

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: September 9-10, 2009

Reference No.: 3.10
Information Item

From: CINDY McKIM
Chief Financial Officer

Prepared by: Norma Ortega
Division Chief
Budgets

Subject: **FY 2008-09 FOURTH QUARTER FINANCIAL REPORT**

Attached is the Department of Transportation's Fiscal Year 2008-09 Fourth Quarter Finance Report. This report has been discussed with the Commission's Executive Committee.

Attachment



Department of Transportation Quarterly Finance Report

Fourth Quarter 2008-09

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 Department of Transportation (Department) 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 2009-10 Quarterly Finance Report.

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

| Fiscal Year | Quarterly Report | Activity | Date |
|--------------------|-------------------------|--|--|
| 2009-10 | 2008-09 Q4 | Close of Quarter Quarterly Report to Commission Staff Presented to Commission | 6/30/09 8/31/09 9/9/09 |
| | 2009-10 Q1 | Close of Quarter Quarterly Report to Commission Staff Presented to Commission | 9/30/09 11/15/09 12/10/09 |
| | 2009-10 Q2 | Close of Quarter Quarterly Report to Commission Staff Presented to Commission | 12/31/09 2/15/10 2/25/10 |
| | 2009-10 Q3 | Close of Quarter Quarterly Report to Commission Staff Presented to Commission | 3/31/10 5/15/10 7/1/10 |
| 2010-11 | 2009-10 Q4 | Close of Quarter Quarterly Report to Commission Staff Presented to Commission | 6/30/10 8/31/10 9/23/10 |

Department of Transportation Quarterly Finance Report

Fourth Quarter 2008-09

Executive Summary

Through the fourth quarter of 2008-09, the Commission allocated \$4.5 billion toward 750 projects, representing 71 percent of the total 2008-09 capacity of \$6.3 billion (See Appendix A for 2008-09 allocation capacity by fund). Savings and unallocated bond capacity make up the bulk of the remaining capacity. The unallocated bond capacity is a result of the State's inability to sell sufficient bonds in the current State fiscal and credit market conditions.

| 2008-09 Capital Allocations vs. Capacity | | | | | |
|---|--------------------------|-------------------------|-------------|----------------|----------------|
| Summary through June 30, 2009 | | | | | |
| (\$ in millions) | | | | | |
| | SHOPP¹ | STIP¹ | TCRP | BONDS | TOTAL |
| Total Allocation Capacity | \$1,803 | \$1,387 | \$110 | \$3,020 | \$6,320 |
| Total Votes | 1,995 | 981 | 124 | 1,389 | 4,489 |
| Authorized Changes ² | -400 | -43 | -18 | -90 | -551 |
| Total Remaining Capacity | \$208 | \$449 | \$4 | \$1,631 | \$2,382 |

Note: Totals may not add due to rounding

¹Proposition 1B bond and Recovery Act capacity included in total: \$598 million (SHOPP); \$1.037 billion (STIP).

²Authorized changes include project increases and decreases pursuant to the Commission's G-12 process, and project rescissions.

With the exception of the State Highway Account (SHA) and the Public Transportation Account (PTA), cash balances for all of the Department's major cash funds were within acceptable range to the forecast. The SHA ended the year with a balance of \$232 million, \$224 million below forecast due in most part to lower revenues and the delay of the \$100 million transfer of Tribal Gaming revenue. (See Appendix B). The PTA year-end cash balance was significantly higher than forecasted due to the unexpected receipt of revenues in the fourth quarter (historically received in July) and mid-year reductions to expenditures.. (See Appendix B).

The results of the May Special Election, along with the May Revision to the budget, had a significant impact on transportation revenues and funding. On July 28, 2009, the 2009-10 Budget Bill was enacted and contained solutions to address the additional shortfalls identified in the May Revision.

This document contains the Department's recommended capacity for 2009-10. The State's fiscal crisis and the continued decline in revenues pose challenges to funding the Department's major programs. In addition, the difficulties in the bond market and the diversion in PTA resources will have an impact on STIP.

Capital Allocations vs. Capacity

Fourth Quarter Summary

Through June 30, 2009, the Commission allocated \$4.5 billion toward 750 projects. Total adjustments were \$551 million, leaving approximately \$2.4 billion in remaining capacity at the end of fiscal year. The bulk of the remaining capacity is bond funding. The unallocated bond capacity is a result of the State's inability to sell sufficient bonds in the current State fiscal and credit market conditions.

State Highway Operation Protection Program (SHOPP). Net SHOPP allocations totaled \$1.6 billion through June, representing 89 percent of the \$1.8 billion capacity. The total number of SHOPP projects allocated through the fourth quarter was 467, including 4 SHOPP bond projects, 1 Grant Anticipation Revenue Vehicle (GARVEE) project, and 37 Recovery Act funded projects. Adjustments for award savings were significant, totaling \$400 million. These savings contributed greatly to the \$208 million in remaining capacity. Of the \$208 million in remaining capacity, \$120 million is bond capacity. As previously mentioned, the State's bond difficulties have contributed to the amount of bond allocation capacity left unallocated.

| State Highway Operation and Protection Program (\$ in millions) | | | | | |
|--|---------------------|---------------------|---------------|-----------------|--------------------|
| Fund | Allocation Capacity | Allocations to Date | Adjustments | Net Allocations | Remaining Capacity |
| SHA | \$1,100 | \$1,315 | -\$230 | \$1,085 | \$15 |
| Bond | 86 | 18 | -52 | -34 | 120 |
| GARVEE | 114 | 114 | -46 | 114 | N/A |
| Recovery Act | 503 | 548 | -118 | 430 | 73 |
| Total | \$1,803 | \$1,995 | -\$400 | \$1,595 | \$208 |

State Transportation Improvement Program (STIP). Of the \$1.4 billion STIP capacity, a net total of \$922 million was allocated through June, representing 68 percent of the total capacity. The total number of projects allocated to date was 198, including 21 STIP bond projects. Adjustments for award savings totaled \$43 million. Remaining capacity totals \$436 million, the majority of which is bond funding. Again, the State's bond difficulties are the primary cause for the large bond capacity balance. The State Highway Account (SHA) and Transportation Investment Fund (TIF) are over-allocated by \$84 million. (See note below). The 2009-10 capacity accounts for the impact to cash flows.

| State Transportation Improvement Program (\$ in millions) | | | | | |
|--|---------------------|---------------------|--------------|-----------------|--------------------|
| Fund | Allocation Capacity | Allocations to Date | Adjustments | Net Allocations | Remaining Capacity |
| SHA | \$65 | \$138 | \$1 | \$139 | -\$74 |
| PTA | 50 | 50 | 0 | 50 | 0 |
| TIF | 225 | 241 | -6 | 235 | -10 |
| TDIF | 10 | 2 | 2 | 4 | 6 |
| Bond | 1,008 | 534 | -40 | 494 | 514 |
| Total | \$1,358 | \$965 | -\$43 | \$922 | \$436 |

Note: The SHA STIP capacity was identified only for Transportation Enhancement projects; however, previously approved federally funded Right-of-Way costs continue to charge against the SHA. These charges are expected to taper off in the coming years.

Recovery Act Transportation Enhancements (TE). The Recovery Act provided \$29 million in resources for non-STIP TE projects. The Commission allocated \$16 million leaving an unallocated balance of \$12 million. This unallocated balance was carried forward to 2009-10 for TE projects.

Traffic Congestion Relief Program (TCRP). The TCRP allocations total \$110 million toward 12 projects. The 2008-09 capacity of \$110 million includes the advancement of \$27 million of 2009-10 capacity based on an agreement between the Commission, Local Agencies, and the Department. Adjustments totaling \$18 million were processed during the quarter to de-allocate three projects. This resulted in \$4 million in remaining capacity as of June 30, 2009. The remaining \$4 million was carried forward into the 2009-10 capacity.

Other Proposition 1B Bonds. Other bond allocations to date total \$1.4 billion, or 46 percent of the \$3.0 billion capacity. The total number of bond projects allocated to date is 72. The State Treasurer's successful sale of California bonds in April provided resources for existing bond expenditures. A portion of the proceeds were also used to continue funding ongoing projects into 2009-10, as well as to allow some additional projects to be awarded. Because of the bond financing difficulties, there have not been sufficient bond resources available to finance all bond projects.

| Other Bonds (\$ in millions) | | | |
|---|--------------------------------|--------------------------------|-------------------------------|
| Fund | Allocation Capacity | Allocations to Date | Remaining Capacity |
| CMIA | \$1,587 | \$1,057 | \$530 |
| TCIF | 413 | 155 | 258 |
| Intercity Rail | 202 | 41 | 162 |
| State-Local Partnership | 200 | 40 | 160 |
| Local Bridge Seismic | 21 | 21 | 0 |
| Grade Separations | 247 | 6 | 241 |
| Traffic Light Synch. | 245 | 63 | 182 |
| Route 99 | 105 | 7 | 98 |
| Total | \$3,020 | \$1,389 | \$1,631 |

Note: Although bond projects have received allocations, bond financing difficulties will prevent new contract awards until further notice.

Outlook for Funding & Allocations

Since the last quarterly report, the State held its May Special Election, and the May Revision to the February enacted budget was released. The failure of the May Special Election ballot measures, and the continued state economic challenges caused an additional \$24 billion shortfall to be identified in the 2009-10 budget. As a result, a series of bills were enacted in July to balance the budget and address the shortfall. The impact of these actions, as well as Recovery Act, bond funding, and programs impacts, are detailed below.

2009-10 Budget. On July 28, 2009, the revised 2009-10 Budget was enacted. The amended budget included the following:

- Full funding of the Proposition 42 transfer of \$1.441 billion in 2009-10.
- Retention of \$100 million in Tribal Gaming revenues in the General Fund (GF).
- \$135 million loan from the SHA to address GF shortfalls.
- Diversion \$652 million in spillover revenues to offset GF costs for debt service.
- Elimination of the State Transit Assistance (STA) transfer through 2012-13.
- Redirection of \$225 million in PTA funds to offset GF costs for debt service.

In addition, trailer bill language to the revised budget retroactively transferred \$221 million in 2008-09 PTA spillover (in excess of MTF transfers) to the MTF for additional GF relief. This action reduced PTA cash resources, thereby limiting PTA funding capacity to previously programmed AB3090 allocations only.

Recovery Act. California received a total of \$2.57 billion in federal resources under the Recovery Act. \$1.6 billion was distributed to local agencies, and \$972 million was made available to fund rehabilitation and maintenance on the state highway system. Assembly Bill 20 of the Third Extraordinary Session (ABX3-20) allowed \$310 million of these funds to be loaned to fund Proposition 1B projects. These resources will be repaid when bonds are sold. All \$512 million of Recovery Act SHOPP funds were allocated in 2008-09. Savings totaling \$73 million will be re-allocated in 2009-10. In addition, another \$12 million in Recovery Act TE resources will be rolled over in 2009-10.

Bond Funding. In the spring 2009, the Department received \$1.2 billion in bond proceeds for its Proposition 1B programs from the sale of General Obligation Bonds and Build America Bonds (BABs) by the State Treasurer's Office (STO). The Department also received \$235 million in BABs proceeds to fund grants to local transit agencies through its Public Transportation Modernization, Improvement, and Service Enhancement Account grant program. The \$1.2 billion share of proceeds is expected to fund projects that were already in construction at the time of the December 2008 Pooled Money Investment Account freeze. In addition, these proceeds allowed preliminary funding for new, high-priority projects. It is estimated that approximately \$1.6 billion will be needed to fund these projects to completion. There is also the future need for bond proceeds to repay the \$310 million loan from the Recovery Act. The STO is anticipating another bond sale in fall 2009. Until the results of the fall bond sale are known, the Department is unable to assess the type and number of projects that could be funded.

SHOPP

Tribal Gaming revenues were not transferred in 2008-09 thereby reducing the 2008-09 SHOPP capacity. For Fiscal Year (FY) 2009-10, Tribal Gaming Revenues are again being retained in the GF. In addition, because of the economic downturn, the Department anticipates a continued decline in regular revenue. Also in 2009-10, \$135 million in SHA resources are being loaned to assist in providing GF relief. This amount is in addition to the \$200 million loaned in 2008-09. In addition, the SHA contributions for the Toll Bridge Seismic Retrofit Program will increase dramatically in 2009-10. The schedule for State contributions for the Toll Bridge Seismic Retrofit Program was previously approved by the Commission in September 2005.

The Federal Highway Administration (FHWA) has provided conditional approval for California to participate in the Toll Credit Program. This program provides states with more flexibility in financing projects. Toll credits are earned when a state, a toll authority, or a private entity funds a capital highway investment with toll revenues from existing facilities. The amount of toll revenues spent on non-Federal highway capital improvement projects earns the state a comparable dollar amount in credits that can be applied toward the non-Federal share of a Federal-aid project. By using toll credits in place of the required State match on a Federal-aid project, Federal funding can effectively be increased to 100 percent. This program will assist in decreasing the demand on limited state resources, but does not increase the total funding from the FHWA.

STIP

Transportation Investment Fund (TIF). The 2009-10 Budget authorized full funding of Proposition 42 in the amount of \$1.441 billion. \$576 million will remain in the TIF. Because of the uncertainty of the current bond market, TIF resources are the only funding source immediately available for STIP.

Public Transportation Account (PTA). The PTA was heavily impacted in the 2009-10 Budget. The STA transfer was eliminated through 2012-13 to offset some of the impact on the PTA; however, other budget actions will pose significant challenges. To assist with budget shortfalls, \$363 million in PTA resources are being redirected to GF relief, and an additional \$652 million in spillover revenues are being diverted. Compounding the challenge of these diversions is the drop in fuel prices and lower consumption which negatively impacts revenues. This is a trend the Department anticipates continuing through 2009-10. As a result, PTA resources will be limited to funding for previously programmed AB3090 allocations only.

Transportation Facilities Account (TFA). The spring bond sale by the STO allowed TFA allocations to resume on a limited basis. The STO is anticipating another bond sale in fall 2009. Based on the outcome of the bond sale, initial proceeds will be directed toward ongoing and recently allocated projects. If sufficient bonds are sold, new allocations using TFA capacity may be authorized. Once the TFA resources are fully allocated, STIP funding will decrease substantially in the out years

TCRP

Traffic Congestion Relief Fund (TCRF). The funding outlook for the TCRP remains unchanged from the last quarter. After de-allocating three projects late in the year, the TCRF was left with a balance of \$4 million which will be carried over to 2009-10 capacity. Approximately \$1.1 billion in loan repayments is still outstanding from the

General Fund (refer to Appendix E). This, coupled with the delay of Tribal Gaming revenues in 2008-09 and 2009-10, will further delay completion of the TCRP.

PROPOSITION 1B OTHER BONDS

The Spring 2009 bond sales allowed the Department to begin funding for new high-priority projects into March 2010. It is estimated that approximately \$1.6 billion will be needed to fund these projects to completion. In addition, there is the future need for bond proceeds to repay the \$310 million loan from Recovery Act resources. As previously mentioned, the STO is anticipating another bond sale in fall 2009. If sufficient bonds are sold, current obligations will need to be addressed prior to new allocations being authorized.

Recommendations

The Department is recommending the following allocation capacity for 2009-10.

| 2009-10 Allocation Capacity By Fund and Program (\$ in millions) | | | | | |
|---|----------------|--------------|-------------|---------------------------------|---------------------|
| Fund | SHOPP | STIP | TCRP | Other (1B Bonds) | Total |
| SHA | \$200 | \$0 | \$0 | \$0 | \$200 |
| FTF | 1,335 | 146 | 0 | 0 | 1,481 |
| PTA | 0 | 5 | 0 | 0 | 5 |
| TIF | 0 | 300 | 0 | 0 | 300 |
| TCRF | 0 | 0 | 60 | 0 | 60 |
| TDIF | 0 | 0 | 0 | 0 | 0 |
| <i>Prop 1B Bonds*</i> | <i>177</i> | <i>514</i> | <i>0</i> | <i>4,228</i> | <i>4,919</i> |
| Total Capacity | \$1,712 | \$965 | \$60 | \$4,228 | \$6,965 |

* *Subject to Bond sales*

| Recovery Act Rollover from 2008-09 | |
|---|----|
| SHOPP | 73 |
| TE | 12 |

SHOPP: \$1.785 billion total capacity including \$177 million in Bond resources and \$73 million in Recovery Act resources. SHA resources are limited due to a \$135 million GF loan authorized by the 2009-10 Budget, and the delay of \$100 million in Tribal Gaming revenues.

STIP: \$977 million total capacity including \$514 million in Bond resources and \$12 million in Recovery Act resources for TE projects. This capacity was developed taking into consideration a fully funded Proposition 42 transfer, redirection of \$363 million in PTA resources, and the diversion of \$652 million in spillover revenues.

TCRP: \$60 million in total capacity. This represents the \$83 million base resources, less the \$27 million advanced in 2008-09, and includes the return of unused resources advanced in 2008-09 (\$4 million).

Prop 1B/Other Bonds: \$4.228 billion in total capacity, which represents un-utilized budget authority. Because of the uncertainty of the bond market, it is not known whether resources will be available to fund new projects. The STO anticipates another bond sale in fall 2009. Bond proceeds for transportation would go toward funding ongoing projects before any new allocations.

Appendices

Appendix A.....Allocation Capacity and Assumptions

Appendix B.....Cash Forecast

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

Appendix C.....Federal Funding

Appendix D.....Non-SHOPP/STIP Proposition 1B Bond Allocations

Appendix E.....Transportation Loans

Appendix A – Allocation Capacity and Assumptions

The revised 2008-09 allocation capacity is \$6.63 billion, including Proposition 1B bond and Recovery Act capacity. This total also reflects a \$100 million reduction from the SHA SHOPP capacity resulting from the General Fund retention of Tribal Gaming revenues, as authorized in the 2008-09 Budget Act.

| 2008-09 Allocation Capacity By Fund and Program (\$ in millions) | | | | | |
|--|----------------|----------------|--------------|------------------|----------------|
| Fund | SHOPP | STIP | TCRP | Other (Bonds) | Total |
| SHA | \$1,100 | \$65 | \$0 | \$0 | \$1,165 |
| PTA | 0 | 50 | 0 | 0 | \$50 |
| TIF | 0 | 225 | 0 | 0 | \$225 |
| TCRF | 0 | 0 | 110 | 0 | \$110 |
| TDIF | 0 | 10 | 0 | 0 | \$10 |
| Bonds | 86 | 1,008 | 0 | 3,020 | \$4,114 |
| GARVEE Allocations | 114 | 0 | 0 | 0 | \$114 |
| Recovery Act | 503 | 29 | 0 | 310 | \$842 |
| Total Capacity | \$1,803 | \$1,387 | \$110 | \$3,330 | \$6,630 |

This allocation capacity is based on:

- For SHOPP, 2008-09 Budget Act revenue estimates, 2008 Fund Estimate federal receipts, and forecast expenditures.
- The PTA allocation capacity reflects AB 3090 projects only, totaling \$50 million. Other than the AB 3090 reimbursement, there is no 2008-09 STIP PTA allocation capacity due to the distribution of spillover revenues, the redirection to the Home-to-School program and funding of the Regional Center Transportation Program as authorized in the 2008-09 Budget Act.
- Pre-Proposition 42 loan repayments are assumed to be paid in annual installments of \$100 million from Tribal Gaming compact revenues pursuant to Government Code Section 63048.65(e).
- The annual TCRF allocation capacity is based on a dollar-for-dollar ratio of actual revenues received, as opposed to the cash flow basis used in the SHA and PTA to cover current year expenditures. The allocation capacity and specific project funding is a collaboration between the Commission, the Department and Local Agencies.
- For SHOPP and STIP, 2008-09 bond capacity is based on the balance of bond authority available after 2007-08 allocations and any administrative costs.
- Other Proposition 1B bond capacity is based on authority for those funds.

Appendix B – Forecast Methodology

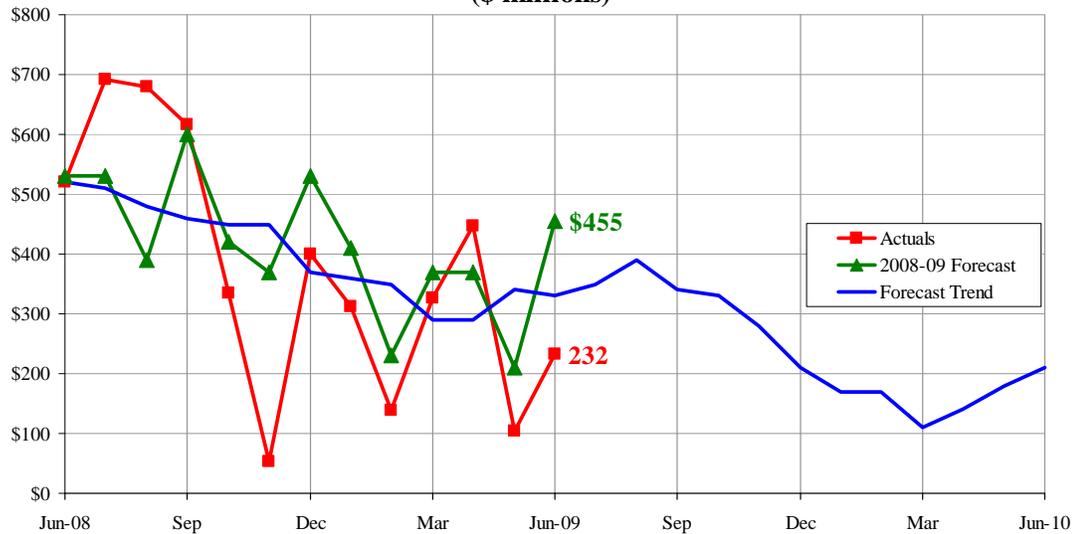
Methodology and Assumptions

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 2008-09 cash forecasts and allocation capacities are based on the following assumptions:

- Expenditures for state operations and Capital Outlay Support (COS) are based on the 2008-09 Budget Act.
- Capital outlay and local assistance cash expenditures are based on actual and projected Commission allocations, using historical seasonal construction patterns.
- Proposition 42 transfers occur quarterly in the month after the quarter ends, except in the fourth quarter, which is assumed to occur in June.
- Annual Pre-Proposition 42 loan repayments from Tribal Gaming compacts are forecast at \$100 million per year pursuant to Government Code Section 63048.65(e). Note: capacity was reduced in 2008-09 as a result of the delay in transferring \$100 million of Tribal Gaming revenues as authorized in the 2009-10 budget.
- Monthly adjustments not forecast include short-term loans made to the General Fund, short-term loan repayments, Plans of Financial Adjustments (PFA), funds transferred in and out, and reimbursements. Adjustments are timing differences in posting activity between the Department's TRAMS accounting system and the State Controller's Office (SCO). TRA transactions are forecast.
- PTA sales tax revenues, including spillover are forecast based on the 2008-09 Budget Act. There is typically a one quarter lag in posting of revenues, with the fourth quarter revenues posting in the first quarter of the following year.
- A \$200 million loan from the SHA to the General Fund, per the 2008-09 Budget Act, is included in the SHA forecast, as well as a loan from the TCRF to the SHA for \$200 million. Both loans are forecast to be repaid in June 2011.
- Per the 2008-09 Budget Act, a \$60 million loan occurred in November 2008 from the TCRF to the PTA. The loan amount, estimated on high tax revenues, offsets the diversion to the Home-to-School program.
- The PTA includes a \$306 million State Transit Assistance (STA) expenditure, per the 2008-09 Budget Act. Note: The 2009-10 Budget Act reduced the 2008-09 STA transfer to \$153 million.
- Federal receipts, of approximately \$3.0 billion are based on the 2008 Fund Estimate.

Appendix B – State Highway Account

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



Year-to-Date SHA Summary

The SHA cash balance, at the end of the fourth quarter was \$232 million, \$224 million (49.1 percent) below forecast. The low cash balance is due mostly to lower revenues and the cancellation of the \$100 million Tribal Gaming transfer for the 2008-09 year. Because of the economic downturn, fuel and weight fee revenues were lower than forecast. Revenues and transfers were \$250 million, (4.1 percent) below forecast. Expenditures were \$6 billion, \$80 million, (1.3 percent) below forecast. Adjustments, which represent timing differences, totaled negative \$154 million, a difference of negative \$54 million.

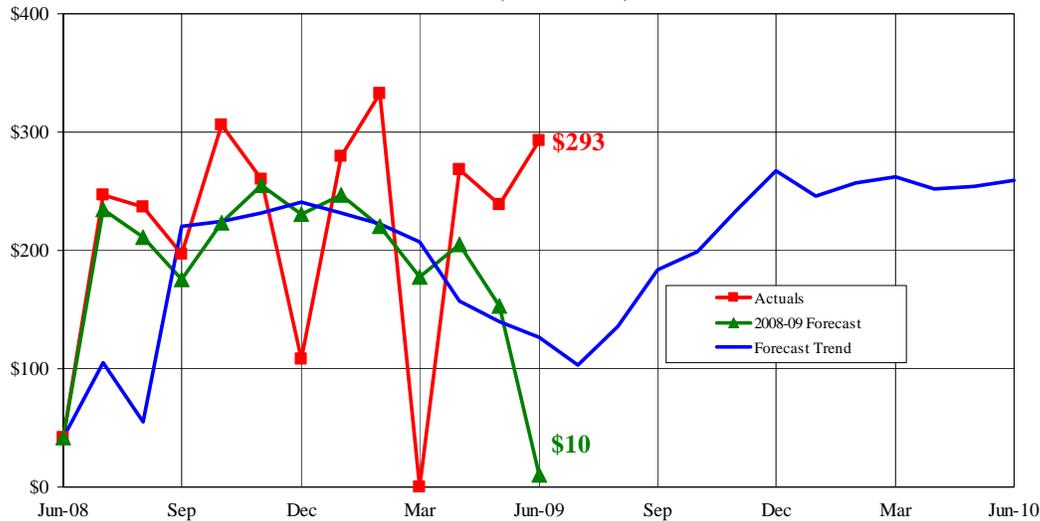
Reconciliation

| | (\$ in millions) | | | |
|-------------------------------|------------------|--------------|---------------|---------------|
| | Forecast | Actual | Difference | % |
| Beginning Cash Balance | \$521 | \$521 | \$0 | 0.0% |
| Revenues | 6,035 | 5,892 | -144 | -2.4% |
| Transfers | 85 | -21 | -106 | -125.4% |
| Expenditures | -6,086 | -6,005 | 80 | -1.3% |
| Adjustments | -100 | -154 | -54 | 54.5% |
| Ending Cash Balance | \$455 | \$232 | -\$224 | -49.1% |

Note: Ending cash balance may differ due to rounding.

Appendix B – Public Transportation Account

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



Year-to-Date PTA Summary

The PTA ended the year with a cash balance of \$293 million, \$283 million above the year end forecast balance of \$10 million. The high cash balance was the result of several factors including, mid-year reductions to the Home-to-School and STA distributions for 2008-09, the rebounding of spillover revenues in the fourth quarter, and the timing of revenue transfers and expenditures at year end fiscal year. As a result, PTA expenditures for the year were \$1,080 billion, \$430 million (28 percent) below forecast. Revenues were \$879 million, \$67 million (7 percent) lower than forecast. Transfers ended the fiscal year with \$428 million, \$67 million (14 percent) below forecast.

PTA expenditures through June 30, 2009 were \$1,080 billion, \$430 million (28 percent) below forecast. Revenue through year-end was \$879 million, \$67 million (7 percent) lower than forecast. Transfers ended the fiscal year with \$428 million, \$67 million (14 percent) below forecast.

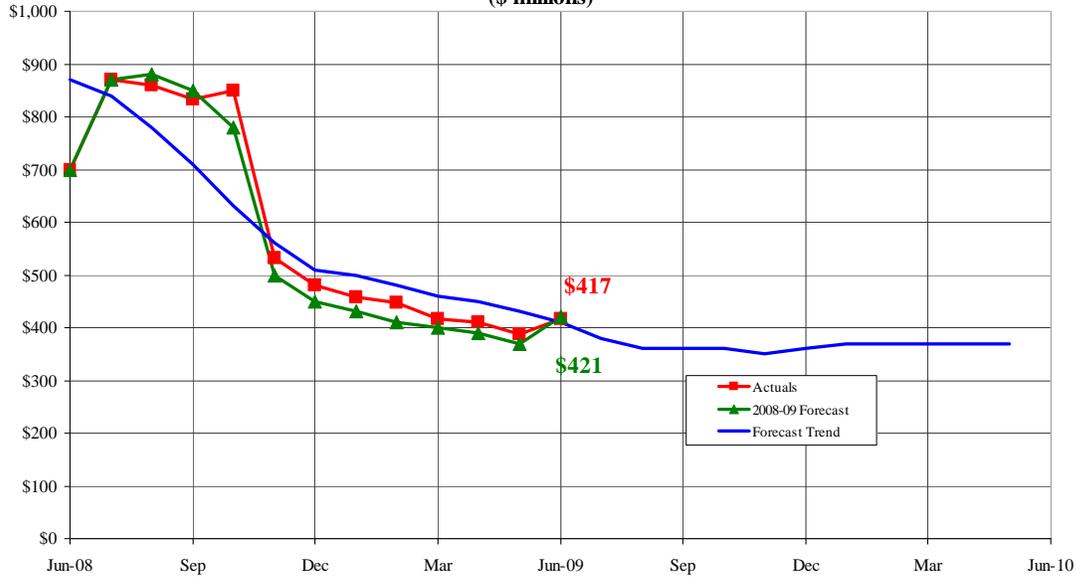
Reconciliation

| | (\$ in millions) | | | |
|-------------------------------|------------------|--------------|--------------|------------|
| | Forecast | Actual | Difference | % |
| Beginning Cash Balance | \$42 | \$42 | \$0 | 0.0% |
| Revenues | 946 | 879 | -67 | -7% |
| Transfers | 495 | 427 | -68 | -14% |
| Expenditures | -1,510 | -1,080 | 430 | -28% |
| Adjustments | 38 | 24 | -14 | -36% |
| Ending Cash Balance | \$10 | \$293 | \$283 | N/A |

Note: Ending cash balance may differ due to rounding.

Appendix B – Traffic Congestion Relief Fund

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



Year-to-Date TCRF Summary

The TCRF ending cash balance for the fourth quarter was \$417 million, \$5 million (1.1 percent) below forecast. Transfers include a \$60 million loan to the PTA, and a \$200 million loan to the SHA, both of which were authorized in the 2008-09 Budget Act. Expenditures were \$238 million, \$43 million (15.3 percent) above forecast. Net adjustments were a positive \$339 million.

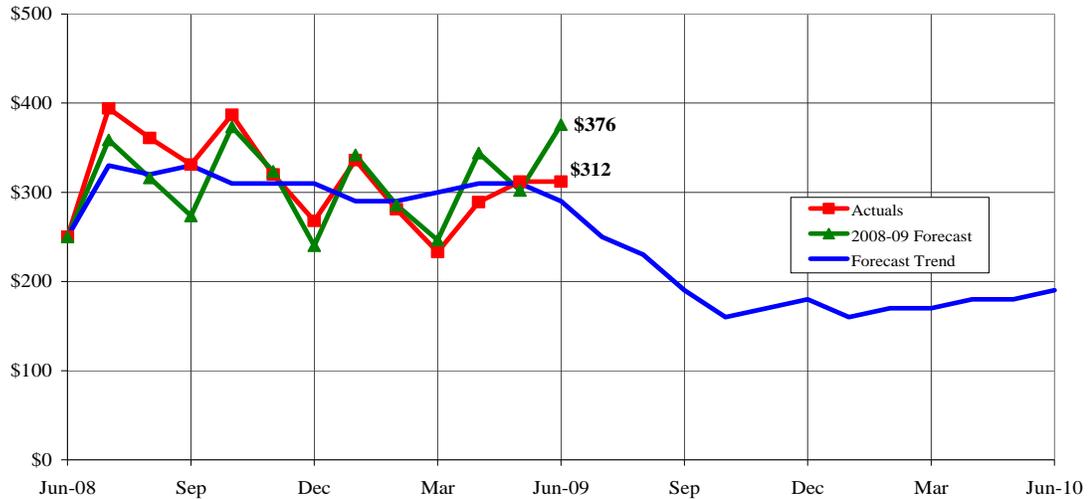
Reconciliation

| | (\$ in millions) | | | |
|-------------------------------|------------------|--------------|-------------|--------------|
| | Forecast | Actual | Difference | % |
| Beginning Cash Balance | \$699 | \$699 | \$0 | 0.0% |
| Revenues | 0 | 0 | 0 | |
| Transfers | -84 | -83 | 1 | -0.9% |
| Expenditures | -281 | -538 | -257 | 91.6% |
| Adjustments | 87 | 339 | 252 | 289.3% |
| Ending Cash Balance | \$421 | \$417 | -\$5 | -1.1% |

Note: Ending cash balance may differ due to rounding.

Appendix B – Transportation Investment Fund

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



Year-to-Date TIF Summary

The TIF ending cash balance for the fiscal year 2008-09 fourth quarter was \$312 million, \$64 million (17 percent) below forecast, due to actual sales tax revenues being at the lowest for the year. Year-to-date revenues totaled \$1.7 billion; \$100 million (6 percent) lower than forecast. Expenditures totaled \$623 million, \$25 million (4 percent) above the forecast. Adjustments, including TRA and short-term loans to the General Fund, were a positive \$60 million, same as the forecasted amount.

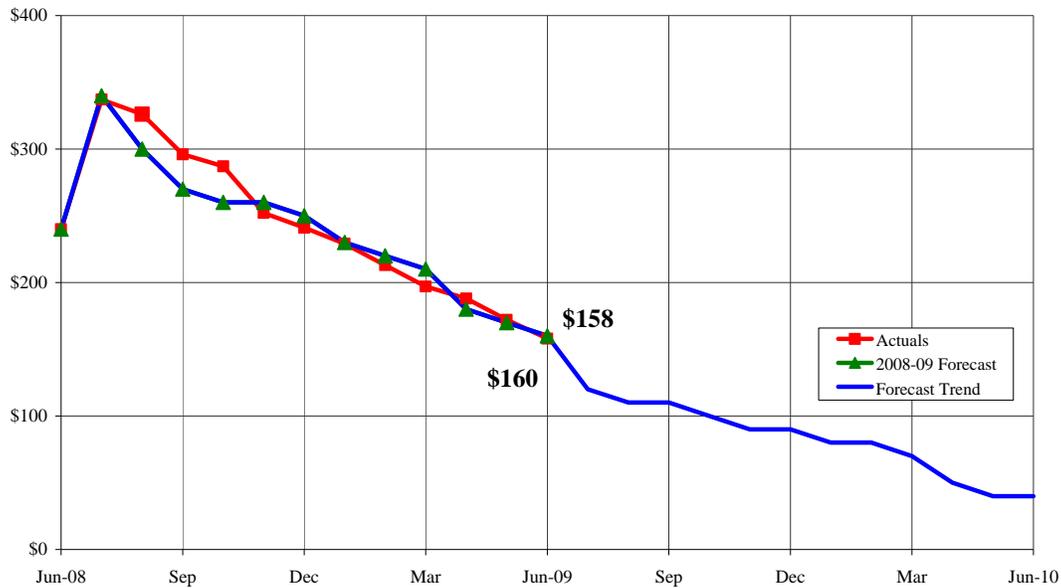
Reconciliation

| | (\$ in millions) | | | |
|-------------------------------|------------------|--------------|--------------|-------------|
| | Forecast | Actual | Difference | % |
| Beginning Cash Balance | \$124 | \$124 | \$0 | |
| Revenues | 1,798 | 1,698 | -100 | -6% |
| Transfers | -1,007 | -946 | 61 | -6% |
| Expenditures | -599 | -623 | -25 | 4% |
| Adjustments | 60 | 60 | 0 | |
| Ending Cash Balance | \$376 | \$312 | -\$64 | -17% |

Note: Ending cash balance may differ due to rounding.

Appendix B – Transportation Deferred Investment Fund

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



Year-to-Date TDIF Summary

The TDIF ending cash balance for the fiscal year 2008-09 fourth quarter was \$158 million, \$2 million (2 percent) below forecast. Year-to-date expenditures totaled \$191 million, \$15 million (8 percent) above forecast. Net adjustments for the year were a positive \$112 million. TDIF allocations were a one-time occurrence. The forecast assumes the pattern of project expenditures until funds are exhausted. There will be no future allocations from the TDIF unless there are savings.

Reconciliation

| | (\$ in millions) | | | |
|-------------------------------|------------------|--------------|-------------|------------|
| | Forecast | Actual | Difference | % |
| Beginning Cash Balance | \$337 | \$337 | \$0 | |
| Revenues | 83 | 83 | 0 | |
| Transfers | -83 | -83 | 0 | |
| Adjustments (TRA) | -100 | -100 | 0 | |
| Expenditures | -176 | -191 | -15 | 8% |
| Adjustments | 100 | 112 | 12 | 12% |
| Ending Cash Balance | \$160 | \$158 | -\$3 | -2% |

Note: Ending cash balance may differ due to rounding.

Appendix C – Federal Emergency Projects

There have been no new disaster declarations for the quarter ending June 30, 2009, nor has the Department received any new Emergency Relief allocations from the Federal Highway Administration. The chart below represents disasters that have not been completely funded by FHWA.

| Disaster Repair Costs | | | |
|--|---|--------------|--------------|
| Approved Federal Funding and State/Local Impact | | | |
| (\$ in millions) | | | |
| Disaster | Identified Cost of Disaster Repair | | |
| | State | Local | Total |
| Dec. 2004 Storm CA05-1 | \$243 | \$95 | \$338 |
| Dec. 2005 Storm CA06-1 | 367 | 45 | 412 |
| So. California Wildfires CA08-3 | 27 | 5 | 32 |
| California Wildfires CA08-6 | 9 | 0 | 9 |
| So. California Wildfires CA09-1 | 5 | 0 | 5 |
| Total Damage Estimate | \$651 | \$145 | \$796 |
| Amount Obligated To Date | | | \$594 |
| Allocation Available for Future Project Costs | | | \$111 |
| Remaining Need | | | \$91 |

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

Appendix D – Non-SHOPP/STIP Proposition 1B Bonds

| Other Bonds (\$ in millions) | | | |
|---|--------------------------------|--------------------------------|-------------------------------|
| Fund | Allocation Capacity | Allocations to Date | Remaining Capacity |
| CMIA | \$1,587 | \$1,057 | \$531 |
| TCIF | 413 | 155 | 259 |
| Intercity Rail State-Local Partnership | 202 | 41 | 162 |
| Local Bridge Seismic Grade Separations | 200 | 40 | 160 |
| Traffic Light Synch. Route 99 | 21 | 21 | 0 |
| | 247 | 6 | 241 |
| | 245 | 63 | 182 |
| | 105 | 7 | 98 |
| Total | \$3,021 | \$1,389 | \$1,632 |

Note: Although bond projects have received allocations, bond financing difficulties will prevent new contract awards until further notice.

Allocation capacity for CMIA, Intercity Rail, Local Bridge Seismic, Grade Separations, Traffic Light Synchronization, and Route 99 include unallocated 2007-08 capacity and 2008-09 capacity authority. The TCIF and State-Local Partnership programs did not receive appropriations in 2007-08 and thus only include 2008-09 capacity.

Pursuant to the Commission's direction, G-12 delegated authority does not apply to these bond funds.

(Note: In future Quarterly Finance Reports, the Appendix D table will be included as part of the "Capital Allocations vs. Capacity" section, rather than as an Appendix)

Appendix E – Transportation Loans

| Status of Outstanding Transportation Loans, as of June 30, 2009 | | | |
|--|--------------------------------|--------------------------------|----------------------|
| (\$ in millions) | | | |
| FUND | Original Loan Plus Interest | 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) ² | 275 | 10 | 265 |
| Traffic Congestion Relief Fund (TCRF) ³ | 482 | 0 | 482 |
| Subtotal Pre-Position 42 Tribal Gaming Loans: | \$1,230 | \$351 | \$879 |
| Proposition 42: | | | |
| Public Transportation Account (PTA) | \$212 | \$211 | \$1 |
| Transportation Investment Fund (TIF) | 424 | 424 | \$0 |
| Transportation Congestion Relief Fund (TCRF) ⁴ | 1,066 | 483 | \$582 |
| Locals | 424 | 424 | \$0 |
| Subtotal Proposition 42 Loans: | \$2,126 | \$1,542 | \$584 |
| General Fund Loan: | | | |
| State Highway Account (SHA) ⁵ | \$200 | \$0 | \$200 |
| Other ⁶ | \$31 | \$0 | \$31 |
| Subtotal General Fund Loan: | \$231 | \$0 | \$231 |
| Totals: | \$3,586 | \$1,893 | \$1,694 |

¹The SHA is expected to be repaid \$100 million in 2010-11 and approximately \$32 million in 2011-12 depending on SCO interest calculations.

²The PTA repayment is expected to begin in 2014-15 and be completed in 2016-17.

³The TCRF repayment is expected to begin in 2011-12 and be completed in 2018-19.

⁴The remaining amount due to TCRF under Proposition 42 suspension will be repaid in equal annual installments ending in 2015-16.

⁵The SHA repayment is expected in 2010-11.

⁶Includes the Bicycle Transportation Account, the Local Airport Loan Account, the Motor Vehicle Fuel Account, the Environmental Enhancement and Mitigation Program Fund, the Historic Property Maintenance Fund, and the Pedestrian Safety Account. Repayment is expected in 2010-11.

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 GC Section 63048. **However, there is no specific repayment plan required by statute, and no deadline for repayment of loans.**

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.

The 2009-10 Governor's Budget is once again retaining Tribal Gaming compact revenues in the General Fund. This retention will impact the allocation capacities.

General Fund Loans

The Budget Act of 2008 authorizes a \$230.7 million in loans to the General Fund, which occurred November 14, 2008. The loans to the General Fund shall be repaid by June 30, 2011. These repayments shall be made as to ensure that the programs supported by the SHA are not adversely affected by the loans. These loans shall be repaid with interest calculated at the rate earned by the PMIA at the time of the transfer.

(Note: In future Quarterly Finance Reports, this Appendix will be labeled Appendix D.)