



2020 STIP Fund Estimate Draft Assumptions

Presented to the
California Transportation Commission

Assumptions Background

- **Discussion of Options & Significant Issues**
 - No Commission action required at this meeting
 - Determines STIP and SHOPP capacity
 - Subsequent legislation & budgetary changes could impact final assumptions
 - Authority to postpone adoption

Components of the Draft Assumptions

- **Section One - Options**

- Outlines the major revenue-based assumptions, offering alternatives for the Commission's review and input/recommendation

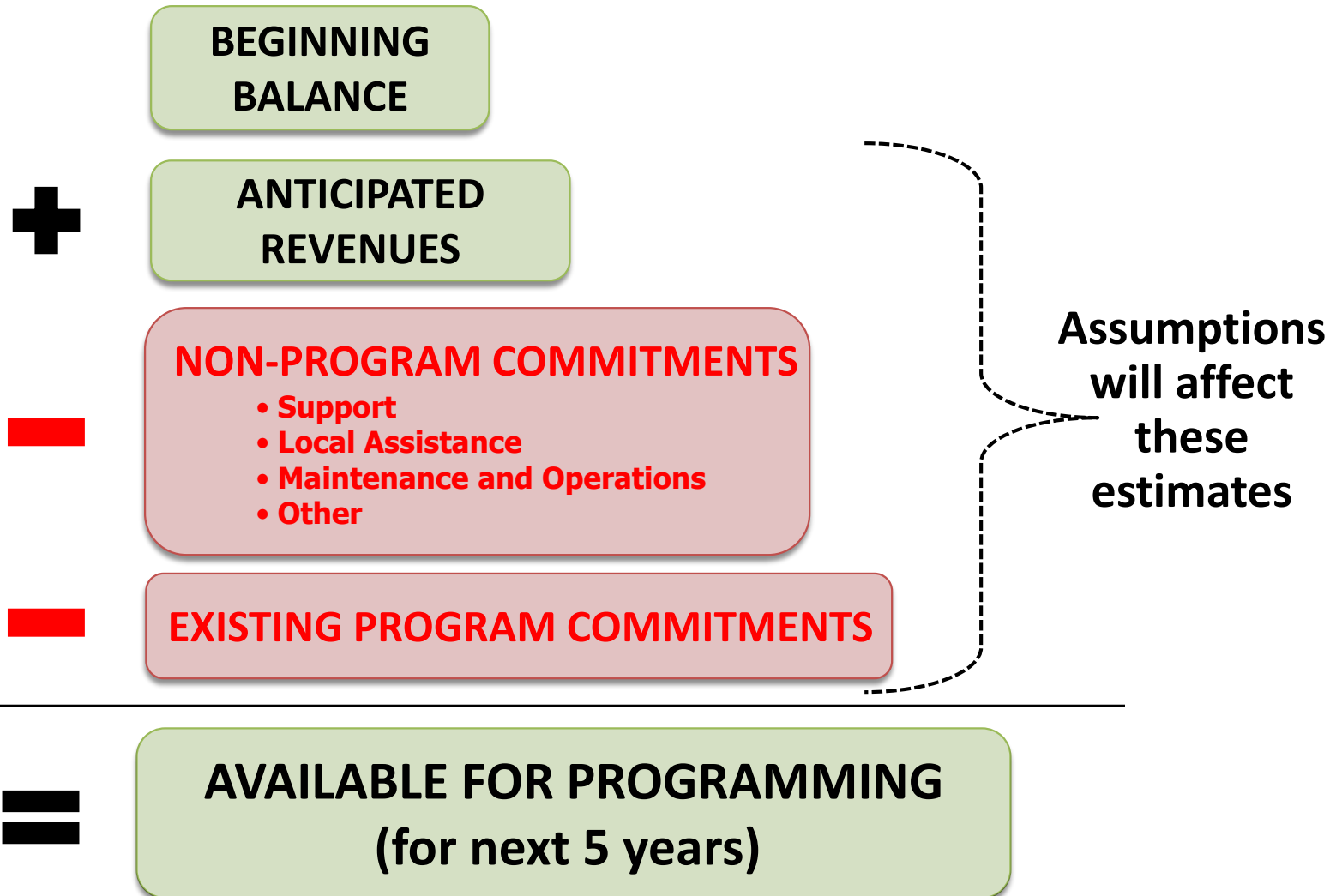
- **Section Two – Significant Issues**

- Details assumptions which may impact capacity over the Fund Estimate period if the current law changes

- **Section Three – Assumptions**

- Provides a list of individual assumptions that impact the Fund Estimate

Cash Flow Methodology



Key Assumptions - Options

- **Economy's Impact on Revenues (Fuel Consumption Projections)**
 - Projections derived from numerous sources
 - Alternative A: ExxonMobil = \$3.396 billion for STIP
 - Alternative B: Energy Information Administration = \$3.097 billion for STIP
 - Alternative C: Department of Finance = \$3.072 billion for STIP
 - Alternative D: Air Resources Board = \$3.022 billion for STIP
- **Caltrans Recommends Alternative C (Department of Finance Projections)**
 - Specific to California
 - Analyzes fuel types individually

Key Assumptions - Options

● Federal Revenues

- Alternative A = \$18.5 billion in Obligation Authority (OA)
- Alternative B = \$19.2 billion in OA
- Alternative C = \$19.7 billion in OA

● Caltrans Recommends Alternative B

- Continuation of current escalation
- Offers a moderate approach
- Approach is consistent with federal policy

Key Assumptions - Options

● Capital Project Cost Escalation

- Alternative A = California Highway Construction Cost Index (CHCCI) rate of 5.3 percent
 - ❖ CHCCI was used in the 2018 Fund Estimate cycle
- Alternative B = IHS Global Insight rate of 3.2 percent
 - ❖ Utilizing an average of rates over a five-year period
- Alternative C = Department of Finance rate of 2.9 percent

● Caltrans Recommends Alternative B (Global Insight)

- Global Insight rate offers industry specific cost indexing
- Global Insight rate is forward-looking over the Fund Estimate period

Key Assumptions - Options

● Minor Program Reservation Amount

- Alternative A = Leave Minor Program funding at \$150 million
- Alternative B = Increase Minor funding to \$250 million annually
- Alternative C = Increase Minor funding to \$350 million annually

● Caltrans Recommends: Alternative B (Increase Minor Program funding to \$250 million)

- Greater opportunity for urgent response
- Increase ability to utilize small businesses
- Quicker delivery for short-term highway needs
- More robust portfolio of projects to address projects that are beyond scope of Maintenance Program

Key Assumptions - Options

● Motor Vehicle Account Transfers

- Alternative A = Assume the State Controller's Office will not make any transfers to the SHA over the FE period
- Alternative B = Assume the Controller will transfer \$10 million each year over the FE period
- Alternative C = Assume the Controller will transfer \$18 million each year over the FE period

● Caltrans Recommends: Alternative A (Assumes no transfer)

- Legislative Analyst Office expects MVA insolvency in 2021-22

Key Assumptions - Significant Issues

- **State Transit Assistance**

- Approximately 77 percent of revenues from sales tax on diesel are transferred to State Transit Assistance or State Rail Assistance
 - Revenue estimates contingent upon diesel fuel price volatility

- **Section 183.1 Revenues**

- Law requires Section 183.1 revenues be transferred to the Transportation Debt Service Fund

- **Senate Bill 1 and Senate Bill 132**

- Senate Bill 132 commits SHA and PTA resources for specific projects

Legislative Uncertainty

- **Changes in Law Often Affect Revenues After Adoption of the Fund Estimate**
 - Assumptions and methodology cannot account for changes in law that occur subsequent to adoption of the FE
 - Each of the last nine Fund Estimates have been impacted by legislation occurring during the development process
 - Potential 2020 FE issues:
 - Disposition of Transportation Funding at the State Level
 - Changes in Federal Funding

Next Steps

- **Work with Commission Staff**
 - Incorporate feedback and finalize assumptions
- **Final Assumptions Approved During the May Commission Meeting**
- **Remaining Timeline:**

Date	Objective
May 15-16	FE Assumptions approved by Commission
June 26-27	Draft FE presented to Commission
August 14-15	Final FE presented to Commission for adoption