Memorandum

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: March 5, 2013

Reference No.: 4.11
Information Item

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Subject: **DISCUSSION OF THE DRAFT 2014 STIP FUND ESTIMATE ASSUMPTIONS**

RECOMMENDATION:

The Department of Transportation (Department) requests the California Transportation Commission (Commission) to review and comment on the "2014 State Transportation Improvement Program (STIP) Fund Estimate Draft Assumptions."

ISSUE:

The Department will present the "2014 STIP Fund Estimate Draft Assumptions" to the Commission for review and comment as this document will have a significant impact on the development of the 2014 STIP Fund Estimate. The report contains three sections including: Options, Significant Issues, and Assumptions. The purpose of sections one and two is to solicit discussion and obtain the Commission's feedback on various areas that influence the 2014 Fund Estimate as required by statute. The purpose of section three is to list all the various draft assumptions that are not considered key assumptions, but still impact the 2014 Fund Estimate.

The Department will work with Commission staff to review all the assumptions contained in the report and make any necessary updates or changes prior to the approval of the 2014 STIP Fund Estimate Assumptions and the 2014 Aeronautics Account Fund Estimate Assumptions, which is currently scheduled for the May 7, 2013, Commission meeting.

BACKGROUND:

Section 14524(d) of the Government Code requires the Commission, in consultation with the Department, to determine the methodology and assumptions of the STIP Fund Estimate. Once the Commission approves the methodology and assumptions, the Department will use these guidelines in determining available program capacity for the STIP and the State Highway Operation and Protection Program (SHOPP) over the next five years.

Attachments:
2014 STIP Fund Estimate Draft Assumptions

2014 STIP FUND ESTIMATE DRAFT ASSUMPTIONS

PREPARED BY
THE DEPARTMENT OF TRANSPORTATION
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INTRODUCTION

This report contains key assumptions and methodologies to be presented during the California Transportation Commission (Commission) meeting on March 5, 2013, and contains three separate sections: Options, Significant Issues, and Assumptions. The purpose of sections one and two is to solicit discussion and obtain the Commission's feedback on various areas that influence the 2014 Fund Estimate (FE) as required by statute. The purpose of section three is to list all the various draft assumptions that are not considered key assumptions but still impact the 2014 FE.

Section one contains key assumptions and will include multiple alternatives with one recommendation from the Department. In this section, the Department is seeking guidance from the Commission on the preferred assumption for each topic discussed. The Commission may select the Department recommended option, another listed alternative, elect to recommend an option not included in this document, or suggest a combination of such options.

Section two contains key assumptions known as "significant issues" and will provide a background regarding an assumption that the Department is required to include in order to be in compliance with Section 14524(c) of the Government Code (GC). This code requires the Department to assume there will be no changes in existing state and federal statutes for display in the 2014 FE. The Department has no control over these assumptions, which will have inherent risks that may impact available funding and capacity as a result of complying with state and federal statute.

Section three contains all the draft assumptions being included in the 2014 FE, including placeholders for assumptions derived in sections one and two of this report.

Between now and August 6, 2013, presentation date for the adoption of the 2014 FE, the 2013-14 Budget Act, trailer bills, and/or initiatives may be enacted that will affect these assumptions (see the estimated timeline below). The Department will update these assumptions as required by statute. Once the methodology and assumptions are approved, the Department will use these assumptions in determining the available program capacity for the State Transportation Improvement Program (STIP) and the State Highway Operation and Protection Program (SHOPP) over the next five years.

Date	Objective
March 5	Draft FE Assumptions presented to Commission.
May 7	FE Assumptions approved by Commission.
June 11	Draft of FE presented to Commission.
August 6	Final FE presented to Commission for adoption.

SECTION ONE: OPTIONS

ECONOMIC RECOVERY AND IMPACT ON REVENUES

Option: What should the 2014 FE display as an assumption for the economic recovery in California and its impact on excise tax on fuel and weight fee revenues?

Background: Many of the revenues forecasted in the FE fluctuate with the status of the California economy. During the economic growth associated with 2003 through 2006, California recognized slight increases in gasoline and diesel consumption (despite improved fleet fuel economy) and record rises in weight fee revenues. However, during the housing market crisis from 2007 through present, there have been moderate decreases in both fuel consumption and weight fees collected.

The economy of California has been in a downturn for the past six years. Predicting when the economy will level-off or recover to pre-2007 levels is nearly impossible. Historically, there will be a point when the economy rebounds, but the timing of the recovery may not occur over the FE period. Specifically, two benchmarks that indicate an economy is recovering are employment will decrease below 10 percent and the housing market will make steady gains in pricing and building activity.

The UCLA Anderson Forecast is one of the most widely watched and often-cited economic outlooks for California. The December 2012 forecast is for continued slow, steady gains in employment over the next two years, with growth expected to increase 1.3 percent in 2013 and 2.4 percent in 2014. Similarly, the unemployment rate is expected to fall through 2013, averaging approximately 9.7 percent, and dropping to 8.4 percent in 2014. Real personal income growth is forecast to be 1.8 percent in 2013 followed by 3.1 percent in 2014.

In November 2012, a similar economic analysis for California was released by the Legislative Analyst Office (LAO). According to the LAO economic forecast, employment will increase by 2.3 percent in 2013 and the unemployment rate will linger around 9.6 percent. Jobs are often a good indicator of transportation revenues as fuel consumption and weight fees would increase from more people commuting to work and a greater need for interstate shipping. Furthermore, the LAO forecast estimates that California's housing recovery hit bottom in 2009 and California is in its third year of housing recovery.

Alternative A: Assume a "no-growth" scenario. This would result in no change to consumption levels of gasoline and diesel, and no change in weight fee revenues from 2011-12 through 2018-19. Both the excise rate on diesel and the increase to excise tax on gasoline from the fuel tax swap will create slight year-to-year fluctuations based on nominal rate changes. See the table titled "No Growth" on the next page.

Alternative B: Assume the economy will immediately recover and consumption of gasoline and diesel will increase by about 1.3 percent and 4.4 percent, respectively, as estimated in the 2013-14 Governor's Budget from 2012-13 to 2013-14. Assume weight fee revenues will increase each year by their 10-year growth rate of 2.3 percent from 2011-12 through 2016-17. See the table titled "Immediate Recovery" on the next page.

Alternative C (Recommended Alternative): Assume a blended approach. Assume that the annual vehicle miles traveled will increase over the FE period, taking into account the new Corporate Average Fuel Economy standards, their corresponding penetration rate into the market, and their impact on fuel consumption. Specifically, this would result in an initial increase of approximately 2 percent for total consumption from 2013-14 to 2014-15, but the rate of increase slows in 2015-16 due to the CAFE standards phasing in. Assume weight fee revenues will grow at the rate given in the 2013-14 Governor's Budget, prepared by the Department of Finance (DOF). See table titled "VMT & CAFE Standards" below.

ALTERNATIVE A (NO GROWTH)

Revenues	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	5 Year Total
State Base Excise Taxes on Fuel (Non-STIP)	1,763	1,763	1,763	1,763	1,763	1,763	8,816
Increase to Excise Tax on Gas (Non-STIP)	1,130	1,130	1,130	1,130	1,130	1,130	5,648
Weight Fees	943	943	943	943	943	943	4,715
Subtotal: Non-STIP	**3,836**	**3,836**	**3,836**	**3,836**	**3,836**	**3,836**	**19,179**
Increase to Excise Tax on Gas (STIP)	**685**	**685**	**685**	**685**	**685**	**685**	**3,423**

ALTERNATIVE B (IMMEDIATE RECOVERY)

Revenues	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	5 Year Total
State Base Excise Taxes on Fuel (Non-STIP)	1,822	1,851	1,882	1,913	1,945	1,978	9,569
Increase to Excise Tax on Gas (Non-STIP)	1,215	1,235	1,253	1,284	1,315	1,341	6,428
Weight Fees	986	1,009	1,031	1,055	1,079	1,103	5,276
Subtotal: Non-STIP	**4,022**	**4,095**	**4,167**	**4,252**	**4,339**	**4,422**	**21,274**
Increase to Excise Tax on Gas (STIP)	**837**	**832**	**813**	**839**	**866**	**873**	**4,224**

ALTERNATIVE C (VMT & CAFE STANDARDS)

Revenues	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	5 Year Total
State Base Excise Taxes on Fuel (Non-STIP)	1,678	1,714	1,750	1,784	1,817	1,851	8,917
Increase to Excise Tax on Gas (Non-STIP)	1,130	1,155	1,180	1,206	1,231	1,256	6,029
Weight Fees	946	967	988	1,011	1,032	1,054	5,052
Subtotal: Non-STIP	**3,754**	**3,837**	**3,918**	**4,002**	**4,080**	**4,161**	**19,997**
Increase to Excise Tax on Gas (STIP)	**676**	**690**	**704**	**717**	**729**	**741**	**3,581**

FEDERAL REVENUES

Option: How much Obligation Authority (OA) should the FE display over the 2014 FE period (2014-15 through 2018-19)?

Background: Since 2003-04, Federal revenues have represented the majority of total resources available for the SHOPP. These revenues are transferred from the Federal Highway Trust Fund (FHTF), which is primarily funded from the federal excise tax on gasoline of 18.4 cents/gallon and 24.4 cents/gallon on diesel.

The state receives apportionments that are ultimately governed by California's contributions to federal excise tax as a percentage share of the total contributions into the FHTF. These apportionments are set by the Acts that are enacted by Congress. The actual amount of federal funds the state can use each year on projects is governed by the OA set by Congress in its annual Federal Appropriation Act.

On July 6, 2012, a new Federal Highway Act, Moving Ahead for Progress in the 21st Century Act (MAP-21), was signed into law. MAP-21 is the first long-term highway authorization enacted since 2005 and funds surface transportation programs at over $105 billion for federal fiscal years (FFY) 2013 and 2014. Funding levels are maintained at FFY 2012 levels, plus minor adjustments for inflation.

The 2014 FE covers fiscal years (FY) 2014-15 through 2018-19, which is outside of MAP-21's funding horizon. Without a new Act in place, Congress has historically issued continuing resolutions to keep transportation funding at levels consistent with the most recent Act. However, there is a possibility that a new Federal Highway Act could be signed into law within the 2014 FE period.

If OA assumptions are set too low, the Department risks not having enough projects to use OA; especially if a reservation of projects is not created. This problem occurred in 2009-10 when federal stimulus required the Department to shift funding from OA to stimulus dollars. Federal stimulus projects depleted those projects ready to use OA and placed a strain on transportation agencies to avoid loss of federal funding.

Earlier this year, the Congressional Budget Office (CBO) released its semi-annual estimate of the status of the FHTF, based on the revenue it is receiving and the anticipated expenditures according to current law requirements. The CBO estimated that the highway account and the transit account will be able to meet obligations through the end of FY 2014, but will not have sufficient revenue to meet all obligations for FY 2015. Furthermore, the FHTF is not directly subject to sequestration on March 1, 2013, but the general fund revenue that MAP-21 provided for the FHTF will be reduced if a sequester is triggered.

At this point and time, MAP-21 is currently providing federal funding for surface transportation programs. What should the 2014 FE display as an assumption for the level of OA over the next five year STIP period?

Alternative A (Recommended Alternative): Assume OA is equal to the 2011-12 actual level of $3.3 billion and held constant each year over the FE period. This would result in $16.5 billion in OA over the five-year FE period.

Alternative B: Assume OA is equal to the 2011-12 actual level of $3.3 billion, but escalate based on inflation at 2% over the FE period. This would result in $17.6 billion in OA over the five-year FE period.

Alternative C: Assume OA is equal to what California paid into the FHTF for 2011-12, which was $3.1 billion, and held constant each year over the FE period. This would result in $15.5 billion in OA over the five-year period.

MOTOR VEHICLE ACCOUNT (MVA) TRANSFERS

Option: What should the 2014 FE display as an assumption for the transfer of excess MVA funds to the State Highway Account (SHA)?

Background: Section 42273 of the Vehicle Code requires the State Controller's Office (Controller) to transfer the MVA balance remaining on the last day of the preceding month to the SHA, unless there is an immediate need of MVA funding. The 2013-14 Governor's Budget displays an estimated beginning balance of about $97 million in the MVA for 2013-14. From this balance, the unneeded portion should be calculated and transferred to the SHA. In at least the past ten years, the Controller has not transferred these funds to the SHA.

It would be beneficial to display a transfer to the SHA as this would increase available funding for the SHOPP. However, if transfers are not made by the Controller and the 2014 FE displays an assumption that transfers would occur, SHA resources would be overstated.

In the 2012 FE, an assumption of $10 million was chosen, but the SHA failed to receive any transfers from the MVA for Section 42273 of the Vehicle Code.

Alternative A: Assume the Controller will not make any transfers to the SHA over the FE period.

Alternative B: Assume the Controller will transfer $35 million each year for the FE period, based on an analysis of the average transferrable amounts remaining in the MVA annually.

Alternative C (Recommended Alternative): Assume the Controller will transfer $10 million each year for the FE period. A transfer of $10 million represents a low risk option.

SECTION TWO: SIGNIFICANT ISSUES

GENERAL FUND RELIEF AND TRANSPORTATION LOAN REPAYMENTS

Issue: Repayment of transportation loans may be delayed and/or the Department may not realize revenues until the last day of the FY. This could result in the overstatement of SHA resources and the over-programming of the SHOPP. The Department will take timing of payments into account during the development of the fund estimate cash flows.

Background: In recent years, Budget Acts and trailer bills have authorized the following loans from transportation accounts to the General Fund (GF) in order to backfill deficits created by a struggling economy:

- 2008-09 Budget Act - Authorized $231 million in loans from the SHA ($200 million) and other transportation accounts to the GF with repayment due by June 30, 2012. However, the 2012-13 Budget Act deferred repayment of $150 million of the $200 million as scheduled: $50 million was repaid in 2011-12, $50 million is scheduled to be repaid in 2012-13, and the remaining $100 million is scheduled to be repaid by June 30, 2014.
- 2009-10 Budget Act - Authorized a $135 million loan from the SHA to the GF. This loan was required to be repaid no later than June 30, 2012. However, the 2012-13 Budget Act deferred repayment of the $135 million until June 30, 2015. Subsequently, AB 105 declared this a weight fee loan.
- 2010-11 Budget Act - Authorized an $80 million loan from the SHA to the GF, and a $29 million loan from the PTA to the GF. Both repayments were due by June 30, 2014, but have been deferred by AB 115 until June 30, 2021. Additionally, AB 115 authorized another $147 million loan from the SHA to the GF.
- In 2011-12, pursuant to Vehicle Code Section 9400.4, the GF was loaned $249 million from the SHA (weight fees).
- ABX3 20 of 2009-10 authorized a $310 million loan from the American Recovery and Reinvestment Act (ARRA) funds, repaid by bond funds.

Contingent upon the state of the economy, the GF is forecasted to have a projected $1.9 billion shortfall through June 30, 2014, according to the Legislative Analyst's Office. In response to the spending gap, trailer bills to the 2012-13 Budget Act delayed repayment of approximately $285 million in transportation funded loans to the GF. If the economy continues to struggle, future Budget Acts and trailer bills could delay transportation loan repayments as a possible alternative to keep the GF solvent.

ABX3 20 of 2009-10 authorized a $310 million loan from the ARRA to backfill Proposition 1B projects due to a poor bond market. Repayment of this loan is expected to occur in 2013-14, which coincides with and offsets a $300 million project to demolish the east span of the San Francisco Oakland Bay Bridge (SFOBB). If the economy continues to struggle, the 2013-14 Budget Act could authorize a transfer of this loan to the GF after repayment to the SHA. If the $310 million is not made available to the SHA, the demolition of the SFOBB would reduce resources outside of normal SHOPP project, but should be considered low risk because the repayment is from bond proceeds.

The 2014 FE is required to include a methodology that assumes current state statute, assuming loan repayments to occur on time. If repayments are delayed, funds may be over-programmed and could be threatened with insolvency. In addition, future budget actions may propose additional loans. Furthermore, the due date of these loan repayments from the GF could pose additional risk. Due dates in statute are on June 30, the last date of the state's FY. For example, the $135 million loan repayment to the SHA is due on June 30, 2015. Statute requires the 2014 FE to display that this loan will be repaid and available in 2014-15 even though repayment may not be made until the last day of the state FY. The Department will take timing of payments into account during the development of the fund estimate cash flows.

Status of Outstanding Transportation Loans, as of December 31, 2012
($ in millions)

FUND	Original Loan	Loans / Interest Paid-to-Date	Remaining Balance
Pre-Proposition 42 (Tribal Gaming Revenue):			
State Highway Account (SHA)[1]	$473	$341	$132
Public Transportation Account (PTA)	275	10	265
Traffic Congestion Relief Fund (TCRF)	482	0	482
Subtotal Pre-Proposition 42 Tribal Gaming Loans:	**$1,230**	**$351**	**$879**
Proposition 42:			
Public Transportation Account (PTA)[7]	$220	$218	$2
Transportation Investment Fund (TIF)[7]	440	440	0
Transportation Congestion Relief Fund (TCRF)[2]	1,066	817	249
Locals[5]	440	440	0
Subtotal Proposition 42 Loans:	**$2,167**	**$1,916**	**$251**
General Fund Loan:			
State Highway Account (SHA)[3]	$335	$50	$285
State Highway Account - Weight Fee Revenues[4]	$227	$0	$227
State Highway Account - Weight Fee Revenues[4a]	$249	$0	$249
Highway User Tax Account (HUTA)[5]	$328	$0	$328
Public Transportation Account[6]	$29	$0	$29
Other transportation accounts	$31	$1	30
Subtotal General Fund Loan:	**$1,199**	**$51**	**$1,148**
Totals:	**$4,596**	**$2,318**	**$2,278**

Note: Numbers may not add due to rounding.

[1]The remaining balance of $132 million will be directed to debt service per AB 115 of 2010.

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

[3]The SHA is expected to be repaid $150 million by FY 2013-14, $135 million by FY 2014-15

[4]The $80 and $147 million was authorized by Budget Act of 2010 and subsequently characterized as weight fees via AB 115
[4a]Post AB115 weight fee transfers-Budget Act of 2011-$43.7 million loan, $139 million-excess weight fee loan to GF, $24.7 million fee loan to GF from SHA, VC9400.4(b)(2) - $42 million

[5]The HUTA is expected to be repaid $328 million in 2020-21.

[6]The PTA is expected to be repaid $29 million in 2020-21.
[7]Includes interest payments $8 million for PTA, $16 million for TIF and Locals.

TRANSFER TO STATE TRANSIT ASSISTANCE (STA)

Issue: There are two sales taxes on diesel fuel in California. Current law requires the base sales tax on diesel (4.75 percent) to be split 50 percent to the PTA and 50 percent to STA. It also requires the second sales tax (the increase) to be redirected from PTA to STA at 100 percent. In 2013-14, this will result in STA receiving approximately 64 percent of total sales tax on diesel revenues. Furthermore, sales tax revenues can be volatile because they are based on the price of fuel. For example, the average annual price per gallon of diesel fuel in 2009-10, 2010-11, and 2011-12 was \$2.61, \$3.16, and \$4.08 respectively.

Background: On March 22, 2010, ABX8 9 was signed into law, which among other items, required a 75 percent transfer of sales tax revenues deposited in the PTA to STA. Currently, this only applies to the state portion of sales tax on diesel fuel.

On November 2, 2010, voters approved Proposition 22, which amended Article XIXA of the California Constitution to require a 50 percent transfer of spillover, Proposition 111, and sales tax on diesel fuel revenues from the PTA to STA. In addition, Proposition 22 also amended Article XIXB of the California Constitution to require a 50 percent transfer of Proposition 42 revenues from the PTA to STA.

On November 2, 2010, voters approved Proposition 26, which amended Section 3 of Article XIIIA of the California Constitution. This new law requires that any change in state statute that results in any taxpayer paying a higher tax must be passed by a two-thirds vote in the Legislature. Further, this law also requires that any bill passed between January 1, 2010 and November 3, 2011. On September 29, 2010, the Legislative Analyst's Office concluded that the fuel tax swap (ABX8 6 and ABX8 9) was not in compliance with Proposition 26 and would be voided on November 3, 2011.

On March 24, 2011, AB 105 of 2011 re-enacted the fuel tax swap, created a weight fee swap, a redirected the state portion of sales tax on diesel from the PTA to STA, which funds local transit operations and capital. The bill created an increase to sales tax on diesel (i.e. 1.87 percent in 2011-12, 2.17 percent in 2012-13, 1.94 percent in 2013-14, and 1.75 percent in 2014-15 and thereafter) and required all of the additional increase to be directed from the PTA to STA. Combined with other existing statues, STA receives the majority of sales tax on diesel revenues.

SECTION 183.1 REVENUES

Issue: According to current statute (beginning in 2013-14), Section 183.1 revenues shall remain in the SHA until appropriated by the Legislature. However, the 2013-14 Governor's Budget proposes a permanent transfer of the Section 183.1 revenues to the Transportation Debt Service Fund (TDSF) for debt service on certain mass transportation bonds. There will be deliberation at the Legislature regarding the issue and the 2014 FE will include the final legislation. In the interim, the Draft 2014 FE will be based on the Governor's proposal.

Background: Section 183.1 of the Streets & Highways Code requires that miscellaneous revenues not subject to Article XIX of the State Constitution should be deposited into the SHA. These revenues include the sale of documents, charges for miscellaneous services to the public, condemnation deposits fund investments, rental of state property, or any other miscellaneous uses of property or money. Prior to the 2011-12 Governor's Budget, Section 183.1 revenues were transferred to the PTA to fund transit STIP.

Current statute requires that in 2010-11 through 2012-13, Section 183.1 revenues are to be transferred to the TDSF. Starting in 2013-14, the Section 183.1 revenues are scheduled to remain in the SHA until appropriated by the Legislature. Since these revenues are not protected by the State Constitution, the Legislature may continue to divert Section 183.1 resources to aid the GF shortfall and/or to offset future transportation bond debt service.

The 2012 FE assumed that the Legislature would not appropriate Section 183.1 transfers and prior year revenues remained in the SHA.

ACTIVE TRANSPORTATION PROGRAM (ATP)

Issue: According to current statute, the five programs proposed to be consolidated into the new ATP remain as separate programs. However, the 2013-14 Governor's Budget proposes a shift of $134.2 million in state and federal resources into a single program (the ATP). There will be deliberation at the Legislature regarding the issue and the 2014 FE will include the final legislation. In the interim, the Draft 2014 FE will be based on the Governor's proposal.

Background: The 2013-14 Governor's Budget proposes a shift of $134.2 million in state and federal resources to consolidate five existing transportation programs into a single ATP. Active transportation refers to any method of travel that is human-powered, such as walking and bicycling.

Currently, there are five separate programs that fund bicycle, pedestrian, and mitigation projects, including the federal Transportation Alternatives Program (TAP), federal Safe Routes to Schools Program (SRTS), state Safe Routes to Schools Program (SR2S), state Environmental Enhancement and Mitigation Program (EEM), and the state Bicycle Transportation Account Program (BTA). Furthermore, some projects are eligible for grants under several programs, and project sponsors find it necessary to submit multiple applications for the same project. The new consolidated ATP will streamline this process and fund high-priority projects that reduce greenhouse gas emissions consistent with the objectives of Chapter 728, Statutes of 2008 (SB 375), as well as provide safety benefits.

The programs subject to consolidation are described in greater detail below:

- The EEM was originally established by state statute in 1989 to provide grants to state, local, federal and non-profit entities for environmentally based projects.
- The BTA was originally established by state statute in 1972. The grant program was created to support allocations for bikeways and related facilities, planning, safety, and education, in accordance with Streets and Highway Code, Section 891.4.
- The state SR2S, established in 2000 by state statute, served as a model for other state and federal safe routes programs. The SR2S was created to provide transportation funds for improvement projects to sidewalks, crosswalks, and traffic signals placed around school zones. These projects prioritize bicycle and pedestrian safety, and traffic congestion relief around schools.
- The federal SRTS was included in the previous federal authorization, patterned after California's Safe Routes to School program. Future funding will consist of federal safety and surface transportation program funds.
- Transportation Enhancement was included in the previous federal authorization and has been superseded by the Transportation Alternatives Program (TAP) in the current federal authorization. Transportation Enhancement projects included pedestrian, bicycle, beautification, mitigation, scenic byways and other transportation related activities. The new Transportation Alternatives Program includes most, but not all, of these activities.
- The RTP was continued in the federal reauthorization as an optional part of the Transportation Alternatives funding. RTP funding was provided to the states in order to develop and maintain recreational trails and their related facilities for both motorized and non-motorized trail use.

SECTION THREE: ASSUMPTIONS

METHODOLOGY

The 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 GC requires the FE to be based on current state and federal 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 STIP.

Unless otherwise noted, the most recent California DOF Price Letter will be used to determine an annual price escalation rate for state operations expenditures per Section 14525.1 of the S&HC. This does not include escalation rates for capital outlay support.

Section 14529.7 of the GC regulates reimbursement projects covered by Assembly Bill (AB) 3090 where the Commission, Department, region, and local agency may enter into a financing arrangement. Under the cash reimbursement scenario, the local agency receives a direct cash reimbursement for delivery of a programmed STIP project.

Revenue & Expenditure Projections

A. For each fund, the beginning cash balance will be calculated from the cash balance report from the Controller on July 1, 2013, plus that fund's share of advances in the Transportation Revolving Account (TRA).

B. 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 Controller.

C. Revenue forecasts that cover the FE period (2014-15 through 2018-19) are based on historical trends, the economic outlook, and consultation with the DOF.

D. The FE assumes usage of local assistance federal funding in the year received.

E. The Department developed program expenditures and cash flow estimates by working with each respective Department Division.

F. The FE displays an assumption that federal funding will be distributed to the state and local agencies based on a historical allocation of a 61/39 split of available resources, respectively. This also includes the allocation for the August Redistribution.

G. The Public Transportation Account (PTA) will be used to fund transit STIP AB 3090 reimbursements as currently programmed in 2013-14.

H. On March 22, 2010, Governor Schwarzenegger signed the fuel tax swap that eliminated the state portion of sales tax on gasoline and Proposition 42 revenues, which is the sole funding source of the Transportation Investment Fund (TIF). With the loss of this sole revenue source, the TIF is no longer required to fund new projects. AB 9 of the eighth extraordinary session in 2009-10 required that all obligations that cannot be funded from the TIF will instead be funded from the State Highway Account (SHA).

I. The Transportation Deferred Investment Fund (TDIF) was established by AB 1751 (Chapter 224, Statutes of 2003), in response to the suspension of the General Fund (GF) transfer to the TIF in 2003-04. The TDIF was created to facilitate the repayment of TIF funds not transferred from the GF. Senate Bill (SB) 1098 (Chapter 212, Statutes of 2004) added Section 7106 to the Revenue & Taxation Code (R&TC), which established a repayment schedule of the suspension from the GF to TIF in 2004-05. SB 79 (Chapter 173, Statutes of 2007) amended Section 7106 of the R&TC to require repayment in the form of equal, annual installments with payback due by June 30, 2016. The Controller will initiate transfers to move the remaining $83 million in annual repayments from the GF to the TDIF and then to the Traffic Congestion Relief Fund (TCRF). Thus, the TDIF is no longer funding new projects.

Conversion to Capacity

J. The 2014 FE will display a "cash flow" model that schedules funding capacity based upon defined commitments and is consistent with the method used to manage the allocation of capital projects.

   - Each FE table will display forecasted revenue estimates, less commitments (as defined by the approved assumptions) in order to determine the cash available for programming.

   - Conversion of cash available for programming to capacity is based on linear programming to optimize capacity, while maintaining a prudent cash balance and minimizing annual fluctuations of program levels. Methodology assumes that capital projects liquidate based on historical spending patterns.

   - Program capacity represents the total value of projects that can be funded, and includes support, local assistance, right-of-way (R/W), and construction.

K. The county share system established by SB 45 (Chapter 622, Statutes of 1997) defines the methodology for determining the level of programming. The FE displays this system to identify the funds available for programming over the FE period.

State Highway Account Assumptions

Operating Cash Balance:

The Department recognizes that the State Highway Account (SHA) needs to maintain a minimum level of operating cash sufficient to meet monthly operating commitments, daily fluctuations, and the revenue and expenditure cycles that occur during the year. In addition, 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 $415 million would sufficiently cover 95 percent of the monthly volatility in the SHA.*

SHA Revenues & Transfers

State Excise Tax on Fuel Revenues:

California last raised its excise tax on gasoline, diesel, liquefied petroleum gas, natural gas, ethanol, and methanol in 1994 to 18 cents per gallon. In addition, the fuel tax swap eliminated the state portion of gasoline for an additional 18 cent/gallon excise tax on gasoline. These consumption-based revenues are transferred from the Highway Users Tax Account (HUTA) to the SHA per Sections 2103, 2104.1, 2107.6, and 2108 of the Streets & Highways Code (S&HC) on a monthly basis. Given the uncertainty of the economic outlook and recent declines in fuel consumption, the 2014 STIP FE must make an assumption regarding state fuel excise tax revenues over the FE period.

SHA 2. ***See Section One – Economic Recovery and Impact on Revenues***

Weight Fee Revenues:

Section 9400 of the Vehicle Code (VC) 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. ***See Section One – Economic Recovery and Impact on Revenues***

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. *Revenues from Other Regulatory Licenses and Permits will total approximately $51 million over the FE period based on revenue model projections.*

S&HC Section 194 Transfers:

Section 194 of the S&HC requires the Controller to transfer funds for the pro-rata share of highway planning and exclusive public mass transit guideway planning from the SHA to the PTA.

SHA 5. *Section 194 transfers are based on PTA state operations expenditures, which are subject to the DOF's price letter. The transfers total approximately $139 million over the FE period.*

Forecast S&HC Section 194 Transfers
($ millions)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
2012 FE	$27	$27	$28	$28	$29		
2014 FE			$27	$27	$28	$28	$29

Toll Bridge Seismic Retrofit Program (TBSRP):

In 2001, the Legislature authorized a transfer from the SHA to the Toll Bridge Seismic Retrofit Account (TBSRA) under 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 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. All seismic retrofit projects and scheduled contributions will be completed prior to the FE period.*

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

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
2012 FE	$165	$300	$0	$0	$0		
2014 FE			$0	$0	$0	$0	$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 State Constitution have been traditionally transferred annually from the SHA into the PTA by November 1 of each year. AB 105 (Chapter 6, Statutes of 2011), enacted on March 24, 2011, amended Section 183.1 of the S&HC, which now requires the Controller to transfer prior year miscellaneous revenues from the SHA to the Transportation Debt Service Fund for 2010-11 through 2012-13. In 2013-14 and thereafter, miscellaneous revenues shall remain in the SHA until appropriated by the Legislature.

SHA 7. ***See Section Two – Section 183.1 Revenues***

MVA Transfers:

Pursuant to Section 42273 of the VC, the Controller mandates transfer of the MVA balance remaining on the last day of the preceding month, unless there is an immediate use of MVA funding.

SHA 8. ***See Section One – Motor Vehicle Account (MVA) Transfers***

Pre-Proposition 42 Loan Repayments:

In 2004, compacts were negotiated with Native American tribes to secure bond financing backed by tribal gaming revenues for the purpose of repaying GF Pre-Proposition 42 loans. However, a lawsuit challenging these compacts has 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 GF is required to repay a total of $879 million:

- $132 million to the SHA
- $265 million to the PTA
- $482 million to the TCRF

The last repayment occurred in 2007-08 and was a $100 million repayment to the SHA. Furthermore, the 2011-12 Governor's Budget Summary indicated that the repayments would begin no earlier than 2016-17; however, there is no statutory repayment schedule.

SHA 9. *The 2014 FE will display that no repayments will occur over the FE period based on the 2011-12 Governor's Budget Summary and no statutory repayment schedule.*

Transportation Loan Repayments:

In recent years, Budget Acts and trailer bills have authorized the following loans from transportation accounts to the GF in order to backfill deficits created by a struggling economy:

- 2008-09 Budget Act - Authorized $231 million in loans from the SHA ($200 million) and other transportation accounts to the GF with repayment due by June 30, 2012. However, the 2012-13 Budget Act deferred repayment of $150 million of the $200 million as scheduled: $50 million was repaid in 2011-12, $50 million is scheduled to be repaid in 2012-13, and the remaining $100 million is scheduled to be repaid by June 30, 2014.
- 2009-10 Budget Act - Authorized a $135 million loan from the SHA to the GF. This loan was required to be repaid no later than June 30, 2012. However, the 2012-13 Budget Act deferred repayment of the $135 million until June 30, 2015. Subsequently, AB 105 declared this a weight fee loan.
- 2010-11 Budget Act - Authorized an $80 million loan from the SHA to the GF, and a $29 million loan from the PTA to the GF. Both repayments were due by June 30, 2014, but have been deferred by AB 115 until June 30, 2021. Additionally, AB 115 authorized another $147 million loan from the SHA to the GF.
- In 2011-12, pursuant to Vehicle Code Section 9400.4, the GF was loaned $249 million from the SHA (weight fees).
- ABX3 20 of 2009-10 authorized a $310 million loan from the American Recovery and Reinvestment Act (ARRA) funds, repaid by bond funds.

Repayment of transportation loans may be delayed and/or the Department may not realize revenues until the last day of the fiscal year. This could result in the overstatement of SHA resources and the over-programming of the State Highway Operation and Protection Program (SHOPP).

SHA 10. ***See Section Two – Transportation Loan Repayments***

Federal Revenues:

Federal revenue accounts for the majority of total SHA resources, excluding those that are dedicated to the STIP. 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 ultimately governed by California's contribution as a percentage share of total contribution into the FHTF.

The most recent FHA: Moving Ahead for Progress in the 21st Century Act (MAP-21), was signed into law on July 6, 2012. MAP-21 will provide federal transportation funding for federal fiscal years 2013 and 2014 at the same levels as 2012 SAFETEA-LU levels.

SHA 11. ***See Section One – Federal Revenues***

SHA 12. *The 2014 FE assumes an August Redistribution of $118 million per year based on the average amount received by California from 2007-08 through 2011-12. The state will retain $72 million (61 percent) and locals will receive a $46 million apportionment (39 percent).*

Advanced Construction (AC):

AC is a federal guideline that allows the Department to authorize project expenditures against future federal funds. AC will be used as a cash management tool to minimize the impact of project delays by being able to start work on other projects designated as AC and converting the AC into Obligation Authority (OA). This can be performed without impact to the SHA. AC will also be used to create a reservation of federal eligible projects to hedge against project award savings and any unforeseen increases to federal or state revenues that would impact the SHOPP capacity.

SHA 13. *The Department will gradually accumulate an AC level that is equivalent to one year's OA by the end of the FE period. AC will be used as a cash management tool and as a reservation of federal eligible projects to hedge against increases to available federal resources.*

Advanced Project Development Element (APDE):

Beginning with the 2000 STIP, Section 14529.01 of the GC (AB 1012, Chapter 783, Statutes of 1999) requires the Department to estimate the APDE. These are available funds in two years following the FE period. The APDE authorized 25 percent of these additional resources toward the STIP by building a reservation of projects ready for construction.

SHA 14. *The 2014 STIP FE will not include the APDE because the 2014 FE is expected to show the need for the reprogramming of STIP projects.*

SHA Expenditures

BCP Reservation:

A Budget Change Proposal (BCP) and Finance Letter (FL) are proposals 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. Executive Order B-13-11 directed the DOF to modify the state budget process to increase efficiency and focus on accomplishing program goals. Pursuant to the Executive Order, the DOF and the Department developed a four-year plan to conduct a zero-base analysis of all the programs within the Department.

SHA 15. *Assume no reservations for budget change proposals or finance letters over the FE period due to the implementation of zero-based budgeting.*

Transportation Management Systems:

The Office of Intelligent Transportation Systems Projects and Standards, in partnership with the Department's Districts, programs, local agencies and others, provides leadership and support for the development, standardization, deployment, operation and maintenance of Transportation Management Systems (TMS) for the State of California. TMS includes, but is not limited to, advanced operational hardware, software, communications systems and infrastructure for integrated Advanced Transportation Management Systems and Information Systems, and for the Electronic Toll Collection System.

SHA 16. *Maintenance and operations expenditures for TMS include an inventory adjustment of 3.0 percent per year beginning in 2014-15 for the costs associated with operating and maintaining the TMS inventory levels over the FE period.*

State Funds for Local Assistance:

State funds for local assistance are used for Railroad Grade Separation, Railroad Grade Crossing Maintenance, Regional Surface Transportation Program Match and Exchange, and Safe Routes to School Exchange per Commission Resolution G-06-15.

SHA 17. *State expenditures assume allocation for the Railroad Crossing Protection Maintenance Program at $2 million per year over the FE period, consistent with Commission Resolution G-06-15.*

Environmental Enhancement and Mitigation (EEM) Program:

Section 164.56(a) of the S&HC acknowledges that it is the intent of the Legislature to transfer $10 million to the EEM. The 2013-14 Governor's Budget displays no transfer to the EEM because of the newly proposed ATP.

SHA 18. ***See Section Two – Active Transportation Program (ATP)***

SHA 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. Prior to calculation of resources available for new STIP, the FE sets aside resources for existing STIP commitments.

SHA 19. *Capital outlay support (COS) expenditures are based on programmed STIP projects allocated prior to 2012-13, construction engineering for programmed 2013-14 STIP projects, and pre-construction engineering and R/W support for projects currently programmed in 2013-14.*

SHA 20. *Capital expenditures are based on a continuation of all existing SHA STIP project allocations prior to 2012-13, allocations in 2012-13, projects programmed to begin in 2013-14, and STIP Grant Anticipation Revenue Vehicles (GARVEE) debt service payments.*

SHA 21. *Prior R/W is defined as all R/W projects in the 2012 STIP that are programmed for 2013-14 and prior years.*

SHA 22. *Non-programmed SHA STIP R/W includes an annual estimate based on forecasted R/W lump sum allocations of non-programmed R/W components for post-certification, and project development costs.*

SHA 23. *Capital project costs shall be escalated at 3.7 percent according to the Price Index for Selected California Construction Items.*

GARVEE Bond Financing:

SB 928 of 1999-00 added Section 14550 to the GC authorizing the State Treasurer's Office (Treasurer) to issue federal highway GARVEE bonds. This bill also authorized the Commission to select and designate projects to be funded for accelerating construction from bond proceeds.

SHA 24. *The 2014 FE displays GARVEE debt service payments of about $73 million for STIP and $57 million for SHOPP for the entire FE period. GARVEE debt service payments for STIP proceeds will end in 2014-15. GARVEE debt service payments for SHOPP proceeds will end in 2019-20, which is outside of the 2014 FE period.*

Prior SHOPP Commitments & SHOPP Program Capacity:

Prior to calculating resources available for the SHOPP, the SHA FE table will display a set aside of resources for existing SHOPP commitments.

SHA 25. *COS expenditures are based on programmed SHOPP projects allocated 2012-13 and prior, construction engineering for programmed 2013-14 SHOPP projects, and pre-construction engineering and R/W support for projects currently programmed in 2013-14.*

SHA 26. *Prior R/W commitments are defined as R/W projects in the SHOPP that are programmed for 2013-14 and prior years.*

SHA 27. *Non-programmed SHOPP R/W includes an annual estimate based on forecasted R/W lump sum allocations of non-programmed R/W components for inverse condemnation and post-certification costs.*

SHA 28. *Capital expenditures are based on a continuation of all SHOPP projects allocated in 2012-13 and prior, all programmed 2013-14 SHOPP projects, and SHOPP GARVEE debt service payments.*

SHA 29. *Total program capacity of the 2012 FE SHOPP will be based on total SHA resources remaining after existing commitments.*

SHA 30. *Capital project costs shall be escalated at 3.7 percent according to the Price Index for Selected California Construction Items.*

Public Transportation Account Assumptions

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. *Based on historical data and projected expenditures from updated analysis of monthly PTA receipts less expenditures, a minimum level of operating cash of $100 million would sufficiently cover 95 percent of the monthly volatility in the PTA.*

PTA Revenues

Sales Tax on Diesel:
Sales tax on diesel revenues will result from a 6.50 percent sales tax/gallon of diesel fuel sold, beginning in 2011-12. However, the rate in excess of 4.75 percent varies by fiscal year and is dedicated to STA as a result of the fuel tax swap of 2010. The increase in revenue from the previous fund estimate is due primarily to increases in diesel fuel prices.

PTA 2. *Consumption of diesel is assumed to experience slight growth from 2013-14 through 2018-19 and will increase by approximately 2 percent each year. The 2014 FE will display that retail diesel prices will increase by 1 percent each year over the FE period.*

Sales Tax on Diesel Fuel Revenues ($ millions)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
2012 FE	$570	$572	$580	$602	$624		
2014 FE			$767	$791	$815	$839	$865

Transfer from the Aeronautics Account (AA):
PTA 3. *Section 21682.5 of the Public Utilities Code requires an annual transfer of $30,000 from the AA.*

PTA Expenditures

Transfers to STA:
The 2014 FE will include a 64 percent transfer of the sales tax on diesel revenues from the PTA to STA, resulting in approximately $494 million of transfers in 2013-14. Starting in 2014-15 and thereafter, the sales tax on diesel revenues will be split approximately 63 percent to STA and 37 percent will stay in PTA. However, the 2013-14 Governor's Budget proposes to transfer an equivalent of 67 percent of the sales tax on diesel revenues from the PTA to STA, resulting in about $392 million of transfers in 2013-14.
PTA 4. ***See Section Two – Transfer to State Transit Assistance (STA)***

State Operations:

A Budget Change Proposal (BCP) and Finance Letter (FL) are proposals 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. Executive Order B-13-11 directed the DOF to modify the state budget process to increase efficiency and focus on accomplishing program goals. Pursuant to the Executive Order, the DOF and the Department developed a four-year plan to conduct a zero-base analysis of all the programs within the Department.

PTA 5. *Assume no reservations for budget change proposals or finance letters over the FE period due to the implementation of zero-based budgeting.*

Intercity Rail Operations:

PTA 6. *Intercity rail is part of the state operations expenditures in the PTA.*

A. *Intercity rail and bus operations base expenditures for existing services are forecast at $113 million for 2013-14, based on the 2013-14 Governor's Budget, and will increase to $117 million in 2014-15, incorporating Section 209 costs. Amtrak has assumed an annual escalation of 3 percent in 2015-16 and thereafter. Intercity rail and bus operations expenditures will total $620 million over the FE period.*

B. *The Department's estimated need for Rail equipment, heavy maintenance and overhaul over the FE period is $86 million.*

C. *Maintenance and operations costs include the newly proposed blended system. Expenditures include two additional round trips over the Initial Construction Segment (ICS) as outlined in the California High-speed Rail Authority's 2012 Business Plan.*

D. *Maintenance expenditures for the ICS were estimated using the following formula: 148 miles multiplied by the rate of maintenance cost per mile.*

E. *The ICS will include additional maintenance costs for ICS equipment.*

F. *The Coast Daylight new train service, on a new route, is anticipated to begin in 2015-16 and will total $21 million over the FE period.*

Local Assistance:

PTA 7. *Bay Area Ferry operations expenditures will escalate by one percent per year based on historical expenditures.*

Prior PTA STIP Commitments:

Prior to calculating resources available for new STIP, the FE will display a set-aside of resources for existing STIP commitments.

PTA 8. *Capital expenditures are based on a continuation of all STIP projects allocated in 2012-13 and prior, all PTA programmed 2013-14 STIP projects, and non-highway AB 3090s.*

General Obligation Bonds Assumptions

General Obligation Bonds:

It is expected that the Treasurer will conduct general obligation bond sales semi-annually (in the Spring and Fall) as that has been the recent practice. With the state's financial situation beginning to improve, it is assumed that there will be no change to that schedule.

The 2013-14 Governor's Budget proposal includes $76.9 million in Proposition 1A bond expenditures. These funds are available for high-speed rail connectivity projects, which are rail transit projects that will be ready to connect to high-speed trains once the state's high-speed rail project is operational.

The 2013-14 Governor's Budget proposal includes approximately $2.2 billion in expenditures for Proposition 1B programs. This represents a lower level of expenditures than during the peak of Proposition 1B activity as several of the programs are nearing completion.

Bond 1. *The 2014 FE will display remaining capacity and a history of allocations and expenditures for all Proposition 1A and Proposition 1B general obligation bond funds administered by the Department. Bond funding is expected to be received semi-annually as the Treasurer's practice is to sell general obligation bonds in the Spring and Fall. It is assumed that the Department will continue to receive bond proceeds from future sales on an as needed basis, with the amount of proceeds received being based on projected cash needs for the ensuing six months.*

AERONAUTICS ACCOUNT ASSUMPTIONS

Aeronautics Revenues

Aero 1. *The 2014 AA FE will display the beginning balance of the AA on a cash basis since it receives continuous appropriations of funding.*

Aero 2. *Projected revenues for excise taxes on aviation gasoline and jet fuel will be based on historical transfers from the Motor Vehicle Fuel Account. The Department forecasts aviation gasoline excise tax revenues to decline by approximately 3 percent as the industry continues to move toward jet fuel-powered aircraft. Conversely, the Department forecasts jet fuel excise tax revenues to increase by approximately 6 percent throughout the FE period.*

Aero 3. *The FE will display SMIF interest income based on the projected year ending cash balance of the AA as of June 30, 2013.*

Aero 4. *Federal Trust Funds (FTF) represent federal reimbursement authority for various aviation activities completed by the Division of Aeronautics. Based on the DOF's price letter, FTF will be escalated by 2.2 percent per year for 2043-15 and 2016-17.*

Aero 5. *Section 21682.5 of the Public Utilities Code requires a $30,000 transfer to the PTA each year.*

Aeronautics Expenditures

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

Aero 7. *The Airport Improvement Program (AIP) match in 2014-15 is based on the Aeronautics Program adopted in 2012. The AIP match is assumed to remain at a rate of 5 percent over the remainder of the FE period.*

Aero 8. *Before adding to Acquisition & Development (A&D) capacity, resources must first fund 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 2012 Aeronautics Program included a list of A&D projects scheduled for funding through 2014-15. The Commission will determine future A&D projects when they adopt the next three-year Aeronautics Program in 2014.*

Aero 9. *State operations include staffing for aeronautics and planning activities. State operations will display expenditures authorized in the 2013-14 Budget Act. Based on the DOF's price letter, state operations will be increased by 2.2 percent per year for 2014-15 and 2016-17.*