State of California
DEPARTMENT OF TRANSPORTATION

Business, Transportation and Housing Agency

M e m o r a n d u m

To: CHAIR AND COMMISSIONERS

CTC Meeting: June 10-11, 2009

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Action Item

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Subject: **2010 STIP FUND ESTIMATE ASSUMPTIONS**

RECOMMENDATION:

The Department of Transportation (Department) recommends the California Transportation Commission (Commission) approve the assumptions for the 2010 State Transportation Improvement Program (STIP) Fund Estimate and the 2010 Aeronautics Account Fund Estimate.

ISSUE:

The assumptions for the 2010 STIP Fund Estimate provide the basis for forecasting available capacity for the 2010 STIP and the State Highway Operation and Protection Program, while the assumptions for the 2010 Aeronautics Account Fund Estimate determine available capacity for the Aeronautics Account. Should the Commission approve the 2010 STIP Fund Estimate assumptions, the Department will present the Draft 2010 STIP Fund Estimate in July 2009 and the final 2010 STIP Fund Estimate for adoption at the August 2009 meeting.

BACKGROUND:

On April 16, 2009, the Department presented the Draft Key Assumptions and the Draft 2010 STIP Fund Estimate Methodologies & Assumptions to the Commissioners and Commission staff for their review. Since the presentation, the Department has worked with Commission staff to update and make any necessary changes to the assumptions and methodologies. In addition, the Department has updated the 2010 STIP Fund Estimate Assumptions to reflect revenue changes in the 2009-10 May Revise.

Attached are the "Changes to the 2010 STIP Fund Estimate Assumptions," which summarizes the changes since the April 2009 Commission meeting, and the 2010 STIP Fund Estimate Assumptions Book, which the Department will present at the June 2009 Commission meeting for approval.

The Department presented the Draft 2010 Aeronautics Account Fund Estimate Assumptions to the Technical Advisory Committee on Aeronautics (TACA) on Wednesday, May 27, 2009. TACA voted to accept the Assumptions at the conclusion of their meeting. The Department will present the Draft 2010 Aeronautics Account Fund Estimate at the July 2009 Commission meeting and the final 2010 Aeronautics Account Fund Estimate at the August Commission meeting.

Attachments:
- Changes to the 2010 STIP Fund Estimate Assumptions
- 2010 STIP Fund Estimate Assumptions Book

2010 STIP Fund Estimate Assumption Changes

Since the presentation of the Draft 2010 State Transportation Improvement Program (STIP) Fund Estimate (FE) Assumptions on April 16, 2009, the Department has worked with staff of the California Transportation Commission (Commission) to update and make any necessary changes to the assumptions and methodologies.

Revenues have been updated based on new forecasts in the 2009-10 May Revise. Although the base year revenues decreased in the 2009-10 May Revise, the FE period projects a net increase of about $613 million. This is due to increases in actual Federal Obligation Authority (OA) for Federal Fiscal Year (FFY) 2009 and projected increases to spillover revenues in the last two years of the FE period. In addition, tables have been added to illustrate projections for the assumptions and tables have been removed that do not add value to the assumptions.

The following items summarize the changes from the Draft Key Assumptions and the Draft 2010 STIP FE Methodologies & Assumptions from the Commission meeting in April 2009. The 2010 STIP FE Assumptions Book presented for Commission approval contains all of these updates and changes on the pages referenced next to each item.

Changes to Key Assumptions
(Draft 2010 STIP FE Key Assumptions)

State Highway Account (SHA)

SHA 2 State Excise Tax Revenue (Page 4/17) – Adjusted to reflect the projected decrease to base year in revenues from the 2009-10 May Revise. The total revised transfer is $9.4 billion over the FE period. This is about $500 million less than the previous $9.9 billion estimate presented in April.

SHA 3 Weight Fees (Page 4/17) **–** Changed the forecast methodology for weight fees to a five-year average of 1.7 percent based on lower revenues in the 2009-10 May Revise. Total revenues are $5.1 billion over the FE period. This is approximately $100 million less than the $5.2 billion estimate presented in April.

SHA 10 Federal OA (Page 6/17) **–** Updated the assumption to reflect the actual level of OA received in 2008-09 for FFY 2009. This results in $3.05 billion annually and $15.3 billion over the FE period. This is about $1.1 billion more than the $14.2 estimated in the Key Assumptions. Although the level of funding for this assumption is based on the level of funding authorized by the Federal Highway Administration for the current year, the Federal Highway Trust Fund (FHTF) continues to struggle with solvency issues. Assuming no increase to the base level of funding is a cautious choice, but even that level of funding may too high if the FHTF is unable to meet its commitments.

Changes to Key Assumptions
(Continued)

SHA

SHA 27 Repayment of Recovery Act Loan (Page 9/17) – Changed the date for Proposition 1B loan repayment of Recovery Act funding ($310 million) from October 2010, to 2013-14. This is 18 months after the expected completion of construction and follows the State Treasurer's Office policy for repayment.

Public Transportation Account (PTA)

PTA 4 Spillover Revenues (Page 11/17) – Increased the spillover estimate consistent with fuel price estimates and the current economic climate. Spillover revenues in 2013-14 and 2014-15 will provide a cumulative total of $200 million for the PTA. This is approximately $184 million more than the $16 million estimated in April.

PTA 6 Home to School (Page 11/17) – Updated the assumption to reflect that PTA program in the 2008 STIP will receive priority over the Home to School (HTS) program for 2010-11 through 2012-13. The funding for HTS in 2013-14 and 2014-15 will be based on excess funds available in those years after programming the 2010 PTA STIP. The FE will display "TBD" for HTS as a placeholder to reflect this assumption.

PTA 7 State Transit Assistance (Page 11/17) – Clarified assumption to reflect the implementation of Senate Bill (SB) X3 7 of 2009-10, which eliminates STA transfers in 2009-10 through 2012-13.

Bonds

Bond 1 Transportation Facilities Account (Page 15/17) – Changed recommendation to indicate all unallocated Transportation Facilities Account projects in 2008-09 will be allocated in 2009-10.

Bond 2 Proposition 1B (Page 15/17) – Changed recommendation to indicate all unallocated Proposition 1B program in 2008-09 will be allocated in 2009-10.

Changes to Other Assumptions
(Draft 2010 STIP FE Methodologies and Assumptions)

SHA

SHA 5 Section 194 Transfers (Page 5/17) – Updated the transfer calculation based on revised forecast methodologies for Section 194 of the Streets & Highways Code (S&HC). Total revenues are $148 million over the FE period. This is about $29 million more than the $119 million estimated in April.

SHA 7 Section 183.1 Transfers (Page 5/17) – Updated the transfer calculation based on revised forecast methodologies for Section 183.1 of the S&HC. Total revenues are $376 million over the FE period. This is approximately $20 million more than the $356 million estimated in April.

SHA 11 August Redistribution (Page 6/17) – Clarified the split of August Redistribution between the State and Local Agencies to a 64/36 ratio consistent with the distribution of OA in FFY 2009.

SHA 14 Traffic Management Systems (Page 7/17) – Updated assumption for Traffic Management Systems based on revised Department projections from 2009-10 and an annual inventory adjustment of 3.0% beginning in 2010-11.

SHA 19 SHA STIP R/W Commitments (Page 8/17) – Expanded the assumption to include Federal STIP R/W obligations as commitments. These obligations were approved prior to 2007-08 and are expected to spend down during the FE period.

PTA

PTA 2 Proposition 111 (Page 10/17) – Updated the forecast consistent with the revenue decrease in the 2009-10 May Revision. Proposition 111 revenues total $311 million over the FE period as a result. This is about $5 million less than the $316 million estimated in April.

PTA 3 Diesel Sales Tax Revenues (Page 10/17) – Updated the forecast consistent with the revenue decrease in the 2009-10 May Revision. Diesel sales tax revenues total $1.4 billion over the FE period as a result. This is approximately $100 million less than the $1.5 billion estimated in April.

New Assumptions and Deletions

SHA

SHA 17 COS STIP Commitments (Page 8/17) – Deleted the reference to Senate Bill (SB) 45 allowances for cost increases. SB 45 allowances will not be included in the FE, but will need to be considered during the programming process to ensure resources are not over programmed.

SHA 20 SHA STIP R/W Components (Page 8/17) – Added an assumption to include non-programmed inverse condemnation, post-certification, and project development costs as SHA STIP R/W commitments over the FE period.

SHA 24 SHA SHOPP R/W Components (Page 9/17) – Added an assumption to include non-programmed inverse condemnation and post-certification costs as SHA SHOPP R/W commitments over the FE period.

TIF

TIF 5 Senate Bill 45 Allowances (Page 14/17) – Deleted the original TIF 5 assumption, which stated, "A reservation for support cost increases consistent with SB 45 based on historical expenditures." SB 45 allowances will not be included in the FE, but will need to be considered during the programming process to ensure resources are not over programmed.

TIF 6 TIF STIP R/W Components (Page 14/17) – Added an assumption to include non-programmed inverse condemnation, and post-certification, and project development costs as TIF STIP R/W commitments over the FE period.

Aeronautics Account

Aeronautics (Page 16-17/17) – Added the Draft 2010 Aeronautics Account Fund Estimate Assumptions to the 2010 STIP FE Assumptions.

2010 STIP FE ASSUMPTIONS

June 2009

METHODOLOGY

The Fund Estimate (FE) is based on assumptions and methodologies to forecast revenues and expenditures in order to determine the estimated remaining cash available for programming. This section includes the general methodologies used in the development of the FE.

Statutory Guidance

Section 14525(c) of the Government Code (GC) requires the FE to be based on current statutes for estimating revenues. Section 163 of the Streets & Highways Code (S&HC) provides guidance for the use of all transportation funds available to the state, including the priority of expenditures for administration, maintenance and operation, rehabilitation, local assistance, and the State Transportation Improvement Program (STIP), respectively.

Section 14525.1 of the GC requires the FE to estimate expenditures using the most recently enacted Budget and adjust for annual inflation. The most recent California Department of Finance (DOF) Budget Letter will determine an annual price escalation rate for State Operations expenditures. This does not include escalation rates for capital outlay support or Highway Maintenance and Operations costs.

Revenue & Expenditure Projections

- The beginning cash balances for each fund will be based on the prior fiscal year ending cash balance per the State Controller's Office (SCO) plus that fund's share of advances in the Transportation Revolving Account (TRA).
- Interest income to those funds with balances in the Surplus Money Investment Fund (SMIF) will be based on the most current published SMIF rate from the SCO and the 2008-09 year-end cash balances.
- Revenue estimates for future periods use historical trends, the economic outlook, and consultation with the DOF as a basis.
- Local Assistance federal funding will be used in the year received, and therefore, will not result in cash flows over the period.
- Program expenditure cash flows are based on program estimated spending projections.
- Federal programs currently authorized are assumed to continue into the next Federal Highway Act.
- The state and local split of Federal funding is assumed to be estimated at a 64/36 ratio.
- The Transportation Investment Fund (TIF) will fund any current and future non-PTA programmed AB 3090 reimbursements.

Conversion to Capacity

- The FE will use a “Cash Flow” model that schedules funding capacity based upon cash flow requirements and is consistent with the method used to manage the allocation of capital projects.
  - After projecting annual revenue estimates, the FE subtracts existing commitments, as defined by the approved assumptions, before determining cash available for programming.
  - The FE will convert fund cash balances to programming capacity—an amount available for commitment to projects each year. This conversion to capacity will use linear programming to optimize capacity, while maintaining a prudent cash balance and minimizing annual fluctuations of program levels. It will assume that capital projects, right-of-way, and capital outlay support liquidate based on historical spending patterns.
  - Program capacity will represent the total value of projects that can be funded, and includes construction, right of way, and support.
- The county share system established by Senate Bill (SB) 45 (Chapter 622, Statutes of 1997) defines the methodology for determining the level of programming. The FE uses this system to identify the funds available for programming over the FE period.
  - SB 45 allowances will not be included in the FE, but will need to be considered during the programming process to ensure resources are not over programmed.

State Highway Account Assumptions

Operating Cash Balance. The State Highway Account (SHA) needs to maintain a minimum level of operating cash sufficient to meet its monthly operating commitments, daily fluctuations, and the revenue and expenditure cycles that occur during the year. Additionally, the SHA balance must also cover monthly expenditures during delays in the adoption of State and Federal budgets.

SHA 1. Based on an updated analysis of monthly SHA receipts less expenditures, a minimum level of operating cash of $370 million would sufficiently cover 95 percent of the monthly volatility in the SHA.

SHA Revenues & Transfers

Fuel Excise Tax Revenues:

California last raised its fuel excise tax on gasoline, diesel, liquefied petroleum gas, natural gas, ethanol, and methanol in 1994 to 18 cents per gallon. These consumption-based revenues are transferred from the Highway Users Tax Account (HUTA) to the SHA per Sections 2104.1, 2107.6, and 2108 of the Streets & Highways Code (S&HC) on a monthly basis. The economic outlook and recent declines in consumption-based revenues make this a challenging resource to forecast.

SHA 2. Assume revenues continue to decrease by 2.2 percent into 2010-11 consistent with current trends in the 2009-10 May Revise. Then, assume revenues will escalate by 0.9 percent per year as fuel revenues approach the 16-year historical annual average increase of 1.5 percent by the end of the FE period. This results in $9.4 billion for the SHA over the FE period.

Fuel Excise Tax Revenues
($ millions)

	2010-11	2011-12	2012-13	2013-14	2014-15
2010 FE	$1,897	$1,873	$1,866	$1,877	$1,906
% Change	-2.2%	-1.3%	-0.3%	0.6%	1.5%

Weight Fee Revenues:

Section 9400 of the California Vehicle Code authorizes the use of Motor Vehicle Registrations (Weight Fees) for transportation purposes. These revenues are derived from registration and renewal fees charged to commercial vehicles and pick-up trucks based on weight.

SHA 3. Assume Weight Fees will increase by 1.7 percent each year over the FE period consistent with the updated revenues in the 2009-10 May Revise and the five-year average from 2005-06 through 2009-10. This results in $5.1 billion for the SHA over the FE period.

Weight Fee Revenues
($ millions)

	2010-11	2011-12	2012-13	2013-14	2014-15
2010 FE	$985	$1,002	$1,019	$1,036	$1,054

Other State Revenues: Other SHA revenues include interest received from the Surplus Money Investment Fund (SMIF) and revenues from Other Regulatory Licenses and Permits.

SHA 4. Assume revenues from Other Regulatory Licenses and Permits will continue to increase at an average annual rate of 1.0 percent consistent with the historical average. This results in total revenues of $57 million over the FE period.

S&HC Section 194 Transfers: Section 194 of the S&HC transfer from the SHA to the Public Transportation Account (PTA) is for the pro-rata share of highway planning funded from the PTA.

SHA 5. Section 194 transfers based on historical transfers are projected to increase by an average annual rate of 3.1 percent over the FE period. This results in revenues of approximately $148 million.

Toll Bridge Seismic Retrofit Program: In 2001, the Legislature authorized a transfer from the SHA to the Toll Bridge Seismic Retrofit Account (TBSRA) under Assembly Bill (AB) 1171 (Chapter 907, Statutes of 2001). In 2005, AB 144 (Chapter 71, Statutes of 2005) identified additional funding to meet the revised program costs for the Toll Bridge Seismic Retrofit Program (TBSRP). The Commission adopted a revised schedule of state contributions to the TBSRP in December 2005 based on AB 1171 (Chapter 907, Statutes of 2001) and AB 144 (Chapter 71, Statutes of 2005).

SHA 6. The Commission's December 2005 adopted plan scheduled transfers from the SHA to the TBSRA and contributions to the program, which total $768 million over the FE period. The contribution of $300 million in 2013-14 is an obligation of funds to the contract for demolition of the existing Bay Bridge. It is not a lump-sum cash transfer to the TBSRP.

Remaining SHA Contributions
to the Toll Bridge Seismic Retrofit Program
($ millions)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
2008 FE	$43	$99	$153	$150	$165		
2010 FE			$153	$150	$165	$300	$0

S&HC Section 183.1 Transfers: Pursuant to Section 183.1 of the S&HC, miscellaneous revenues not subject to Article XIX of the California State Constitution (Non-Article XIX revenues) are transferred annually from the SHA into the PTA by November 1 of each year.

SHA 7. Assume annual S&HC Section 183.1 transfers of approximately $75 million from the SHA to the PTA occur throughout the FE period (existing law) totaling $376 million.

Motor Vehicle Account Transfers: Pursuant to Section 42273 of the VC, the SCO mandates transfer of the Motor Vehicle Account (MVA) balance remaining on the last day of the preceding month, unless the MVA plans to immediately use this funding.

SHA 8. Assume no transfers from the MVA to the SHA over the FE period consistent with recent history.

Pre-Proposition 42 Loan Repayments:

In 2004, several compacts were negotiated with Native American tribes to obtain tribal gaming revenues to repay General Fund (GF) Pre-Proposition 42 loans. Subsequent statutes proposed to distribute these resources through bond financing securitized by the tribal gaming revenues. However, a lawsuit challenge held up the issuance of these bonds.

In the absence of the bond sale, partial loan repayments have been authorized from annual compact revenues. The FE will reflect the 2009-10 Budget, which suspended scheduled transfers of $100 million to the SHA in 2008-09, and $32 million to the SHA and $68 million to the Traffic Congestion Relief Fund (TCRF) in 2009-10.

SHA 9. Assume annual loan repayments will resume in 2010-11 of $100 million and distributed according to Section 63048.65(e) of the GC. This results in $132 million to the SHA for the State Highway Operation and Protection Program (SHOPP), $290 million to the TCRF for the Traffic Congestion Relief Program, and $78 million to the PTA for the STIP over the FE period.

Federal Revenues:

Federal revenue accounts for between 35 to 50 percent of total SHA resources. These revenues come from the Federal Highway Trust Fund (FHTF), which is primarily funded from the Federal excise tax on gasoline of 18.4 cents per gallon and 24.4 cents per gallon on diesel. The State receives apportionments set by the Federal Highway Act (FHA), which are based on California's contributions as a percentage of total contribution into the FHTF.

With SAFETEA-LU (most recent FHA) expiring at the end of September 2009 and the FHTF in danger of reaching insolvency levels, the level of Federal Obligation Authority (OA) becomes difficult to forecast over the next five year STIP period.

SHA 10. Assume the OA level is equal to the $3.05 billion 2008-09 actual level consistent with funding actions taken when there is no FHA in place and held constant each year over the FE period. This would result in $15.3 billion in OA over the five-year FE period. Although the level of funding for this assumption is based on the level of funding authorized by the FHA for the current year, the FHTF continues to struggle with solvency issues. Assuming no increase to the base level of funding is a cautious choice, but even that level of funding may too high if the FHTF is unable to meet its commitments.

SHA 11. The 2010 FE assumes an August Redistribution of $106 million per year based on the average amount received over the last five years. This excludes the record high amount of $204.5 million received in 2006-07. Consistent with the State and Local split of Federal apportionments, the State will receive $68 million (64 percent) and Local agencies will receive $38 million (36 percent) of the August Redistribution.

Advanced Project Development Element: Beginning with the 2000 STIP, Section 14529.01 of the GC (AB 1012, Chapter 783, Statutes of 1999) required the Department to estimate the Advance Project Development Element (APDE). These are available funds in two years following the FE period. The APDE authorized 25 percent of these additional resources toward the STIP for building a "shelf" of projects ready for construction.

SHA 12. The 2010 STIP FE will not include the APDE because the 2010 FE is expected to show the need for reprogramming STIP projects.

SHA Expenditures

BCP Reservation: A Budget Change Proposal (BCP) is a proposal to change the level of service or funding sources for activities authorized by the State Budget or to request new program activities not currently authorized. In addition, mandates may also drive BCP costs and are often beyond the control of the Department. For FE purposes, a positive BCP will typically reduce a fund's available resources for dedication to new program capacity.

SHA 13. Assume a $35 million reservation for BCP increases in 2010-11 and 2011-12 consistent with the 4-year historical average, and an annual escalation from 2011-12 by 3.2 percent for the remainder of the FE period.

SHA BCP Reservations
($ millions)

	2010-11	2011-12	2012-13	2013-14	2014-15
2010 FE	$35	$70	$72	$75	$77

SHA 14. Section 163(b) of the S&HC requires an adjustment for the increase of inventory costs pursuant to the maintenance and operation of the state highway system. Maintenance and Operations expenditures for Transportation Management Systems (TMS) include an annual inventory adjustment of 3.0 percent over the FE period. This is consistent with the costs of operating and maintaining TMS inventory levels (Note: TMS includes, but is not limited to, advanced operational hardware, software, communications systems and infrastructure, for integrated Advanced TMS and Information Systems, and for Electronic Toll Collection Systems).

State Funds for Local Assistance: State funds for Local Assistance covers Railroad Grade Separation, Railroad Grade Crossing Maintenance, Regional Surface Transportation Program Match and Exchange, and Safe Routes to School Exchange.

SHA 15. State expenditures assume allocation for the Railroad Crossing Protection Maintenance Program at $2 million annually for the FE period, consistent with Commission Resolution G06-15.

Environmental Enhancement and Mitigation (EEM) Program: The 2008 STIP FE included $50 million for the EEM Program augmented with Federal Transportation Enhancement Act (TEA) resources. The 2009-10 Budget provides a transfer to the EEM Fund.

SHA 16. The 2010 STIP FE includes a $10 million transfer per year to the EEM Fund, as intended pursuant Section 164.56(a) of the S&HC.

Prior STIP Commitments: Section 163 of the S&HC identifies the priorities for the use of all transportation funds available to the state. These priorities include expenditures for administration, maintenance and operations, rehabilitation, and local assistance, respectively. Prior to calculation of resources available for new STIP, the FE sets aside resources for existing STIP commitments.

SHA 17. COS expenditures are based on programmed STIP projects allocated prior to 2007-08.

SHA 18. Capital expenditures are based on a continuation of all existing SHA STIP project allocations and STIP GARVEE debt service payments.

SHA 19. Right-of-Way (R/W) commitments are expenditures based on allocated R/W in 2008-09 and prior, the R/W lump sum allocated for 2009-10, and previously obligated Federal R/W for STIP over the FE period.

SHA STIP R/W Commitments**
($ millions)

	2010-11	2011-12	2012-13	2013-14	2014-15
Federal	$58	$41	$22	$0	$0
State	$11	$28	$0	$0	$0
Total	$69	$69	$22	$0	$0

**Doesn ot include non-programmed components.

SHA 20. SHA STIP R/W will include an estimate of non-programmed R/W components for inverse condemnation, post-certification, and project development costs. Project development costs are a $1 million allowance allocated by the Commission for environmental permits on projects.

GARVEE Bond Financing: Chapter 862 of the Statutes of 1999 (SB 928) added Section 14550 to the GC authorizing the State Treasurer's Office to issue Federal Highway Grant Anticipation

Revenue Vehicles (GARVEE) bonds, and the Commission to select and designate projects to be funded for accelerating construction from bond proceeds.

SHA 21. Assume the current GARVEE debt service levels over the FE period consistent with all GARVEE bonds issued through June 2010—currently at $84 million a year or $422 million over the FE period.

Prior State Highway Operation and Protection Program (SHOPP) Commitments & SHOPP Program Capacity: Prior to calculating resources available for the SHOPP, the SHA FE will set aside resources for existing SHOPP commitments.

SHA 22. COS expenditures are based on SHOPP projects allocated during 2008-09 and prior, construction engineering for programmed 2009-10 SHOPP projects, and pre-construction engineering and R/W support for projects currently programmed to begin in 2009-10.

SHA 23. R/W commitments are expenditures based on allocated R/W in 2008-09 and prior, and the R/W lump sum allocated in 2009-10.

SHA 24. SHA SHOPP R/W will include an estimate of non-programmed R/W components for inverse condemnation and post-certification costs.

SHA 25. Capital expenditures are based on a continuation of all SHOPP projects allocated in 2008-09 and prior, all programmed 2009-10 SHOPP projects, and SHOPP GARVEE debt service payments.

SHA 26. Total program capacity of the 2010 FE SHOPP will based total SHA resources remaining after existing commitments.

ARRA Repayment:

Signed into law on February 17, 2009, the American Recovery and Reinvestment Act (ARRA) authorized $935 million of Federal funds for SHOPP projects. Assembly Bill (AB) 20 of the third extraordinary session of 2009-10 (Bass) authorizes up to $310 million in SHA loans of Federal stimulus funds to backfill the current freeze on Proposition 1B funding and obligate projects within 120 days of Federal apportionment. This also requires proceeds from the sale of Proposition 1B bonds to be repaid, interest free, to the SHA.

SHA 27. Assume the SHA will loan $310 million and repayment will occur within 18 months from the date of loan-funded project completion (repayment estimated in 2013-14). This is consistent with State Treasurer's Office policy for repayment of construction loans.

Public Transportation Account

Minimum Operating Cash: The PTA requires a minimum level of operating cash sufficient to meet its monthly operating commitments, daily fluctuations, and the revenue and expenditure cycles that occur during the year.

PTA 1. Use a minimum operating cash level of $120 million based on historical data and projected expenditures from the 2010 STIP FE capacity.

PTA Revenues

Proposition 111 Gasoline and Diesel Fuel Sales Tax: Proposition 111 revenues result from sales tax on nine cents of the state excise tax on gasoline. Diesel sales tax revenues generate from the consumption and the price per gallon of diesel fuel.

PTA 2. The Department forecasted Proposition 111 gasoline sales tax revenues are based on historical revenues and current trends in the 2009-10 May Revise. Revenues over the FE period will result in $311 million over the FE period.

Forecast Proposition 111 Gasoline Sales Tax Revenues
($ millions)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
2008 FE	$70	$71	$73	$74	$76		
2010 FE			$63	$62	$62	$62	$63

PTA 3. Diesel fuel sales tax revenues are based on the 2009-10 May Revise and are annually escalated at a historical growth rate of 4.7 percent. This results in total revenues of approximately $1.4 billion over the FE period.

Forecast Diesel Fuel Sales Tax Revenues
($ millions)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
2008 FE	$382	$396	$419	$428	$440		
2010 FE			$257	$269	$281	$294	$308

PTA "Spillover" Revenue:

The difference between sales tax generated at the 4.75 percent rate with gasoline and what would have been generated at the 5 percent rate without gasoline is labeled "spillover". The FE will reflect the 2009-10 Budget authorizing the transfer of spillover to the Mass Transportation Fund (MTF) through 2012-13. In 2013-14 and thereafter, Section 7102(a)(1)(H) of the Revenue & Taxation Code (R&TC) mandates a 50 percent transfer of revenues to the MTF, and to split the remainder between the PTA (17 percent) and State Transit Assistance (33 percent).

PTA 4. Assume distributions of spillover revenues will occur in accordance with Section 7102(a)(1)(H) of the R&TC for 2013-14 and 2014-15. Current projections estimate spillover revenues of $200 million to the PTA for the remainder of the FE period.

Transfer from the Aeronautics Account:

PTA 5. Assume the Aeronautics Account will annually transfer $30,000 to the PTA as required in the 2009-10 Governor's Budget and recent history.

PTA Expenditures

Future Funding of Home-to-School (HTS) Expenditures:

The State Budget has historically provided a priority to programmed PTA STIP, but it has also redirected excess PTA resources to HTS. Specifically, the State Budget and subsequent trailer bills have diverted $508 million in 2007-08, and plans to continue this trend in 2008-09 ($198 million), and 2009-10 ($318 million). The FE will reflect the base year in the 2009-10 Budget, but will encounter challenges when forecasting HTS expenditures for the FE period.

PTA 6. Assume that programmed PTA STIP capacity receives priority over the HTS program from 2010-11 through 2012-13, and HTS would receive the remainder of any funding after the 2008 PTA STIP is fully funded. The HTS funding in 2013-14 and 2014-15 will be determined after the programming of the 2010 STIP.

Transfers to State Transit Assistance (STA):

Senate Bill X3_7 of 2008-09 redirected 2009-10 through 2012-13 STA transfers for the purposes of Section 99315 of the Public Utilities Code, which includes bus and transit rail services, public transit capital, planning activities not paid for by the SHA, allocation to the Institute of Transportation Studies, Commission activities not paid by the SHA, the Public Utilities Commission passenger safety rail program, regional center transportation, and the HTS program.

In 2013-14 and thereafter, Section 7104.2(c) of the R&TC mandates the transfer from the PTA to the STA: 50 percent of Proposition 111 and diesel sales tax revenues, 67 percent of the PTA portion of the spillover transfer, and 75 percent of the Proposition 42 PTA transfer for 2013-14 and 2014-15.

PTA 7. Assume the STA will receive transfers from the PTA in 2013-14 and 2014-15 per Section 7104.2(c) of the R&TC: 50 percent of Proposition 111 and diesel sales tax revenues, 67 percent of the PTA portion of the spillover transfer, and 75 percent of the Proposition 42 PTA transfer.

Future Funding of Regional Center Transportation Program:

PTA 8. Regional Center Transportation program will receive $138 million from the PTA in 2009-10 and thereafter, which results in $690 million from the PTA over the FE period.

PTA 9. Assume no BCPs or net zero BCPs over the FE period.

Intercity Rail Operations:

PTA 10. Intercity rail is part of State Operations expenditures in the PTA. Expenditures below use estimates by the Division of Rail.

A. Intercity rail and bus operations base expenditures for existing services will rely on the enacted budget, which is $90 million for 2009-10, and escalates at 3.2 percent over the FE period.
B. Estimates for expenditures of additional services and extensions on existing routes are $88 million and $41 million, respectively, over the FE period.
C. The Department’s estimated need for heavy equipment maintenance and overhaul over the FE period is $105 million.

Local Assistance:

PTA 11. Bay Area Ferry operations expenditures will use the Enacted 2009-10 Budget. Future expenditures will escalate by one percent based on historical expenditures.

Prior PTA STIP Commitments: Prior to calculating resources available for new STIP, the FE sets aside resources for existing STIP commitments.

PTA 12. Capital expenditures are based on a continuation of all STIP projects allocated in 2008-09 and prior, all PTA programmed 2009-10 STIP projects, and non-highway AB 3090s.

Transportation Investment Fund

Minimum Operating Cash:

TIF 1. Based on a cash analysis of historical and projected monthly receipts less expenditures, a minimum level of operating cash of $120 million should sufficiently cover 95 percent of the monthly volatility in the TIF during the FE period.

TIF Revenues

Proposition 42 Revenues:

Approved by voters in 2002, Proposition 42 amended the State Constitution to make the transfer of these revenues to the TIF permanent. Proposition 42 revenues are distributed by statute to Local Streets and Roads programs (40 percent), and the PTA (20 percent), with the remaining 40 percent retained in the TIF for STIP.

In the current economic climate, the price of gasoline does not have a one-to-one relationship with the Proposition 42 transfer due to the spillover formula. Most increases to gasoline prices would benefit spillover revenues versus Proposition 42 revenues. The estimate below represents an annual average price and is slightly higher than current annual prices.

TIF 2. Assume an average gasoline price of $2.50 over the FE period consistent with the development and forecast of gasoline consumption. This would produce an average annual transfer of $1.5 billion, with approximately $605 million retained in the TIF for STIP.

Proposition 42 Suspensions:

The passage of Proposition 1A in the November 2006 general elections amended the State Constitution to further limit the conditions under which the Proposition 42 transfer of gasoline sales tax revenues for transportation uses can be suspended. The reliability of TIF transfers has been mixed in the past, with suspensions occurring in 2003-04 and 2004-05. Since then, transfers have occurred for four consecutive years from 2005-06 through 2008-09, and the 2009-10 Budget authorizes the transfer for a fifth consecutive year.

TIF 3. Assume the Legislature will not suspend the Proposition 42 transfer over the FE period.

TIF Expenditures

Prior TIF STIP Commitments: Prior to calculating resources available for new STIP, the FE sets aside resources for existing STIP commitments.

TIF 4. COS expenditures are based on STIP projects allocated during 2008-09 and prior, construction engineering for programmed 2009-10 STIP projects, and pre-construction engineering and R/W support programmed to begin in 2009-10.

TIF 5. R/W commitments are expenditures based on allocated R/W in 2008-09 and prior, and the R/W lump sum allocated in 2009-10.

TIF 6. TIF STIP R/W will include an estimate of non-programmed R/W components for inverse condemnation, post-certification, and project development costs. Project development costs are a $1 million allowance allocated by the Commission for environmental permits on projects.

TIF 7. Capital expenditures are based on a continuation of all STIP projects allocated in 2008-09 and prior, all programmed 2009-10 STIP projects, state match TE funding, and non-PTA funded AB 3090s.

Bonds

Transportation Facilities Account (TFA) Allocations:

The TFA was created by Proposition 1B and authorizes $2.0 billion for the purpose of augmenting the STIP. On December 17, 2008, the Pooled Money Investment Board (PMIB) froze all General Obligation (GO) bond sales due to a struggling economy and a wane in bond demand. On March 24, 2009, the PMIB re-entered the bond market and sold $6.5 billion of GO bonds - $2.5 billion more than expected. The PMIB has not stated when they will attempt to sell more bonds for new Proposition 1B projects. The ability to sell GO bonds and accumulate TFA funding will directly affect the allocation of TFA STIP capacity.

Bond 1. Any unallocated projects in 2008-09 will be allocated into 2009-10, which will total $784 million.

GO Bond Allocations:

As mentioned in the above assumption, the PMIB has not stated when they will attempt to raise proceeds for new GO Bond projects. Based on this information, it is possible that a portion of the scheduled Proposition 1A and 1B allocations may be delayed for an unknown period.

Bond 2. Assume any unallocated projects in 2008-09 will be allocated into 2009-10. This assumes allocation capacity will remain as scheduled over the base year and FE period.

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2010 Aeronautics Account Fund Estimate Assumptions

The 2010 Aeronautics Account Fund Estimate (FE) uses assumptions to forecast available resources from 2010-11 through 2012-13. Below are the assumptions used in preparation of this forecast.

Revenue Assumptions

AERO 1. The 2010 FE will calculate the beginning balance on a cash basis since the Aeronautics Account receives continuous appropriations of funding.

AERO 2. Projected revenues for excise taxes on aviation gasoline and jet fuel will use historical transfers from the Motor Vehicle Fuel Account. The State Controller's Office (SCO) expects aviation gasoline excise tax revenues to decline by 3 percent as the industry continues to move toward jet fuel-powered aircraft. Conversely, the SCO forecasts jet fuel excise tax revenues to increase by 4 percent throughout the FE period. The net result is a moderate decrease in total resources to the Aeronautics fund.

AERO 3. The FE will calculate Surplus Money Investment Fund (SMIF) interest based on the projected year ending cash balances of the Aeronautics Account and the SMIF as of June 30, 2009.

AERO 4. Federal Trust Funds represent federal reimbursement authority for various aviation activities completed by the Division of Aeronautics. The FE escalates Federal Trust Funds using an implicit price deflator of 3.2 percent per year from the Department of Finance (DOF) over the FE period.

AERO 5. The transfer to the Public Transportation Account (PTA) per Public Utilities Code, Section 21682.5 is $30,000 per fiscal year.

Expenditure Assumptions

AERO 6. The annual funding provided to 145 eligible publicly-owned General Aviation airports through the Annual Credit grant program will remain at the same level of $10,000 per year for each eligible airport throughout the FE period.

AERO 7. The AIP match in the first year of the FE is based on the Aeronautics Program adopted in 2008. The AIP match will remain at a rate of 2.5 percent over the remainder of the FE period.

AERO 8. Before adding to Acquisition & Development (A&D) capacity, resources must commit to funding the other two California Aid to Airports Program grants. The Commission will allocate all ending cash balances available for programming during the FE period, which may include funding for A&D. The 2008 Aeronautics Program included a list of A&D projects scheduled for funding through 2010-11. The Commission will determine future A&D when they adopt the next three-year Aeronautics Program in 2010.

AERO 9. State Operations includes staffing for aeronautics and planning activities. State Operations will use expenditures authorized in the 2009-10 Budget Act and escalate these costs using the DOF implicit price deflator of 3.2 percent annually over the FE period.