

# Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: September 24-25, 2003

Reference No.: 3.7  
Action Item

From: ROBERT L. GARCIA  
Chief Financial Officer

Prepared by: Terry Abbott  
Division Chief  
Local Assistance

Ref: **FOURTH CYCLE AB 1012 – REDIRECTION OF “USE IT OR LOSE IT” FUNDS DUE TO STATE USE OF LOCAL OBLIGATION AUTHORITY RESOLUTION G-03-**

## **SUMMARY:**

The annual notice to regional agencies for Cycle 4 of AB 1012 “Use it or Lose It” provisions was released on December 9, 2002. The provisions of AB 1012 require regions to obligate all funds noticed in Cycle 4 within 12 months of the notice, or December 9, 2003. The current Cycle 4 balance is \$57 million.

As a result of the cash shortage in the State Highway Account, it became necessary for the state to borrow \$200 million of obligation authority (OA) from the local agencies’ share. This loan has prevented regional agencies from either meeting their Cycle 4 requirements, or making significant progress toward that goal. In addition, there is a possibility that Federal Fiscal Year (FFY) 2004 OA may be delayed or come in partial allocations. If that occurs, regions may not have OA necessary to meet the December 2003 deadline.

To ensure that regional agencies are not penalized for actions beyond their control, we recommend that funds under AB 1012 Cycle 4 “Use It or Lose It” be redirected back to the “at risk” agencies until adequate OA becomes available.

## **BACKGROUND:**

Current law, enacted as part of AB 1012 (October 1999), states that regional agencies’ Congestion Management Air Quality (CMAQ), Regional Surface Transportation Program (RSTP) and Regional Transportation Enhancement Activity (R-TEA) funds must be obligated

within the first three years of federal eligibility or be subject to reprogramming by the Commission in the fourth year.

As a result of the cash shortage in the State Highway Account, it became necessary for the state to borrow \$200 million of OA from the regional agencies. This loan has prevented regional agencies from either meeting their Cycle 4 requirements, or making significant progress toward that goal. It is anticipated that this loan will be repaid by June 30, 2004.

In addition, receipt of new OA for FFY 2004 may be delayed due to the expiration of the current federal Transportation Act. States may receive only a partial allocation of the anticipated FFY 2004 OA until a new Transportation Act is in place.

The loan of the OA coupled with the potential for Continuing Resolutions for the FFY 2004 OA will severely limit the ability of regional agencies to meet the Cycle 4 deadlines. In order to ensure the regional agencies are not penalized for actions beyond their control, it is requested that funds under AB 1012, Cycle 4, "Use It or Lose It" be redirected back to the "at risk" agencies until adequate OA becomes available. Currently \$57 million is subject to the December 2003 deadline.

Attachment

**CALIFORNIA TRANSPORTATION COMMISSION**

**FOURTH CYCLE AB 1012 – REDIRECTION OF “USE IT OR LOSE IT” FUNDS  
DUE TO STATE USE OF LOCAL OBLIGATION AUTHORITY**

Resolution G-03-\_\_

WHEREAS Streets and Highways Code Section 182.6 and Section 182.7 (AB 1012, Torlakson, Chapter 783, Statutes of 1999-2000), established the “use it-or-lose-it” provisions for Congestion Management Air Quality (CMAQ), Regional Surface Transportation Program (RSTP) and Regional Transportation Enhancement Activity (R-TEA) funds in order to boost delivery; and

WHEREAS the annual notice to regional agencies for Cycle 4 of AB 1012 “use-it-or-lose-it” provisions was released on December 9, 2002; and

WHEREAS the provision of AB 1012 require regions to obligate all funds noticed in Cycle 4 by December 9, 2003; and

WHEREAS, the State Highway Account is experiencing a cash shortage; and

WHEREAS, in order to bring additional cash into the State Highway Account, on July 18, 2003, the Department of Transportation borrowed \$200 million in obligation authority from the local agencies; and

WHEREAS, the decrease in obligation authority available to local agencies has limited their ability to meet the AB 1012 Cycle 4 deadlines; and

WHEREAS repayment of the obligation authority loan is anticipated to take place by June 30, 2004.

NOW THEREFORE BE IT RESOLVED that the Commission redirects the funds under “use-it-or-lose-it” provisions of AB 1012, Cycle 4, back to the “at risk” agencies until adequate obligation authority becomes available.