capacity	\$1,519	\$791	\$184	\$786	\$3,280

The current 2007-08 total allocation capacity is \$5.3 billion and includes \$100 million tribal gaming revenue. The Commission allocated a total of \$2.1 billion toward 247 projects during the first quarter of fiscal year 2007-08. (Note: The remaining capacities listed below do not reflect capacity changes from Senate Bill (SB) 717 (Chapter 733, Statutes of 2007) signed on October 14, 2007. The impact of SB 717 was a reduction to PTA capacity as presented to the Commission as part of the 2008 Fund Estimate discussion on October 24, 2007. This report officially recommends this reduction to capacity in the recommendations section.)

- There was \$713 million of State Highway Operations and Protection Program (SHOPP) funds allocated, and \$1.5 billion allocation capacity available at the end of the first quarter.
- There was \$1.1 billion of State Transportation Improvement Program (STIP) allocated, and \$791 million of allocation capacity remaining at the end of the first quarter.
- TCRP allocations totaled \$119 million, leaving \$184 million of capacity remaining for the 2007-08 fiscal year.
- Proposition 1B bond allocations totaled \$138 million with a remaining allocation capacity of \$786 million at the end of the first quarter.

Outlook for Funding & Allocations

The funding outlook for the SHA, and more specifically the SHOPP, has not changed since the fourth quarter report. Continued concerns regarding the condition of the Federal Highway Trust Fund (FHTF) and slightly lower fuel consumption are dragging on state and federal resources.

The 2007-08 PTA STIP capacity will have to be reduced as a result of the SB 717 statutory change to the distribution of PTA Proposition 42 revenues, and could be further reduced if the current forecast for a record level of spillover does not materialize in future years. Furthermore, if the 2008-09 Proposition 42 transfer is suspended because of a state budget shortfall, both the TIF and the PTA fund balances and allocation capacities would be severely and immediately impacted.

Recommendations

Based on the current outlook for the PTA, the Department is recommending a reduction to the 2007-08 PTA allocation capacity from \$600 million to \$475 million. This reduction is the result of the cash flow impact to revenues from statutory changes made by SB 717. This change to PTA capacity reduces the total 2007-08 allocation capacity to \$5.2 billion. Based on the revised allocation capacity, approximately \$3.2 billion in allocation capacity remains after the first quarter allocations.

2007-08 Revised Allocation Capacity As of October 2007 By Fund and Program (\$ millions)					
Fund	SHOPP	STIP	TCRP	Other (Bonds)	Total
SHA	\$1,850	\$65	\$0	\$0	\$1,915
PTA	0	475	0	0	\$475
TIF	0	520	0	0	\$520
TDIF	0	32	0	0	\$32
TCRF	0	0	303	0	\$303
Bonds	382	664	0	924	\$1,970
Total Capacity	\$2,232	\$1,756	\$303	\$924	\$5,215
First Qtr Allocations	713	1,090	119	138	\$2,060
Remaining Capacity	\$1,519	\$666	\$184	\$786	\$3,155

Cash Forecast

Methodology and Assumptions

The cash forecasts are used by the Department to estimate and monitor the cash balance of transportation funds to determine the level of allocations that can be authorized, and to prepare for low or high cash periods.

Cash forecasts are prepared for the SHA, PTA, TCRF, TIF, and TDIF. Actual cash balances are compared to the forecasts and variances are identified and reported to management and the Commission. If necessary, adjustments are made to capital allocation levels or forecast methodology.

The 2007-08 cash forecasts and allocation capacities are based on the following assumptions:

- Expenditures for state operations and local assistance are based on the 2007-08 Budget Act.
- Capital outlay expenditures are based on actual and projected Commission allocations, using the existing expenditure model that is based on a seasonal construction pattern.
- Proposition 42 transfers occur during the forecast period. The current forecast methodology assumes transfers occur one month after the close of the previous quarter except in the fourth quarter, which is assumed to occur in June.
- Annual pre-Proposition 42 loan repayments from Tribal Gaming compacts are included and are repaid according to Government Code (GC) Section 63048.65(e).
- Spillover revenues are transferred to the PTA during the forecast period as statutorily prescribed. The distribution of spillover revenues is based on the 2007-08 Budget Act.
- Forecast includes the 2007-08 Budget Act authorized expenditure of \$409 million to the General Fund from the PTA.
- Federal receipts, of approximately at \$2.8 billion are from the 2008 Fund Estimate and based on two-year actual receipts.
- Federal authority for Emergency relief was included at \$307 million and represents additional capacity since SHA funds had already been expended on emergency repair projects in prior years.
- Capital outlay support (COS) expenditures are based on historical spending. STIP COS and STIP right-of-way are funded from the TIF.

First Quarter Fund Summaries

Below are the summaries of the First Quarter of 2007-08 fiscal year cash forecast results by fund.

State Highway Account

The SHA ended the first quarter at \$577 million, \$33 million (5 percent) below forecast.

Revenues totaled \$1.5 billion during the quarter, \$153 million (11 percent) above forecast. The majority of the difference is attributed to the receipt of federal funds of \$146 million (20 percent) above forecast for the quarter.

- Federal receipts for the quarter were \$869 million, or \$146 million (20 percent) above forecast. The majority of this is due to the receipt of \$116 million in federal reimbursements from the conversion of federal August Redistribution authority.
- Highway Users Tax Account (HUTA) receipts were \$368 million, or \$14 million (4 percent) above forecast.
- Weight fee receipts were \$236 million, \$8 million (3 percent) below forecast.
- Other miscellaneous revenues, including Surplus Money Investment Fund (SMIF) interest, state property rentals, sale of documents and licenses/permits were on target with the forecast at \$35 million in receipts.

Year-to-date transfers (TIF, statutory) totaled \$66 million, \$11 million above forecast.

- The first quarter TIF transfer of \$64 million for STIP COS occurred in September 2007 as forecasted.
- Other miscellaneous transfers totaled \$2 million.

Total SHA expenditures were \$1.8 billion for the quarter, or \$213 million (14 percent) higher than forecast.

- State operations expenditures were \$724 million, or \$6 million (1 percent) above forecast.
- Capital outlay and local assistance expenditures totaled \$1.0 billion for the quarter, \$202 million (35 percent) above forecast, which may be attributable to significant increases in project allocations over the past two years. The Department is working with program staff to determine whether this is an anomaly or if the forecast needs to be adjusted.
- Non-Departmental expenditures totaled \$32 million, \$3 million (9 percent), below forecast.

Total net adjustments for the quarter were a positive \$306 million, \$46 million (18 percent) above forecast. These adjustments are used to determine the actual ending cash balance. Such items include short-term loans to the General Fund, Plans of Financial Adjustment (PFA), the net adjustment of Transportation Revolving Account (TRA) due to other funds, and net reimbursements. PFA transfers occur regularly throughout the year as the TRA makes payments on behalf of transportation funds and requires transfers to maintain a reserve balance. Net reimbursements represent the timing difference between expenditures for work done for others and the actual receipt of those reimbursements by the Department.

- The first quarter ending cash balance includes \$105 million in outstanding loans to the General Fund. Per GC Section 16310, loans may be made to the General Fund from other funds to cover General Fund expenditures. These loans are not part of the forecast since the amounts and timing can vary with the needs of the General Fund, and these amounts must be paid to the originating funds when needed.

Public Transportation Account

The PTA ending cash balance for the first quarter was \$113 million, \$408 million (78 percent) below forecast. The low cash balance is due to an earlier-than-forecasted expenditure to the General Fund of \$409 million.

PTA revenues in the first quarter totaled \$184 million, \$72 million (65 percent above forecast).

- The PTA received spillover revenue totaling \$74 million. This revenue was not forecast in the first quarter as it was expected to occur in the fourth quarter of 2006-07. This is a timing difference and does not represent additional capacity.
- Revenue from diesel sales tax for the first quarter was \$86 million, \$4 million (5 percent) below forecast.
- Proposition 111 gasoline sales tax revenues (derived from a sales tax on 9 cents of the excise tax) were \$17 million, \$1 million below forecast.
- SMIF interest was \$8 million, \$3 million (74 percent) higher than forecast.

PTA expenditures for the first quarter totaled \$630 million, \$483 million above forecast.

- State operations expenditures were \$22 million, \$6 million (21 percent) below forecast.
- Capital outlay and local assistance expenditures totaled \$17 million, \$52 million (25 percent) below forecast.
- Non-departmental expenditures totaled \$590 million, \$540 million above forecast mostly due to the earlier-than-forecast expenditure to the General Fund of \$409 million, the \$156 million STA transfer, and the

forecasted \$32 million Regional Center Transportation expenditure that did not occur.

- The \$409 million Budget Act authorized expenditure to the GF was forecast to take place in June 2008, but instead posted to the PTA in September 2007.
- The STA expenditure of \$156 million was expected to occur in the fourth quarter of 2006-07, but was delayed until 2007-08.
- Regional Center Transportation expenditures have been forecasted in consistent monthly increments for the year. Until the Department of Developmental Services submits a claim for such expenditures, the expenditures will not be posted to the PTA.
- The Department of Education's Home-to-School expenditure occurred as forecasted.

Traffic Congestion Relief Fund

The TCRF ending cash balance for the first quarter was \$640 million, \$60 million (9 percent) below forecast. There were no revenues forecast for the quarter.

Expenditures totaled \$272 million for the quarter, \$121 million (80 percent) above forecast.

- State operations expenditures were \$6 million. This is on target with the forecast.
- Capital and local expenditures were \$265 million, \$120 million (83 percent) above forecast. A contract closed earlier than forecast which contributed to the overall expenditure difference. Since the TCRF is managed on a one-to-one basis where revenues equal allocation capacity (unlike the SHA and PTA cash flow basis), this higher expenditure was anticipated in the allocation and will not impact capacity.

Total net adjustments for the quarter were a negative \$64 million. This includes an outstanding General Fund loan of \$100 million and an unexpected TRA advance adjustment of \$43 million.

Transportation Investment Fund

The TIF ending cash balance for the first quarter was \$283 million, \$63 million (29 percent) above forecast.

There were no revenues forecasted for the quarter, and the first quarter TIF transfer to the SHA of \$64 million occurred in September 2007, as forecast.

Expenditures for the first quarter totaled \$85 million, \$25 million (23 percent) below forecast.

Total net adjustments for the quarter were a positive \$38 million. This includes an outstanding General Fund loan of \$8 million and a positive \$30 million due to PFA activity.

Transportation Deferred Investment Fund

The TDIF cash balance ended the quarter at \$454 million, \$54 million (14 percent) above forecast. This includes an additional \$6 million in SMIF interest.

Expenditures totaled \$20 million, \$32 million (61 percent) below forecast.

Total net adjustments were a positive \$16 million due to PFA activity.

Federal Emergency Projects

The Department received an Emergency Relief distribution of \$24.2 million on September 5, 2007 for the MacArthur Maze Fire, Disaster CA07-01. Approximately \$327 million in total needs still remain outstanding for California disasters. The chart below details current Emergency Relief funding for all California federally declared active disasters, and the remaining balance of federal emergency relief that still needs to be distributed to California as of September 30, 2007. In the interim, the SHA has been used to fund these system repairs.

Emergency Federal Funding Summary (\$ millions)					
Disaster	Emergency Relief Needs			Federal Emergency Distributions	Total Remaining Needs
	State	Local	Total		
Devil's Slide CA 83-1	\$386	\$0	\$386	\$242	\$144
Dec. 2004 Storm CA05-1	256	144	400	245	\$155
Dec. 2005 Storm CA06-1	356	61	417	392	\$25
MacArthur Maze Fire CA07-1	26	0	26	24	\$2
Total	\$1,024	\$205	\$1,229	\$902	\$327

Future federal emergency relief of this type can only be used to fund emergency projects and do not represent new capacity, except to the extent that SHA funds have already been advanced for emergency projects.

2007-08 Allocation Capacity

The total 2007-08 allocation capacity is \$5.3 billion. This capacity includes \$100 million of Tribal Gaming compact revenues expected to be collected and transferred to the SHA during the fiscal year.

2007-08 Allocation Capacity By Fund and Program (\$ millions)					
Fund	SHOPP	STIP	TCRP	BONDS	Total
SHA	\$1,850	\$65	\$0	\$0	\$1,915
PTA	0	600	0	0	\$600
TIF	0	520	0	0	\$520
TDIF	0	32	0	0	\$32
TCRF	0	0	303	0	\$303
Bonds	382	664	0	924	\$1,970
Total	\$2,232	\$1,881	\$303	\$924	\$5,340

This allocation capacity is based on:

- The PTA allocation capacity above does not reflect SB 717, which is addressed in the “Recommendations” section of this report. SB 717, directs 75 percent of PTA Proposition 42 resources to the State Transit Assistance (STA) with only 25 percent going to the PTA beginning in 2008-09.
- The PTA allocation capacity includes the impact of \$1.3 billion of redirected PTA resources, the future distribution of spillover revenues and funding of the Regional Center Transportation Program as authorized in the 2007-08 Budget Act.
- Pre-Proposition 42 loan repayments are forecast as annual installments of \$100 million from Tribal Gaming compact revenues.
- The annual TCRF allocation capacity is based on a dollar-for-dollar ratio with actual revenues received, as opposed to the cash flow basis used in the SHA and PTA to cover current year expenditures.

Capital Allocations

First Quarter Summary

During the first quarter of 2007-08, the Commission allocated \$2.1 billion toward 247 projects, including the Proposition 1B bonds and Resolution G-02-12 project adjustments. The total of \$2.1 billion allocated was nearly 40 percent of the \$5.3 billion total allocation capacity, leaving approximately \$3.2 billion remaining to be allocated in 2007-08.

SHOPP

The first quarter SHOPP allocations totaled \$711 million (37 percent) of the \$1.9 billion capacity. The total number of SHOPP projects allocated was 97, including four emergency projects and 19 minor projects.

STIP

The first quarter STIP allocations were \$857 million (71 percent) of the \$1.2 billion STIP capacity. The total number of STIP projects allocated was 119.

TCRP

There was \$119 million in TCRP allocations (40 percent) of the \$303 million TCRP capacity. The total number of TCRP projects allocated was 19.

Proposition 1B Bonds

CMIA (6055) – There was \$124 million, (20 percent) of the \$594 million total CMIA capacity allocated for 4 projects.

Local Seismic (6062) – The entire Local Seismic bond allocation of \$14 million was voted as a lump sum at the July 2007 meeting. There is no remaining allocation capacity for this fund.

SHOPP (6064) – There was \$2 million allocated, (1 percent) of the \$382 million capacity, for 1 project during the first quarter of 2007-08.

STIP (6058) – There was \$233 million allocated, (35 percent) of the \$664 million capacity, for 7 projects during the first quarter of 2007-08.

2007-08 Allocations					
Final Allocations through September 2007 Vote					
(\$ in millions)					
FUNDS	SHOPP	STIP	TCRP	Bonds	TOTAL
FUNDS					
State Highway Account (SHA)	\$1,850	\$65	\$0	\$0	\$1,915
Public Transportation Account (PTA) ¹	0	600	0	0	600
Transportation Investment Fund (TIF)	0	520	0	0	520
Transportation Deferred Investment Fund (TDIF)	0	32	0	0	32
Traffic Congestion Relief Fund (TCRF)	0	0	303	0	303
Funds Subtotal	\$1,850	\$1,217	\$303	\$0	\$3,370
BONDS					
CMIA (6055)	\$0	\$0	\$0	\$594	\$594
STIP (6058)	0	664	0	0	664
Intercity Rail (6059)	0	0	0	187	187
Local Seismic (6062)	0	0	0	14	14
Grade Separations (6063)	0	0	0	123	123
SHOPP (6064) ²	382	0	0	0	382
Highway 99 (6072)	0	0	0	6	6
Bonds Subtotal	\$382	\$664	\$0	\$924	\$1,970
Total Allocation Capacity	\$2,232	\$1,881	\$303	\$924	\$5,340
1st Quarter Allocations					
State Highway Account (SHA)	\$772	\$39	\$0	\$0	\$811
Public Transportation Account (PTA)	0	472	0	0	472
Transportation Investment Fund (TIF)	0	346	0	0	346
Transportation Deferred Investment Fund (TDIF)	0	18	0	0	18
Traffic Congestion Relief Fund (TCRF)	0	0	120	0	120
CMIA (6055)	0	0	0	120	120
STIP (6058)	0	233	0	0	233
Intercity Rail (6059)	0	0	0	0	0
Local Seismic (6062)	0	0	0	14	14
Grade Separations (6063)	0	0	0	0	0
SHOPP (6064)	2	0	0	0	2
Highway 99 (6072)	0	0	0	0	0
Total Allocations (1st Qtr)	\$774	\$1,108	\$120	\$134	\$2,136
Adjustments to Allocations					
State Highway Account (SHA)	-\$61	-\$1	\$0	\$0	-\$62
Transportation Investment Fund (TIF)	0	0	0	0	0
Transportation Deferred Investment Fund (TDIF) ³	0	-17	0	0	-17
Traffic Congestion Relief Fund (TCRF)	0	0	-1	0	-1
CMIA (6055)	0	0	0	4	4
Total Project Adjustments	-\$61	-\$18	-\$1	\$4	-\$76
Total Net Allocations	\$713	\$1,090	\$119	\$138	\$2,060
Remaining Allocation Capacity					
State Highway Account (SHA)	\$1,139	\$27	\$0	\$0	\$1,166
Public Transportation Account (PTA)	0	128	0	0	128
Transportation Investment Fund (TIF)	0	174	0	0	174
Transportation Deferred Investment Fund (TDIF)	0	31	0	0	31
Traffic Congestion Relief Fund (TCRF)	0	0	184	0	184
CMIA (6055)	0	0	0	470	470
STIP (6058)	0	431	0	0	431
Intercity Rail (6059)	0	0	0	187	187
Local Seismic (6062)	0	0	0	0	0
Grade Separations (6063)	0	0	0	123	123
SHOPP (6064)	380	0	0	0	380
Highway 99 (6072)	0	0	0	6	6
Total Remaining Allocation Capacity	\$1,519	\$791	\$184	\$786	\$3,280

Footnotes

¹ The Department recommended and the Commission approved a reduction to the 2007-08 PTA Allocation Capacity from \$600M to \$475M on October 24, 2007. See the Recommendation section of the quarterly report.

² SHOPP (6064) includes budget authority of \$123M reserved for Local Assistance (Traffic Light Synchronizing).

³ Includes the \$2.9M technical adjustment from the September 19, 2007 CTC meeting moving \$4.438M from TDIF to CMIA (6055).

Outlook for Funding & Allocations

SHOPP

State Highway Account. The funding outlook for the SHA has not changed since the fourth quarter report. There has been no action at the federal level to address the projected deficit of the FHTF in 2009. Since federal funds account for approximately 60 percent of the SHOPP funding, if no action is taken to remedy the FHTF, future SHOPP allocations may be substantially reduced.

Another revenue concern for the SHA and specifically SHOPP, is fuel consumption. Both state and federal resources are derived from fuel consumption through the state and federal fuel excise tax. Over the last year, the growth in fuel consumption has been sluggish, resulting little or no growth in fuel tax revenues to the state. Finally, SHOPP resources have also been impacted by a shifting of SHA resources toward highway maintenance for pavement preservation. This shift is to clear a backlog of maintenance work and prevent these projects from becoming major SHOPP rehabilitation projects and requiring more resources. Although the preventive maintenance work should reduce projects from becoming major rehabilitation projects, it still draws resources away from existing rehabilitation projects that need funding.

STIP

Public Transportation Account. The 2007-08 Budget Act significantly reduced PTA resources but still allowed for the funding of PTA-eligible STIP program projects with the use of short-term borrowing. However, with the additional diversion of the PTA share of Proposition 42 revenues under SB 717, the PTA 2007-08 allocation capacity will have to be reduced. SB 717 changed the statutory split of PTA Proposition 42 revenue between the PTA and STA. Currently these revenues are split 50/50, but beginning in 2008-09 the STA will receive 75 percent of these revenues resulting in approximately \$85 million per year less to the PTA. Since current year allocations are dependent on future cash flows, the 2007-08 PTA allocation capacity will have to be reduced. At the October 24, 2007 meeting the Department recommended an allocation reduction of \$125 million, from \$600 million to \$475 million.

Spillover revenues are also a concern for the PTA. Although the DOF has forecasted spillover at \$935 million in 2008-09 and \$1.0 billion in 2009-10, history has shown that forecasting future spillover revenue can be very difficult. The formula is based on multiple variables that make spillover a volatile revenue source. As recently as five years ago, spillover did not produce any revenue. If actual future spillover revenues are lower than currently forecast, PTA capacity could be further reduced.

Transportation Investment Fund. Current projections for the 2008-09 state budget show a revenue shortfall that would require significant budget cuts and borrowing by the General Fund. In the past, Proposition 42 transfers to the TIF had been suspended to cover budget shortfalls. With the passage of Proposition 1A in November 2006, the suspension of Proposition 42 transfers

were restricted by limiting suspensions to no more than two fiscal years during any period of 10 consecutive fiscal years beginning in 2007-08. Because of the current STIP cash flow commitments against the TIF and the PTA's current condition, a suspension of Proposition 42 in 2008-09 would have severe and immediate impacts to these funds and allocations. The TIF allocations will also need to cover the rising costs of right-of-way acquisitions—a direct reduction to capital allocation capacity. In recent years, rising real estate prices and legal expenses have increased these costs considerably and reduce capacity available for projects.

Recommendations

Below are the Department's recommendations and discussion items with respect to transportation funding policy, allocation capacity, and forecast methodology.

Based on the current outlook for the PTA, the Department at this time is recommending a reduction to the PTA 2007-08 allocation capacity from \$600 million to \$475 million. This reduction is the result of the cash flow impact to revenues from statutory changes made by SB 717. This change to PTA capacity reduces the total 2007-08 allocation capacity to \$5.2 billion. Based on the revised allocation capacity, approximately \$3.2 billion in allocation capacity remains after the first quarter allocations.

2007-08 Revised Allocation Capacity As of October 2007 By Fund and Program (\$ millions)					
Fund	SHOPP	STIP	TCRP	Other (Bonds)	Total
SHA	\$1,850	\$65	\$0	\$0	\$1,915
PTA	0	475	0	0	\$475
TIF	0	520	0	0	\$520
TDIF	0	32	0	0	\$32
TCRF	0	0	303	0	\$303
Bonds	382	664	0	924	\$1,970
Total Capacity	\$2,232	\$1,756	\$303	\$924	\$5,215
First Qtr Allocations	713	1,090	119	138	\$2,060
Remaining Capacity	\$1,519	\$666	\$184	\$786	\$3,155

Furthermore, the Department will continue to monitor and report back to the Commission on the following items: actions at the federal level with respect to the FHTF, actual fuel consumption and spillover revenues, as well as development of the 2008-09 state budget.

Appendix

Appendix A

2007-08 State Highway Account 24-Month Forecast

Appendix B

2007-08 Public Transportation Account 24-Month Forecast

Appendix C

2007-08 Traffic Congestion Relief Fund 24-Month Forecast

Appendix D

2007-08 Transportation Investment Fund 24-Month Forecast

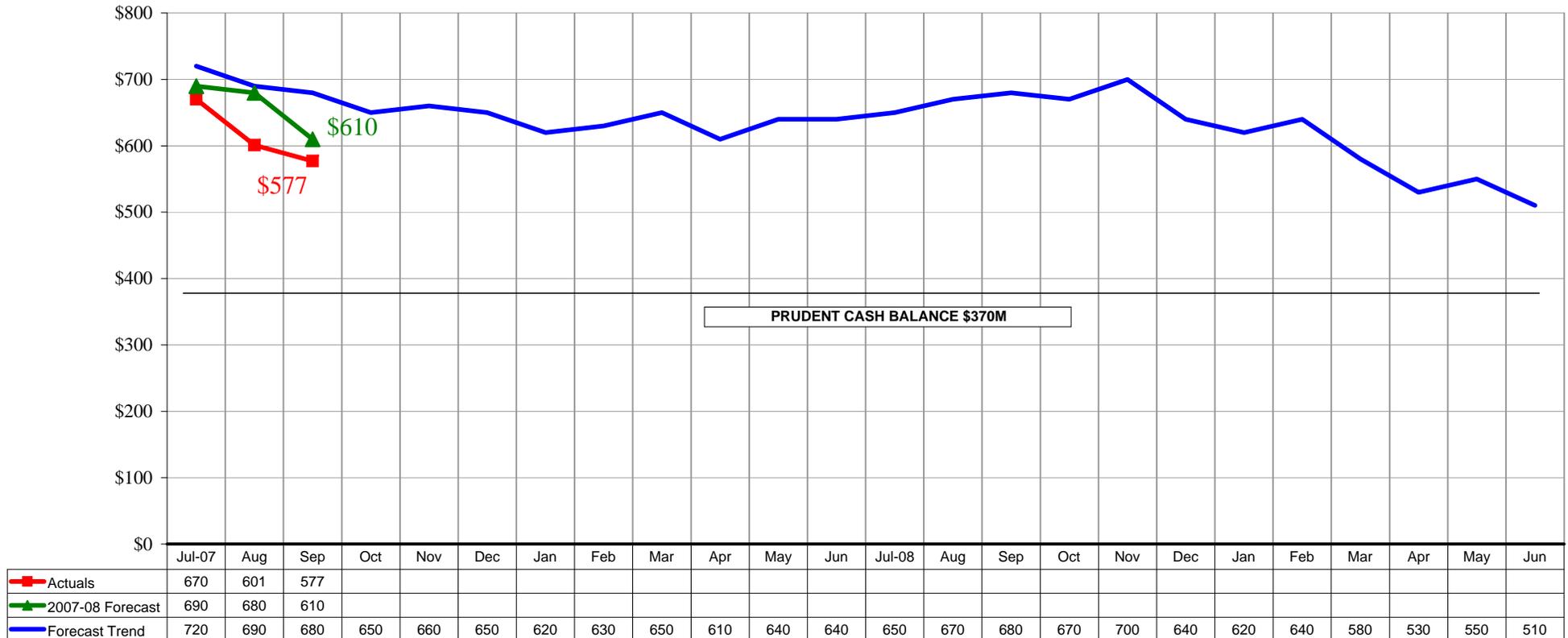
Appendix E

**2007-08 Transportation Deferred Investment Fund
24-Month Forecast**

Appendix F

2007-08 State Highway Account Five-Year Forecast

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



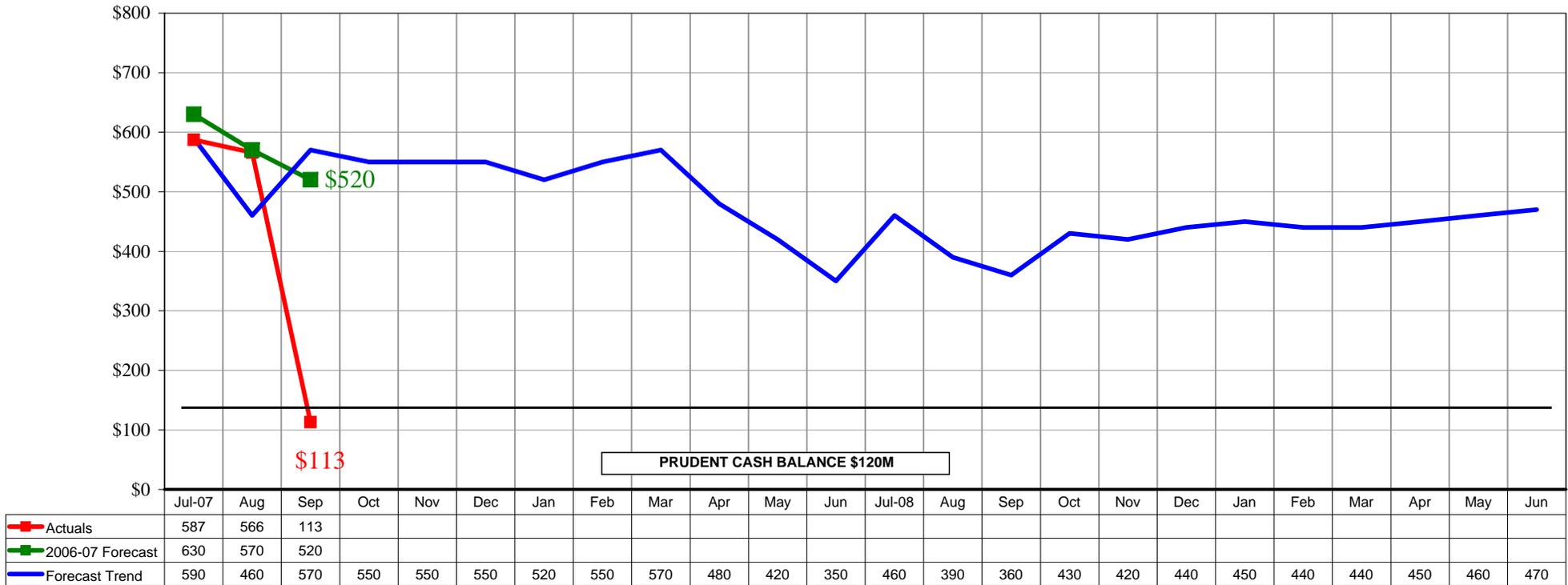
Base FY 2007-08 Forecast Assumptions:

- ▶ Includes \$100 million Tribal Gaming loan repayment.
- ▶ Includes \$256 million transfer from TIF.
- ▶ Forecast trend line is a five-month moving average.

Allocation Assumptions:

- ▶ The current allocation recommendation proposes \$1.915 billion for 2007-08. All remaining years are \$1.750 billion.

24-Month Public Transportation Account (PTA) Cash Forecast (\$ millions)



Note: This chart represents the 2007-08 cash forecast and final comparison. The 2007-08 forecasts were presented to the California Transportation Commission on September 5, 2007.

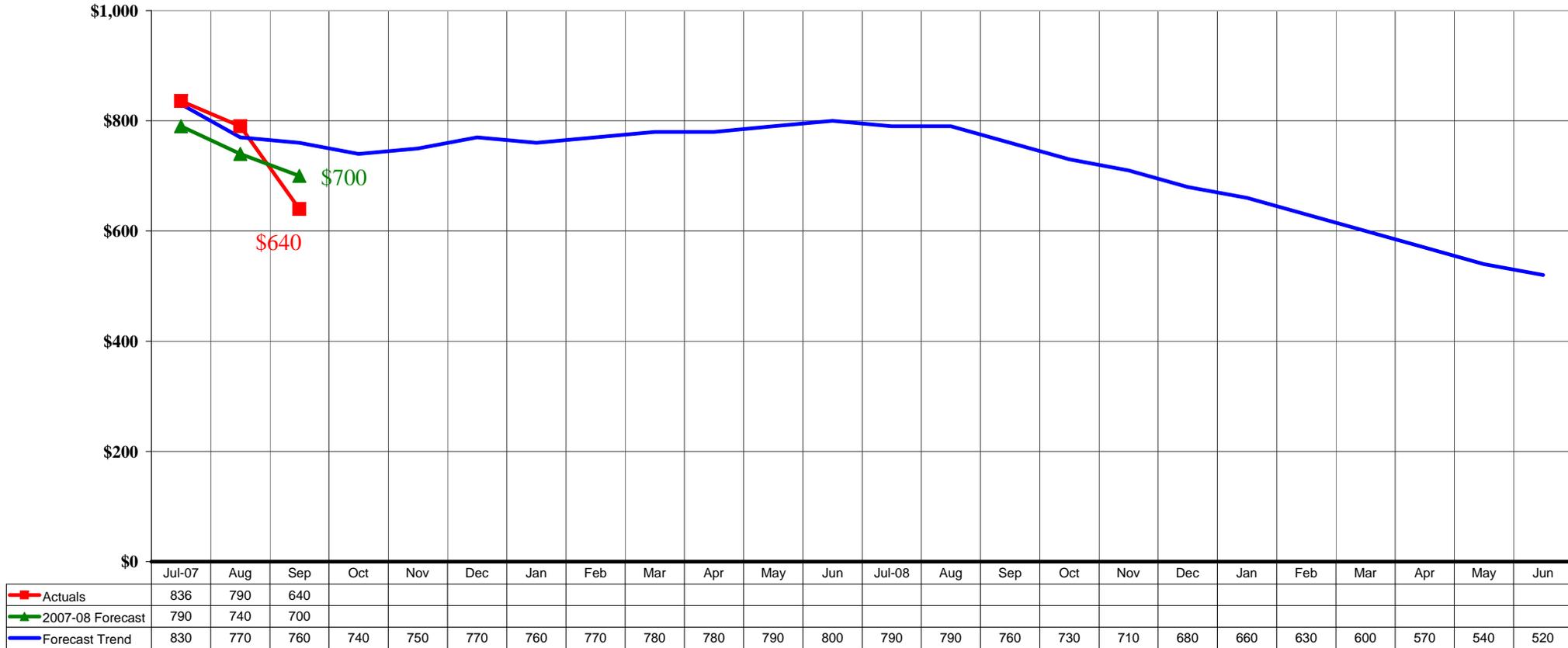
Base FY 2007-08 Forecast Assumptions:

- ▶ Based on 2007-08 Budget Act.
- ▶ PTA expenditure to General Fund of \$409 million.
- ▶ Total of Spillover revenue split 50% to STA and 50% to PTA in 2007-08 per Budget Act.

Allocation Assumptions:

- ▶ The current 2007-08 Allocation Capacity proposes \$475 million for STIP.

24-Month Traffic Congestion Relief Fund (TCRF) Cash Forecast (\$ millions)



Base FY 2007-08 Forecast Assumptions:

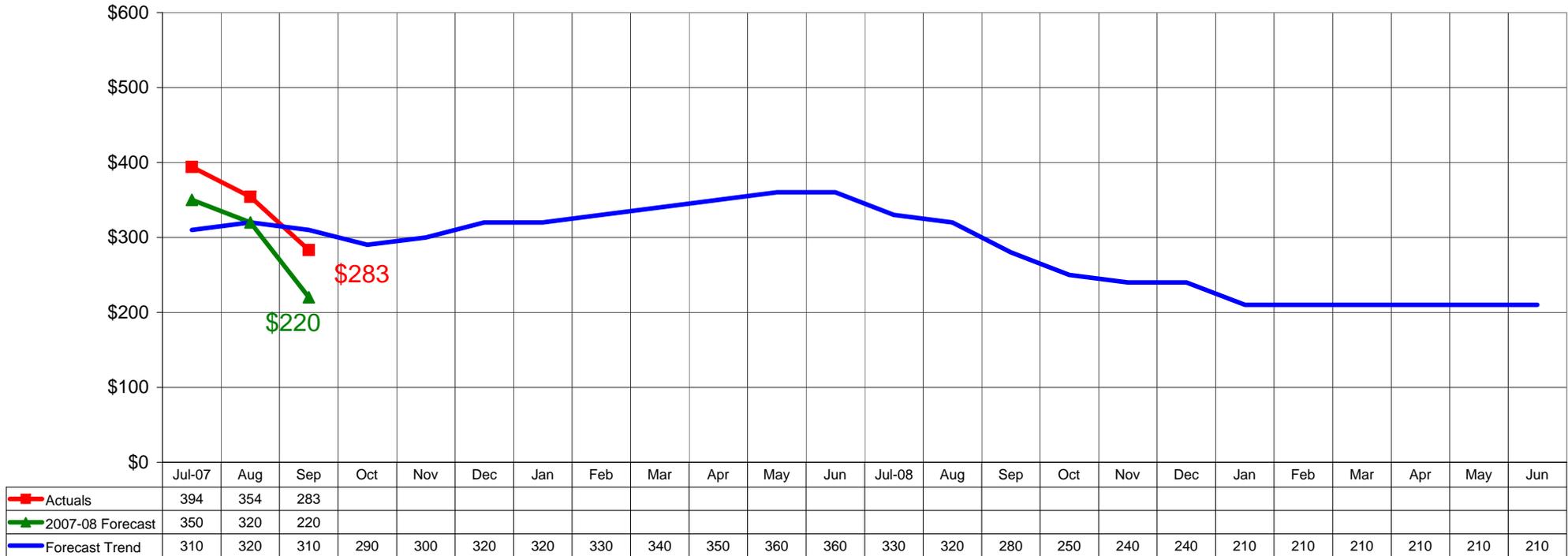
- ▶ Updated project expenditure patterns.
- ▶ Transfer from TIF of \$602 million in FY 2007-08.
- ▶ Transfer from TDIF of \$82 million in FY 2007-08.

Allocation Assumptions:

- ▶ The current 2007-08 Allocation Capacity proposes \$1.0 billion for the TCRP.

24-Month Transportation Investment Fund (TIF) Cash Forecast

(\$ millions)



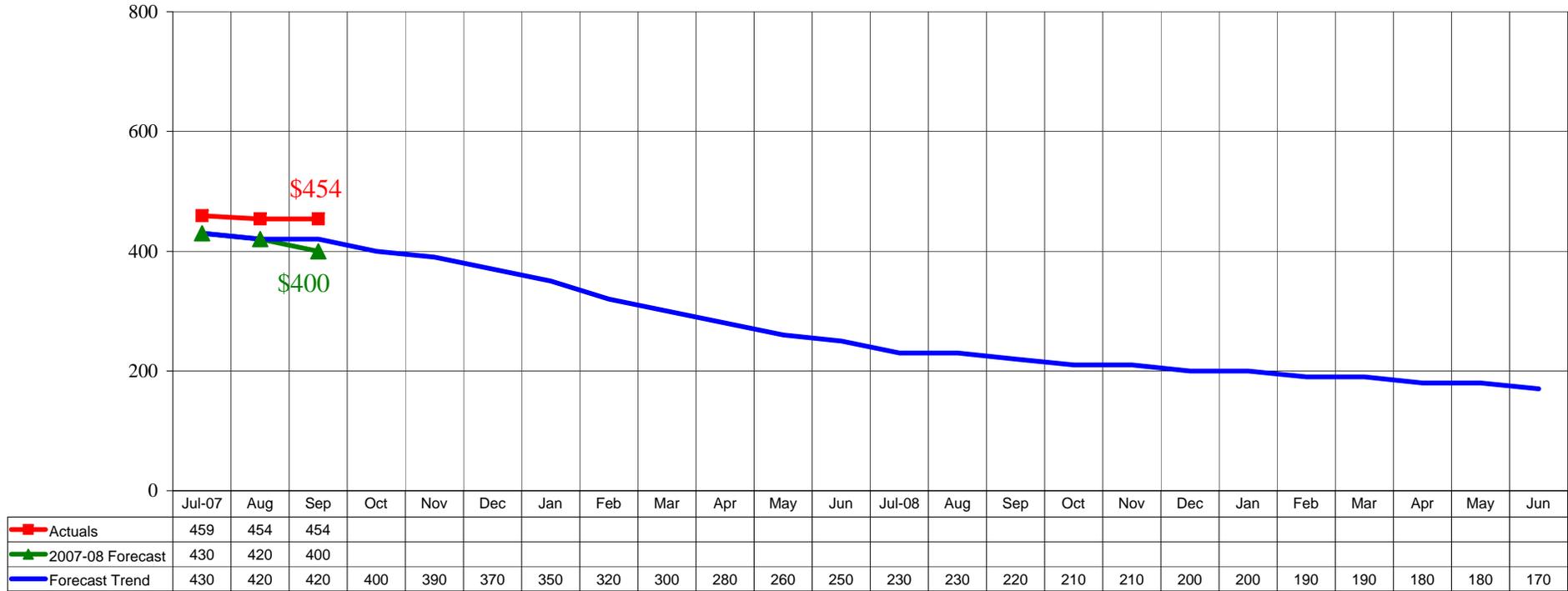
Base FY 2007-08 Assumptions:

- ▶ Based on the 2007-08 Budget Act.
- ▶ Assumes TIF in all years.
- ▶ Transfers of \$602 million to the TCRF, \$176 million to the PTA in FY 2007-08.
- ▶ Transfers of \$308 million to the PTA, \$615 million to the Local in FY 2008-09.

Allocation Assumptions

- ▶ The current 2007-08 Allocation Capacity proposes \$390 million for STIP.

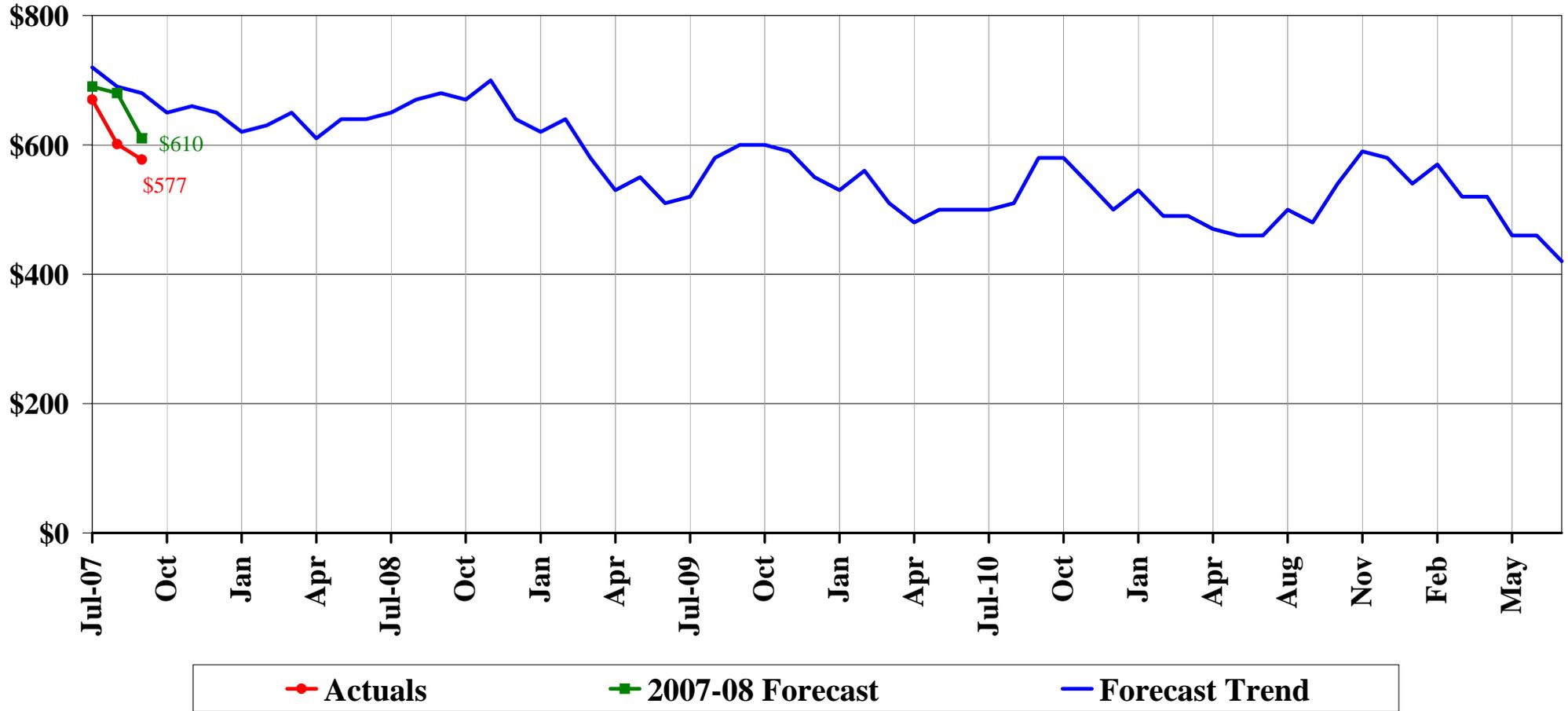
24-Month Transportation Deferred Investment Fund (TDIF) Cash Forecast (\$ millions)



Base FY 2007-08 Forecast Assumptions:

- ▶ 2007-08 Proposition 42 Loan Repayments distributions:
- ▶ \$1 million to PTA and \$82 million to TCRP.

STATE HIGHWAY ACCOUNT FIVE-YEAR CASH FORECAST (\$ millions)



Addendum

Status of Outstanding Transportation Loans				
(\$ millions)				
FUND	Original Loan Plus Interest	Loans/Interest Paid-to-Date	Expected 2007-08 Payments	Remaining Balance
Pre-Proposition 42 (Tribal Gaming Revenue):				
State Highway Account (SHA) ¹	\$473	\$241	\$100	\$132
Public Transportation Account (PTA) ²	275	10	0	265
Traffic Congestion Relief Fund (TCRF) ³	482	0	0	482
Locals ⁴	0	0	0	0
Subtotal Tribal Gaming Loans:	\$1,230	\$251	\$100	\$879
Proposition 42:				
Public Transportation Account (PTA)	\$217	\$217	\$0	\$0
Transportation Investment Fund (TIF)	438	438	0	0
Transportation Congestion Relief Fund (TCRF) ⁵	1,067	323	82	662
Locals	438	438	0	0
Subtotal Proposition 42 Loans:	\$2,160	\$1,416	\$82	\$662
Totals:	\$3,390	\$1,667	\$182	\$1,541

¹The SHA is expected to be repaid \$100 million in 2008-09 and approximately \$32 million in 2009-10 depending on SCO interest calculations.

²The PTA repayment is expected to begin in 2012-13 and be completed in 2016-17.

³The TCRF repayment is expected to begin in 2009-10 and be completed in 2016-17.

⁴The 2006-07 Proposition 42 loan repayment of \$1.416 billion repaid the local pre-proposition 42 balance that was to be paid from Tribal Gaming bonds

⁵The \$744 million owed to the TCRF will be repaid over 9 years, ending in 2015-16 pursuant to Proposition 1A.

Pre-Proposition 42 Loans (Tribal Gaming)

The Pre-Proposition 42 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 (Chapter 113, Statutes of 2001), authorized a series of loans that included delaying the transfers of gasoline sales tax to transportation for two years (until 2003-04), a TCRF loan to the General Fund, and loans from the SHA and PTA to the TCRF. In 2004-05, the Governor negotiated tribal gaming compacts to repay these loans through bonds, but legal challenges have prevented the bonds from being issued. In 2005-06, the Director of Finance began using the compact revenues to make annual payments towards these loan balances pursuant to Government Code Section 63048.

Proposition 42 Loans

In March 2002 Proposition 42 made the transfer of gasoline sales tax to transportation 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 \$1.416 billion, leaving approximately \$744 million due to the TCRF. With the passage of Proposition 1A in 2006, future suspensions of Proposition 42 transfers are limited to only two times during any 10-year period and these loans must be repaid within three years.