

# Memorandum

**To:** CHAIR AND COMMISSIONERS  
CALIFORNIA TRANSPORTATION COMMISSION

**CTC Meeting:** March 28-29, 2012

**Reference No.:** 3.8  
Information Item

**From:** NORMA ORTEGA  
Chief Financial Officer

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Division Chief  
Budgets

**Subject:** **FY 2011-12 SECOND QUARTER FINANCE REPORT**

Attached is the California Department of Transportation's Fiscal Year 2011-12 Second Quarter Finance Report.

Attachment



# **Department of Transportation Quarterly Finance Report**

## **Second Quarter 2011-12**

Department of Transportation  
Division of Budgets

The purpose of the Quarterly Finance Report is to provide the California Transportation Commission (Commission) with the status of capital allocations versus capacity, and to report any trends or issues that may require action by the 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 Fiscal Year (FY) 2011-12 Quarterly Finance Reports.

<b>California Department of Transportation</b>			
<b>Quarterly Finance Report</b>			
<b>Schedule of Reports</b>			
<b>Fiscal Year</b>	<b>Quarterly Report</b>	<b>Activity</b>	<b>Date</b>
<b>2011-12</b>	<b>2010-11 Q4</b>	<b>Close of Quarter</b>	<b>6/30/11</b>
		<b>Quarterly Report to Commission Staff</b>	<b>8/31/11</b>
		<b>Presented to Commission</b>	<b>9/15/11</b>
	<b>2011-12 Q1</b>	<b>Close of Quarter</b>	<b>9/30/11</b>
		<b>Quarterly Report to Commission Staff</b>	<b>11/15/11</b>
		<b>Presented to Commission</b>	<b>12/7/11</b>
	<b>2011-12 Q2</b>	<b>Close of Quarter</b>	<b>12/31/11</b>
		<b>Quarterly Report to Commission Staff</b>	<b>2/15/12</b>
		<b>Presented to Commission</b>	<b>3/29/12</b>
	<b>2011-12 Q3</b>	<b>Close of Quarter</b>	<b>3/31/12</b>
		<b>Quarterly Report to Commission Staff</b>	<b>5/15/12</b>
		<b>Presented to Commission</b>	<b>6/28/12</b>
<b>2012-13</b>	<b>2011-12 Q4</b>	<b>Close of Quarter</b>	<b>6/30/12</b>
		<b>Quarterly Report to Commission Staff</b>	<b>8/31/12</b>
		<b>Presented to Commission</b>	<b>9/27/12</b>

# Department of Transportation Quarterly Finance Report

*Second Quarter FY 2011-12*

## EXECUTIVE SUMMARY

2011-12 Capital Allocations vs. Capacity Summary through December 31, 2011 (\$ in millions)					
	SHOPP <sup>1</sup>	STIP <sup>1</sup>	TCRP	BONDS	TOTAL
Total Allocation Capacity	\$2,058	\$842	\$84	\$4,497	\$7,480
Total Votes	1,578	311	78	1,746	\$3,713
Authorized Changes <sup>2</sup>	-145	-7	0	N/A	-\$152
<b>Total Remaining Capacity</b>	<b>\$625</b>	<b>\$538</b>	<b>\$6</b>	<b>\$2,750</b>	<b>\$3,919</b>

Note: Totals may differ due to rounding

<sup>1</sup>Proposition 1B bond capacity included in total: \$58M (Prop 1B SHOPP); \$395M (Prop 1B STIP).

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

The Commission allocated \$3.713 billion toward 358 projects through the second quarter of FY 2011-12. This represents 50 percent of the \$7.48 billion total recommended capacity. Authorized changes totaled a negative \$152 million, leaving \$3.919 billion in remaining capacity. The majority of the remaining capacity originates from unallocated bond authority. Although \$4.497 billion was authorized for bond capacity, only \$1.746 billion was allocated toward bond programs through this quarter. Because of the first and second quarter bond sales, the Department continues to recommend allocation of all currently programmed Proposition 1B projects.

The cash balances for the Traffic Congestion Relief Fund (TCRF) and the Transportation Investment Fund (TIF) were within the acceptable range of forecast. The cash balances for all the remaining Departmental funds differed from forecasted amounts (Refer to Appendix B). The State Highway Account (SHA) cash balance was lower than expected for various reasons, including higher than forecasted transfers to the Transportation Debt Service Fund (TDSF) and lower than forecasted revenues. The Public Transportation Account (PTA) cash balance was higher than forecasted due to lower than projected expenditures and reduced payments to the State Transit Assistance (STA) program. The Transportation Deferred Investment Fund (TDIF) cash balance was higher than expected due to the delay in the processing of expenditures during the reporting period.

There were two noteworthy items that occurred recently, including the release of the Governor's Budget and the continued discussion of the Federal Reauthorization bill. Governor Brown delivered his proposed FY 2012-13 budget on January 5, 2012. The proposal included an overall 16% decrease in Departmental funding, most notably reflected in Capital Outlay, but did not include appropriations for Proposition 1B. It contained restructuring highlights, including the newly proposed Transportation Agency comprised of: Department of Transportation, Department of Motor Vehicles, High-Speed Rail Authority, California Highway Patrol, California Transportation Commission, and Board of Pilot Commissioners. Program changes include the transfer of \$938M in weight fee revenues from the SHA to the General Fund (up

from \$866M this year). Any remaining weight fee revenues received each month will be transferred to the SHA to offset expenditures.

There are currently two proposals for a Federal Reauthorization bill being considered by the Congress. The Senate proposal, submitted by Senator Barbara Boxer is entitled “Moving Ahead for Progress in the 21st Century” (MAP-21) and would reauthorize surface transportation programs for two years at current funding levels, plus inflation; however, it does not contain earmarks. In the House, Representative John Mica re-submitted his transportation bill, House Resolution 7 (HR7) entitled “American Energy and Infrastructure Jobs Act”. The House plan consists of \$260 million in funding and leaves FY 2012 appropriated funding levels for Highway Trust Fund programs unchanged. Three House committees plan to mark up the bill by early February.

## STATE HIGHWAY OPERATION AND PROTECTION PROGRAM (SHOPP)

State Highway Operation and Protection Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	\$180	\$175	\$2	\$177	\$3
FTF	1,820	1,393	-144	1,249	574
Prop 1B SHOPP	58	10	0	10	48
<b>Total</b>	<b>\$2,058</b>	<b>\$1,578</b>	<b>-\$142</b>	<b>\$1,436</b>	<b>\$625</b>

Note: Totals may differ due to rounding.

### Capital Allocations vs. Capacity

SHOPP allocations totaled \$1.578 billion toward 145 projects through the second quarter, representing 77 percent of the \$2.058 billion approved capacity. Adjustments totaled a negative \$142 million resulting in \$625 million in remaining capacity.

### Outlook for Funding & Allocations

Transportation resources continue to be impacted by the state's sluggish economy, lower than expected revenues, and legislative changes. Unfortunately, the SHA continues to experience the majority of the impact. AB 105 of 2011 (hereafter, AB 105) extended the repayment date of a \$135 million loan from the SHA to the GF until June 30, 2013. Taking into consideration current commitments from the SHA, the Department still anticipates that the fund will likely reach insolvency levels in FY 2012-13. As presented at the September 2011 CTC meeting, this shortfall may necessitate another loan to the SHA. If procuring a loan is not a viable option, the SHA funding deficiency could result in a delay in contractor payments and the jeopardizing of federal funds due to inadequate matching state funds.

The SHA has not received a portion of the monthly backfill amount from excise taxes related to the weight fee tax swap. The backfill is intended to offset the weight fees borrowed by the General Fund. The State Controller's Office (SCO) delayed this portion of the transfer of revenue because of the current interpretation of the California Vehicle Code that authorizes the transfer. The estimated balance still owed to the SHA is \$215 million. To provide a long-term resolution, the Department of Finance (DOF) submitted Trailer Bill Language (TBL) to clarify the intent of the code, which was included in the Governor's Proposed Budget. Receipt of the \$215 million would serve to bring the SHA back to within forecasted range.

The Federal Reauthorization bill was the subject of intense interest during the second quarter. Senator Barbara Boxer's proposal, MAP-21, would reauthorize surface transportation programs for two years at current funding levels, plus inflation. The bill proposes significant changes, including: an increase in California's allocation from 9.2 percent to 9.6 percent of the total apportionment, the consolidation of Federal programs by approximately 66 percent, and the consolidation of Federal-aid highway programs from seven to five. The bill does not contain earmarks, which would reduce the apportionments that would otherwise go to the states. House Representative John Mica also re-submitted his reformed transportation bill. The House bill has not been fully analyzed; however, preliminary information shows the bill consists of \$260 million in funding and leaves FY 2012 appropriated funding levels for Highway Trust Fund programs unchanged. In addition, the bill will delegate more authority to states, establish hard

deadlines for federal agencies to make decisions, and reduce the amount of federal guidelines currently involved in getting projects built. Both the Senate and the House of Representatives are eager to move a transportation bill forward, because the current Federal Transportation Reauthorization Act ends on March 31, 2012.

### ***Recommendations***

The Department will continue to closely monitor the fund balance of the SHA and will communicate any changes to the Commission.

## STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)

State Transportation Improvement Program (\$ in millions)					
Fund	Allocation Capacity	Allocations to Date	Adjustments	Net Allocations	Remaining Capacity
SHA	\$200	\$130	\$0	\$130	\$70
FTF	200	95	-11	85	115
PTA	47	39	0	39	8
Prop 1B STIP	395	46	4	50	345
<b>Total</b>	<b>\$842</b>	<b>\$311</b>	<b>-\$7</b>	<b>\$304</b>	<b>\$538</b>

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

### Capital Allocations vs. Capacity

Of the \$842 million STIP capacity, a total of 102 projects and \$304 million were allocated through the second quarter of FY 2011-12, including adjustments totaling negative \$7 million in award savings. The bulk of the remaining capacity is bond resources.

### Outlook for Funding & Allocations

**State Highway Account (SHA).** Although there are no immediate concerns regarding STIP funding from the SHA, the Department projects that the fund will continue to have long-term challenges. The repayment date for the \$135 million loan issued to the GF on June 30, 2010 was extended to June 30, 2013. In addition, the SHA revenues are lower than projected due to the discrepancy with the SCO regarding the interpretation of VC §9400.4. Should the SHA continue to experience funding shortfalls, the Department anticipates having to request a loan to stay solvent.

**Federal Trust Fund (FTF).** The current extension of the Federal Transportation Reauthorization Act ends on March 31, 2012. Although the Department anticipates that the funding will be extended again, there are two active reauthorization proposals that may be enacted before the end of the current deadline.

**Public Transportation Account (PTA).** As noted in the first quarter, effective July 1, 2011, sales of all diesel fuel are subject to an additional sales tax of 1.87 percent, which is transferred quarterly to the PTA. However, pursuant to AB 105, approximately 75 percent of sales tax revenues on diesel fuel are now redirected to the STA. As a result, the PTA only retains about 25 percent of the total revenues. Based on current revenue projections, we anticipate the PTA being unable to support any allocation capacity in future years. Lastly, the passage of AB 115 of 2011 (hereafter, AB 115) postponed the repayment of a \$29 million loan from the GF until June 30, 2021.

**Transportation Facilities Account (TFA).** The first and second quarter bond sales have been sufficient to fund recommended capacity. The October 2011 bond sale raised \$372 million in bond proceeds for new and ongoing Proposition 1B projects.

**Transportation Investment Fund (TIF).** The Department projects TIF resources will be sufficient to fund its obligations through FY 2011-12. At the request of the DOF, proposed Trailer Bill Language was submitted to roll all remaining TIF obligations to the SHA. However, the Department was notified that the DOF will not proceed with the Trailer Bill Language at this time.

### **Recommendations**

The Department will continue to monitor potential impacts, and if necessary, recommend a change to the FY 2011-12 capacity. No additional capacity has been identified in the second quarter from the SHA cash forecast.

## **TRAFFIC CONGESTION RELIEF PROGRAM (TCRP)**

<b>Traffic Congestion Relief Program</b>					
<b>(\$ in millions)</b>					
<b>Fund</b>	<b>Allocation Capacity</b>	<b>Allocations to Date</b>	<b>Adjustments</b>	<b>Net Allocations</b>	<b>Remaining Capacity</b>
<b>TCRF</b>	\$84	\$78	\$0	\$78	\$6
<b>Total</b>	<b>\$84</b>	<b>\$78</b>	<b>\$0</b>	<b>\$78</b>	<b>\$6</b>

Note: Totals may differ due to rounding.

### **Capital Allocations vs. Capacity**

There was approximately \$78 million allocated from the TCRP through the second quarter, which represents roughly 93% of the allocation capacity. There were four projects allocated through the second quarter.

### **Outlook for Funding & Allocations**

Approximately \$814 million in loan repayments are still outstanding from the GF (See Appendix D). TCRP receives \$83 million per year for repayment of \$332 million in outstanding Proposition 42 loans. The FY 2011-12 Governor's Budget indicated that Tribal Gaming repayments (Pre-Proposition 42) would start no earlier than FY 2016-17; however, the Pre-Proposition 42 loans have no statutory repayment schedule.

### **Recommendations**

The Department will continue to monitor for potential impacts, and if necessary, recommend changes.

## PROPOSITION 1A & 1B BONDS

<b>Proposition 1B Bonds</b> (\$ in millions)			
<b>Fund</b>	<b>Allocation Capacity</b>	<b>Allocations to Date</b>	<b>Remaining Capacity</b>
<b>Proposition 1A</b>	\$51	\$51	\$0
<b>CMIA</b>	1,697	772	925
<b>TCIF</b>	1,391	532	859
<b>Intercity Rail</b>	240	67	172
<b>State-Local Partnership</b>	200	100	100
<b>Local Bridge Seismic</b>	19	5	14
<b>Grade Separations</b>	214	10	204
<b>Traffic Light Synch.</b>	110	35	75
<b>Route 99</b>	574	173	401
<b>Total</b>	<b>\$4,497</b>	<b>\$1,746</b>	<b>\$2,750</b>

Note: Totals may differ due to rounding.

### **Capital Allocations vs. Capacity**

As noted in the first quarter, the STO conducted a general obligation bond sale that resulted in \$1.1 billion in refunding bond proceeds being used to refinance debt incurred through prior bond sales for Propositions 108, 116, and 192. The refinancing is expected to save the state significant General Fund debt service costs relative to those prior bond issuances. In the aftermath of the refinancing, \$61 million from the bond sale was provided to the Department as upfront proceeds for Proposition 1B projects. The STO conducted another general obligation bond sale in October 2011 and used some of the bond proceeds to re-market and refund the Los Angeles County Metropolitan Transportation Authority (LACMTA) and San Bernardino Associated Governments (SANBAG) private placement bond debt. Subsequent to that refunding, \$372 million in upfront proceeds was made available to the Department, bringing the total available from the two bond sales for new and on-going Proposition 1B projects to \$433 million. Of that amount, \$202 million has been directed to Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA) local transit projects, while the remainder is available for new and ongoing projects. The October bond sale also yielded \$21.3 million for six Proposition 116 projects.

### **Outlook for Funding & Allocations**

Although the STO bond calendar indicates that there are no scheduled general obligation bond sales, the Department expects a spring bond sale.

### **Recommendations**

The priority for the use of bond proceeds has been to fund ongoing projects before funding any new allocations. Due to the success of the first and second quarter bond sales, the Department continues to recommend allocation of all bond projects as they come forward for vote through June 2012.

**APPENDICES**

**Appendix A ..... Allocation Capacity and Assumptions**

**Appendix B .....Cash Forecasts**

- 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 .....Transportation Loans**

## APPENDIX A – ALLOCATION CAPACITY AND ASSUMPTIONS

2011-12 Allocation Capacity By Fund and Program (\$ in millions)					
Fund	SHOPP	STIP	TCRP	Other Bonds	Total
SHA	\$180	\$200	\$0	\$0	\$380
FTF	1,820	200	0	0	2,020
PTA	0	47	0	0	47
TCRF	0	0	84	0	84
<i>Prop 1A Bonds</i> <sup>1</sup>	0	0	0	51	51
<i>Prop 1B Bonds</i> <sup>1</sup>	58	395	0	4,446	4,898
<b>Total Capacity</b>	<b>\$2,058</b>	<b>\$842</b>	<b>\$84</b>	<b>\$4,497</b>	<b>\$7,480</b>

<sup>1</sup>Bond capacity represents total budget authority and is subject to sales in FY 2011-12.

The FY 2011-12 allocation capacity of \$7.480 billion includes Proposition 1A and Proposition 1B capacity.

This allocation capacity is based on:

- For SHOPP, FY 2011-12 Budget Act revenue and expenditure estimates, and 2012 STIP Fund Estimate federal receipts.
- The PTA allocation capacity of \$47 million is based on a prudent cash balance of \$100 million and includes unused rolled over capacity from FY 2010-11.
- The annual TCRF allocation capacity is based on a dollar-for-dollar ratio of actual revenues received for current year expenditures. The allocation capacity and specific project funding was established by the Commission, in consultation with the Department and local agencies.
- SHOPP and STIP bond capacity is based on the remaining bond authority, budget authority, and any administrative costs. Other Proposition 1B bond capacity is based on budget authority for those funds and is dependent on the sale of sufficient bonds for funding.
- Proposed Proposition 1A capacity is based on the enacted budget and includes FY 2010-11 savings.

## APPENDIX B – FORECAST METHODOLOGY

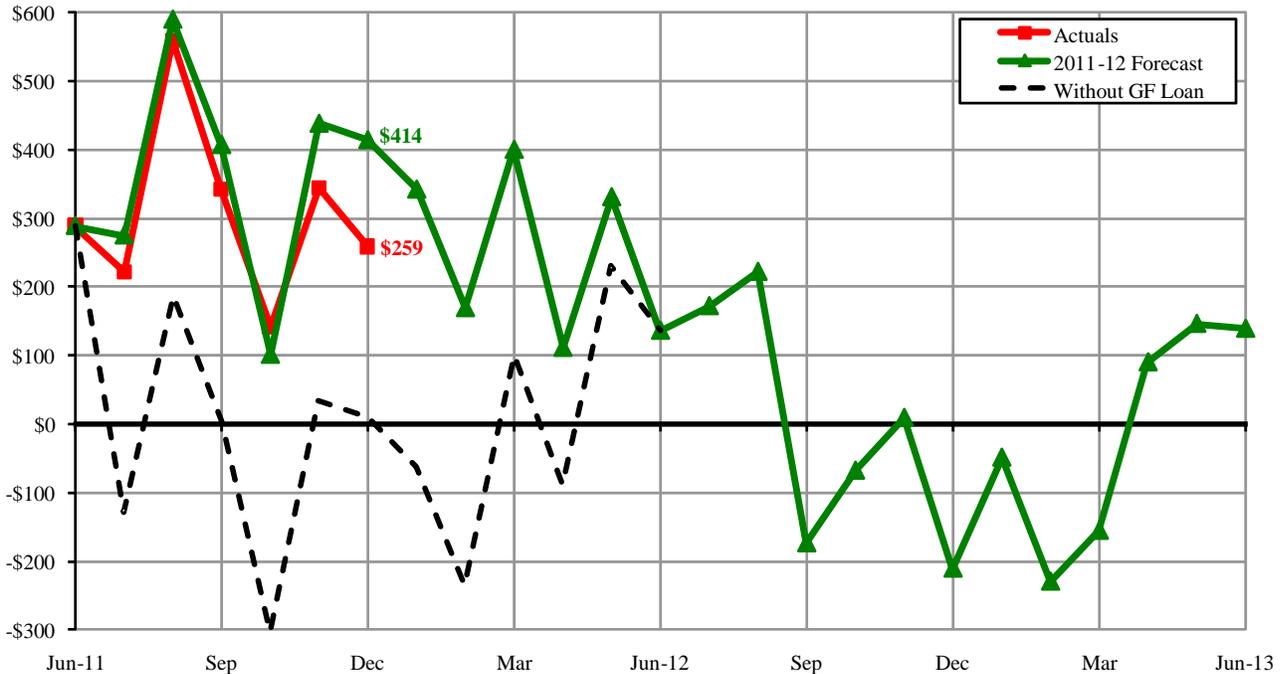
### Methodology and Assumptions

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 FY 2011-12 cash forecasts and allocation capacities are based on the following assumptions:

- Expenditures for state operations and capital outlay support are based on the FY 2011-12 Budget Act.
- Capital outlay and local assistance expenditures are based on actual and projected Commission allocations using historical and seasonal construction patterns.
- Monthly adjustments are not forecasted, since they comprise timing differences between the Department's accounting system and the SCO. These adjustments include short-term loans made to the GF, short-term loan repayments, Plans of Financial Adjustments, funds transferred in and out, and reimbursements.
- A \$135 million loan from the SHA to the GF authorized in the FY 2009-10 Budget was included in the FY 2010-11 SHA forecast. Also included, is the assumption that the repayment of the \$200 million loan from the SHA to the GF in the FY 2008-09, and the subsequent intra-fund loan from the TCRF to the SHA for \$200 million will both be delayed until June 2012.
- Federal receipts of approximately \$3.0 billion are based on the 2010 STIP Fund Estimate.

## APPENDIX B – STATE HIGHWAY ACCOUNT

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



### Year-to-Date SHA Summary

The SHA ended the second quarter with a cash balance of \$259 million, \$155 million (37 percent) below forecast. Revenue and transfers year-to-date were \$1.7 billion, \$186 million below forecast. Expenditures through the second quarter totaled \$1.7 billion, \$128 million below forecast. The difference was largely due to the lower than forecasted expenditures for Non-Departmental transfers and Capital Outlay expenditures. Adjustments, which represent timing differences between the Department's accounting system and the SCO's accounting system, totaled a negative \$98 million.

The October HUTA payment was not received until November, which resulted in a low cash balance for the month as forecast. The receipt of a double HUTA payment in November returned the balance to a more acceptable level. The December low cash balance is largely due from the higher than expected transfers. The transfer to the TDSF for the quarter was \$228 million, \$53 million higher than forecasted. There were minor technical changes to the August and September actuals.

The Department has had numerous discussions with the SCO regarding the withholding of the weight fee offset. The SCO submitted a request for a legal opinion on the interpretation of Vehicle Code §9400.4 in October 2011. The legal opinion has not yet been released. To alleviate long-term concerns, the DOF submitted Trailer Bill Language to ensure that the Department would receive the offset. Currently, the Department has not received \$215 million of its revenues expected by the weight fee offset. Until this issue is rectified, the SHA will continue to receive less revenue than projected. The Department continues to focus on resolving this problem.

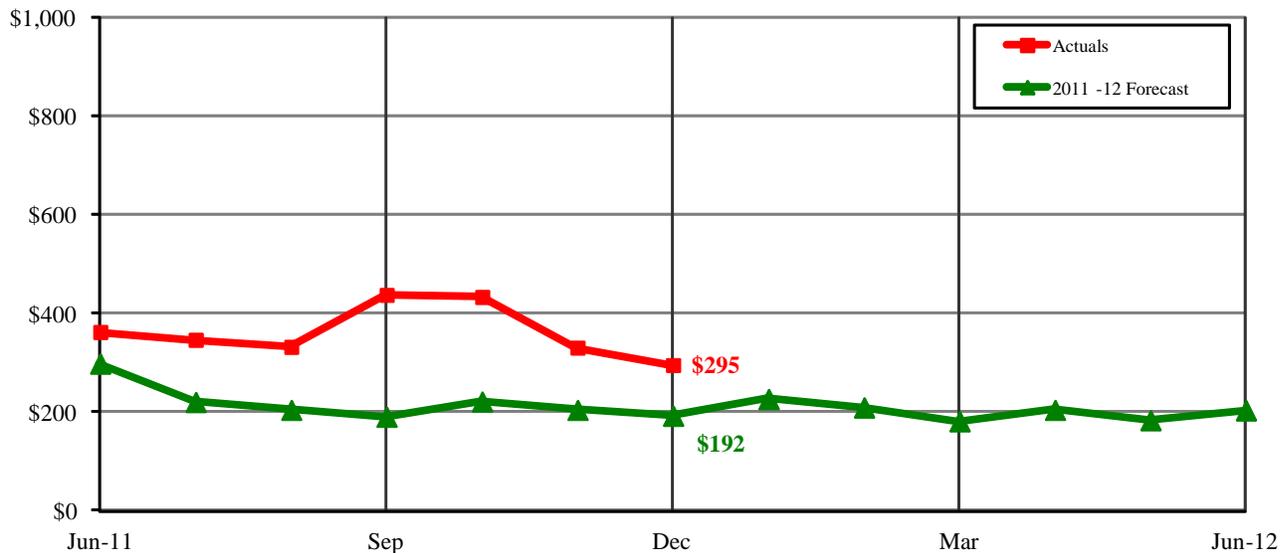
**Year-to-Date Reconciliation**

(\$ in millions)				
	Forecast	Actual	Difference	%
<b>Beginning Cash Balance</b>	<b>\$289</b>	<b>\$289</b>	N/A	
Revenues	2,296	2,199	-97	
Transfers	-320	-408	-88	
Expenditures	-1,851	-1,723	128	
Adjustments		-98	-98	
<b>Ending Cash Balance</b>	<b>\$414</b>	<b>\$259</b>	<b>-\$155</b>	<b>-37%</b>

Note: Ending cash balance may differ due to rounding.

**APPENDIX B – PUBLIC TRANSPORTATION ACCOUNT**

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



**Year-to-Date PTA Summary**

The PTA ending cash balance for the second quarter was \$295 million; \$103 million (54 percent) above forecast. Expenditures totaled \$86 million, \$11 million (12 percent) lower than forecast. The high balance is due to lower than forecasted expenditures across the board, including State Transit Assistance (STA) payments. Total year-to-date adjustments were a positive \$99 million.

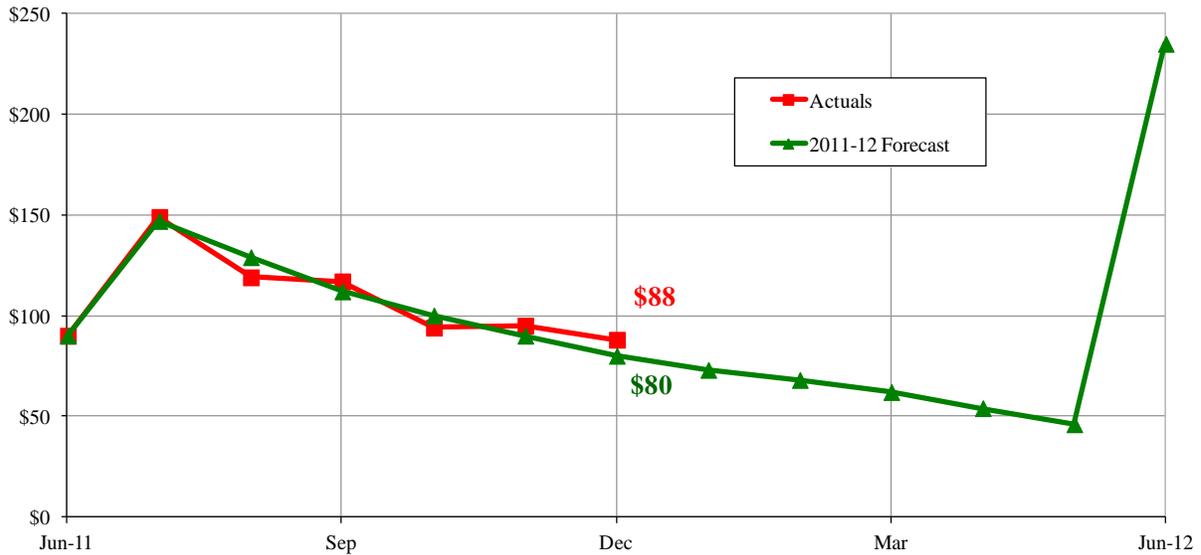
**Year-to-Date Reconciliation**

	(\$ in millions)			
	Forecast	Actual	Difference	%
<b>Beginning Cash Balance</b>	<b>\$362</b>	<b>\$362</b>	<b>N/A</b>	
Revenues	137	123	-14	
Transfers	6	13	6	
Expenditures	-97	-86	11	
Adjustments	-215	-116	99	
<b>Ending Cash Balance</b>	<b>\$192</b>	<b>\$295</b>	<b>\$103</b>	<b>54%</b>

Note: Ending cash balance may differ due to rounding.

**APPENDIX B – TRAFFIC CONGESTION RELIEF FUND**

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



**Year-to-Date TCRF Summary**

The TCRF ending cash balance for the second quarter was \$88 million, \$8 million (10 percent) above the forecasted amount of \$80 million. Year-to-date fund transfers totaled \$85 million, which included the FY 2011-12 suspended Proposition 42 transfer from the TDIF. Expenditures totaled \$169 million, \$75 million (80 percent) higher than forecasted. This difference was primarily attributed to the processing of accrued expenditures from the previous year, which were applied to the TCRF in the first quarter. Adjustments were positive \$82 million through the second quarter. The FY 2011-12 year-end forecast includes the \$200 million repayment from the SHA, which was borrowed in FY 2008-09 to back-fill a GF fund loan from the SHA. Payment is scheduled for June 2012, commensurate with the repayment of the GF loan to the SHA.

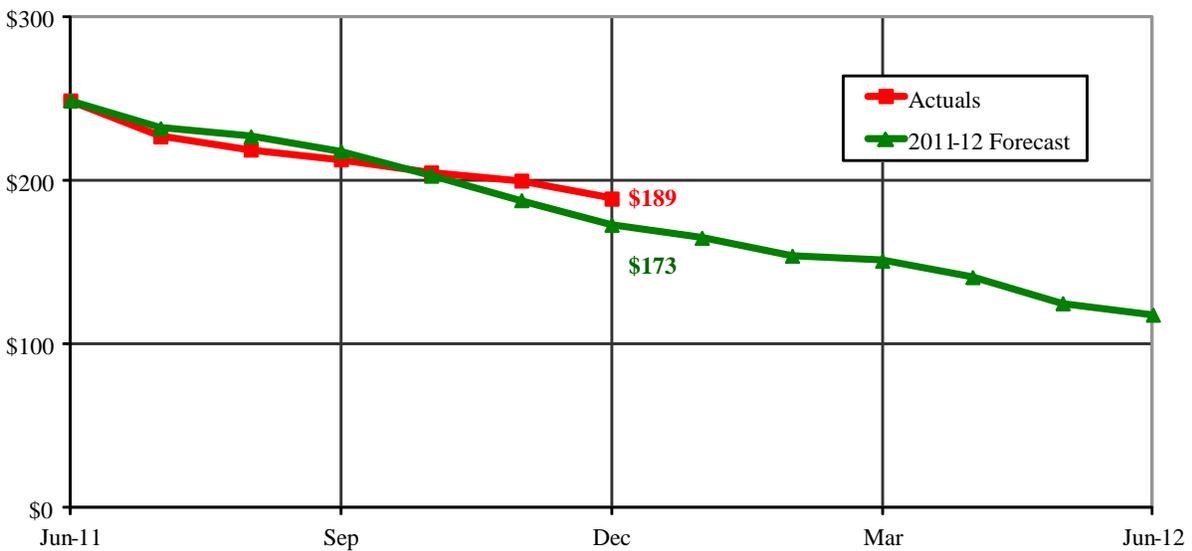
**Year-to-Date Reconciliation**

(\$ in millions)				
	Forecast	Actual	Difference	%
<b>Beginning Cash Balance</b>	<b>\$90</b>	<b>\$90</b>	<b>N/A</b>	
Revenues	0	0	0	0
Transfers	83	85	2	2
Expenditures	-94	-169	-75	-75
Adjustments		82	82	82
<b>Ending Cash Balance</b>	<b>\$80</b>	<b>\$88</b>	<b>\$8</b>	<b>10%</b>

Note: Ending cash balance may differ due to rounding.

**APPENDIX B – TRANSPORTATION INVESTMENT FUND**

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



**Year-to-Date TIF Summary**

The TIF ending cash balance for the second quarter was \$189 million, \$16 million (9 percent) above the forecasted amount of \$173 million. The TIF no longer receives revenue, due to the passage of ABX8 6 and ABX8 9, collectively known as the Fuel Tax Swap. No transfers were made through the second quarter. Expenditures totaled \$57 million, \$20 million (26 percent) below forecast. Year-to-date adjustments were a negative \$5 million.

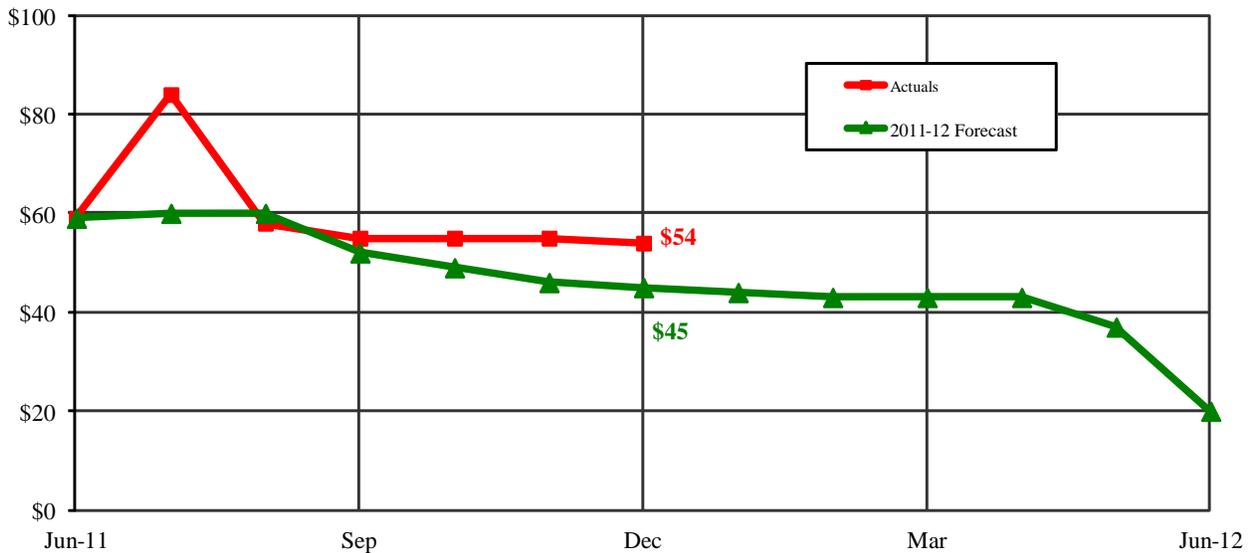
**Year-to-Date Reconciliation**

(\$ in millions)				
	Forecast	Actual	Difference	%
<b>Beginning Cash Balance</b>	<b>\$250</b>	<b>\$250</b>	<b>N/A</b>	
Revenues	0	0	0	
Transfers	0	0	0	
Expenditures	-77	-57	20	
Adjustments		-5	-5	
<b>Ending Cash Balance</b>	<b>\$173</b>	<b>\$189</b>	<b>\$16</b>	<b>9%</b>

Note: Ending cash balance may differ due to rounding.

**APPENDIX B – TRANSPORTATION DEFERRED INVESTMENT FUND**

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



**Year-to-Date TDIF Summary**

The TDIF ending cash balance for the second quarter was \$54 million, \$9 million (20 percent) above the forecasted amount of \$45 million. Year-to-date transfers were \$83 million, which was attributed to the FY 2011-12 suspended Proposition 42 transfer to the TCRF in the first quarter. No expenditures were processed in the first and second quarters. Year-to-date adjustments totaled negative \$5 million. No future allocations will be made from the TDIF. It is anticipated that all FY 2011-12 expenditures will be processed at the end of the fourth quarter.

**Year-to-Date Reconciliation**

	(\$ in millions)			
	Forecast	Actual	Difference	%
<b>Beginning Cash Balance</b>	<b>\$59</b>	<b>\$59</b>	<b>N/A</b>	
Revenues	83	83	0	
Transfers	-83	-83	0	
Expenditures	-14	0	14	
Adjustments		-5	-5	
<b>Ending Cash Balance</b>	<b>\$45</b>	<b>\$54</b>	<b>\$9</b>	<b>20%</b>

Note: Ending cash balance may differ due to rounding.

## APPENDIX C – FEDERAL EMERGENCY PROJECTS

The Federal Highway Administration (FHWA) declared the December 14, 2011 tanker fire in Los Angeles County a federal disaster, which destroyed the Paramount Boulevard overcrossing structure on State Route 60. During the reporting period, the Department received two Emergency Relief distributions in the amount of \$43.4 million on November 29, 2011 and \$2.0 million on December 22, 2011, for a total allocation of \$45.4 million. The chart below represents disasters that have not been completely funded by FHWA.

<b>Disaster Repair Costs Approved Federal Funding and State/Local Impact (\$ millions)</b>			
<b>Disaster</b>	<b>Identified Cost of Disaster Repair</b>		
	<b>State</b>	<b>Local</b>	<b>Total</b>
Devil's Slide CA83-1	631	0	631
Dec. 2004 Storm CA05-1	212	102	314
Dec. 2005 Storm CA06-1	328	57	385
So. California Wildfires CA08-3	26	8	34
California Wildfires CA08-6	9	0	9
So. California Wildfires CA09-1	9	0	9
So. California Wildfires CA09-2	12	7	19
Jan. 2010 Storm CA10-1	72	4	76
Humboldt Co. Earthquake CA10-2	1	2	3
Imperial Co. Earthquake CA10-3	1	7	8
Dec. 2010 Storm CA11-1	56	52	108
Modoc Co. Storm damage CA11-2	0	1	1
Mar. 2011 Storm CA11-3	308	15	323
LA Tanker Fire CA12-1	39	0	39
<b>Total Damage Estimate</b>	<b>\$1,704</b>	<b>\$255</b>	<b>\$1,959</b>
<b>Amount Obligated To Date</b>			<b>\$1,036</b>
<b>Allocation Available for Future Project Costs</b>			<b>\$22</b>
<b>Remaining Need</b>			<b>\$901</b>
<b>State Expenditures</b>			<b>\$1,049</b>

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 the SHA funds have already been advanced for emergency projects.

## APPENDIX D – TRANSPORTATION LOANS

<b>Status of Outstanding Transportation Loans, as of December 31, 2011</b>			
<b>(\$ in millions)</b>			
<b>FUND</b>	<b>Original Loan</b>	<b>Loans / Interest Paid-to-Date</b>	<b>Remaining Balance</b>
<b>Pre-Proposition 42 (Tribal Gaming Revenue):</b>			
State Highway Account (SHA) <sup>1</sup>	\$473	\$341	\$132
Public Transportation Account (PTA)	275	10	265
Traffic Congestion Relief Fund (TCRF)	482	0	482
<b>Subtotal Pre-Proposition 42 Tribal Gaming Loans:</b>	<b>\$1,230</b>	<b>\$351</b>	<b>\$879</b>
<b>Proposition 42:</b>			
Public Transportation Account (PTA)	\$220	\$218	\$2
Transportation Investment Fund (TIF)	440	440	0
Transportation Congestion Relief Fund (TCRF) <sup>2</sup>	1,066	733	332
Locals	440	440	0
<b>Subtotal Proposition 42 Loans:</b>	<b>\$2,167</b>	<b>\$1,832</b>	<b>\$334</b>
<b>General Fund Loan:</b>			
State Highway Account (SHA) <sup>3</sup>	\$335	\$0	\$335
State Highway Account - Weight Fee Revenues <sup>3</sup>	227	0	227
Highway User Tax Account (HUTA) <sup>4</sup>	328	0	328
Public Transportation Account <sup>5</sup>	29	0	29
Other transportation accounts	31	0	31
<b>Subtotal General Fund Loan:</b>	<b>\$950</b>	<b>\$0</b>	<b>\$950</b>
<b>Totals:</b>	<b>\$4,346</b>	<b>\$2,183</b>	<b>\$2,163</b>

Note: Numbers may differ due to rounding.

<sup>1</sup>The remaining balance of \$132 million will be directed to debt service per AB 115 of 2010.

<sup>2</sup>The remaining amount due to TCRF under Proposition 42 suspension will be repaid in equal annual installments ending in FY 2015-16.

<sup>3</sup>The SHA is expected to be repaid \$200 million in FY 2011-12, \$135 million in FY 2012-13, and \$227 million in FY 2020-21.

<sup>4</sup>The HUTA is expected to be repaid \$328 million in 2020-21.

<sup>5</sup>The PTA is expected to be repaid \$29 million in 2020-21.

### Pre-Proposition 42 Loans (Tribal Gaming)

The Pre-Proposition 42 loans occurred in FY 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, 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 FY 2003-04), a TCRF loan to the GF, and loans from the SHA and PTA to the TCRF.

In FY 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 FY 2005-06, the Director of Finance began using the compact revenues to make annual payments toward these loan balances

pursuant to Government Code §63048.65. However, the FY 2011-12 Governor's Budget indicated that Tribal Gaming repayments would restart no earlier than FY 2016-17, with the SHA as the first fund to be repaid. Passage of AB 115 declared that the SHA repayments are revenues derived from weight fees. As such, repayment of the loan to the SHA will be transferred to the TDSF by the State Controller.

### **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 FY 2003-04 and completely suspended in FY 2004-05, creating the Proposition 42 loan balances. These loans were partially repaid in FY 2006-07 with a payment of \$1.415 billion, leaving approximately \$752 million due to the TCRF. Outstanding Proposition 42 loans, as of July 1, 2007, shall be repaid in annual installments not less than one-tenth of the total amount required to be transferred by June 30, 2016. With the re-enactment of the Fuel Tax Swap in March 2011 (AB 105), which eliminated the state portion of sales tax on gasoline, there are no current Proposition 42 transfers.

### **General Fund Loans**

The Budget Act of 2008 authorized \$231 million in loans to the GF from the SHA, the Bicycle Transportation Account, the Local Airport Loan Account, the Motor Vehicle Fuel Account, the Environmental Enhancement and Mitigation Program, the Historic Property Maintenance Fund, and the Pedestrian Safety Account. These funds were transferred to the GF on November 14, 2008. The authorized \$231 million in loans were scheduled to be repaid by June 30, 2011, but the Budget Act of 2010 delayed the repayments by one year. The SHA repayment of \$200 million and the repayment of \$23 million to the majority of other transportation accounts are expected in 2011-12. The Local Airport Loan Account repayment of \$7.5 million has been extended to a date no earlier than FY 2015-16.

A \$135 million loan from the SHA to the GF was authorized in the FY 2009-10 Budget. The loan to the GF occurred on June 30, 2010. This loan is required to be repaid, with interest calculated at the rate earned by the PMIA, by June 30, 2013.

The FY 2010-11 Budget authorized a \$227 million loan from the SHA to the GF, and a \$29 million loan from the PTA to the GF. Passage of AB 115 declared that the SHA repayments are revenues derived from weight fees. As such, repayment of the loan to the SHA will be transferred to the TDSF by the State Controller. In addition, a loan of \$328 million was transferred to the GF from the HUTA. These loans are required to be repaid, with interest calculated at the rate earned by the PMIA, by June 30, 2021.

AB 115 authorized the postponement for repayment of \$555 million in loans from the GF to transportation funds until June 30, 2021. Upon repayment of the \$555 million in loans, the Controller will immediately transfer these funds to the TDSF.

### Interfund Transportation Loans

<b>Fiscal Year Borrowed</b>	<b>From Account</b>	<b>To Account</b>	<b>Description</b>	<b>Amount</b>	<b>Repaid</b>	<b>Remaining Balance</b>
<b>2008-09</b>	TCRF	SHA	Backfill SHA transfer to the GF	\$200	\$0	\$200
<b>2009-10</b>	PTA	SHA	Backfill SHA transfer to the GF	135	0	135
<b>Totals</b>				<b>\$335</b>	<b>\$0</b>	<b>\$335</b>

A loan of \$200 million was transferred in FY 2008-09 to the SHA from the TCRF to backfill the \$200 million loan to the GF. A loan of \$135 million was transferred in FY 2009-10 to the SHA from the PTA to backfill the \$135 million loan to the GF. To date, these loans have not been repaid. The \$200 million loan to the TCRF is scheduled to be repaid in June 2012, and the \$135 million loan repayment has been extended to June 2013.