

State of California
Business, Transportation & Housing Agency
Department of Transportation

POLICY MATTERS
AB 1012 Loan Program
Information Item

Prepared By:
Ileen Jellison
Program Manager,
Budgets
(916) 654-4556

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Original Signed by Jim Nicholas for
W. J. EVANS, Deputy Director
Finance
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SIX-MONTH ESTIMATE OF LOAN CAPACITY **UNDER AB 1012 APPROVAL OF FUNDING LEVEL**

BACKGROUND

AB 1012 (Chapter 783, Statutes of 1999) established a program to loan unallocated funds from the State Highway Account (SHA) to transportation planning agencies, county transportation commissions, transit districts, city and county governments, and local transportation authorities for the advancement of projects eligible under the State Transportation Improvement Program (STIP) and that are included within an adopted regional transportation plan (RTP).

Statutes require that twice a year, on January 15 and July 15, the California Transportation Commission (Commission) adopt projections of funding availability and the period of time during which the funds will be available. Estimates of funding availability were presented in December 1999 and adopted at the January 2000 Commission meeting.

The December 1999 estimate included three options for potential loans over various loan periods:

- 1) \$200 million over four-years
- 2) \$100 million over two-years
- 3) \$200 million for one year

The Commission adopted Option 1, providing \$200 million as the amount available for loans and to be re-evaluated in 6-months.

DISCUSSION

The Revised 2000 Fund Estimate has identified about \$615 million in SHA revenues to fund STIP projects. Of this amount, \$300 million was derived by reducing the "Prudent Cash Balance"; the funds needed to run the daily operations of the Department. This effectively reduces the funds available for AB1012 loans over the four-year loan period.

However, since loans are to be repaid within four years [Government Code Section 14529.6(b)(6)], the following potential loans may be considered without jeopardizing funding of the Department's daily operations:

- 1) \$200 million over four-years
- 2) \$100 million over two-years
- 3) \$200 million for one year

RECOMMENDATION

Inasmuch as under agenda Item 4.4c, the Department is recommending the Commission revise the 2000 Fund Estimate to reduce the "Prudent Cash Balance" over four-years by \$300 million, and that another estimate is required by AB1012 in December, the Department recommends the Commission adopt Option 1 above, providing \$200 million as the amount available for loans at this time.

This recommendation enables a loan to be made for the maximum time period allowed by AB 1012, four years. And rather than make other loans for shorter loan periods, it would be more prudent to reevaluate the loaning capacity under this program again in six months.