

**CALIFORNIA TRANSPORTATION COMMISSION**  
**Policy on GARVEE Bonding**

**Resolution No. G-03-21**

- 1.1 WHEREAS Chapter 4 (commencing with Section 14550) of Part 5.3, Division 3 of Title 2 of the Government Code permits the California Transportation Commission to select and designate eligible projects to be funded from the proceeds of Federal highway grant anticipation notes (GARVEE bonds) issued by the State Treasurer, with the approval of the Federal Highway Administration and the regional transportation planning agency, and
- 1.2 WHEREAS Section 14553.7 and Federal law provide that the security for repayment of GARVEE bonds is the future receipt of Federal transportation funds received by the state, and
- 1.3 WHEREAS Section 14553.8 requires that, before GARVEE bonds are issued, the Commission, in cooperation with the Departments of Transportation and Finance, shall consider and determine the appropriateness of GARVEE bonding in comparison other available funding mechanisms including pay-as-you-go, and
- 1.4 WHEREAS Section 14553.6 requires that GARVEE bonding allocated to a State Transportation Improvement Program (STIP) project, including financing costs, shall be counted against the appropriate county share or interregional program share, as appropriate, and
- 1.5 WHEREAS the Commission has adopted guidelines for STIP development and for GARVEE bonding that provide that the selection of projects for GARVEE bonding will be through the process for the adoption and amendment of the STIP and the State Highway Operation and Protection Program (SHOPP), and
- 1.6 WHEREAS the Commission adopted amendments to the STIP Guidelines for the 2004 STIP on December 11, 2003, further clarifying the Commission's intent to utilize GARVEE bonding, as appropriate, as a tool for funding the STIP and the SHOPP, and
- 1.7 WHEREAS Section 14553.4 does not permit the issuance of GARVEE bonds "if the annual repayment obligations of all outstanding notes in any fiscal year would exceed 30

percent of the total amount of federal transportation funds deposited in the State Highway Account in the State Transportation Fund for any consecutive 12-month period within the preceding 24 months,” and

- 1.8 WHEREAS the Commission reviewed proposed policies for GARVEE bonding and the selection of projects through the STIP process at its meetings of October 30, 2003 and November 24, 2003, and that review included discussion of the advantages of limiting debt service to a level below that permitted by statute,
- 2.0 NOW THEREFORE BE IT RESOLVED that the California Transportation Commission hereby adopts the following policy for GARVEE bonding through the period to be covered by the next Federal transportation reauthorization act, which is expected to cover the period through the 2008-09 Federal fiscal year:
  - Debt limit. The Commission will limit annual GARVEE debt service to 15 percent of qualifying Federal revenues. This limit will be calculated on the basis described in Section 14553.4 of the Government Code (i.e., 15 percent of the total amount of Federal transportation funds deposited in the State Highway Account for any consecutive 12 month period with the preceding 24 months).
  - Term. Each bond will be structured for debt service payments over a term of no more than 12 years.
  - Project Selection. The Commission will select project for accelerated construction through the use of GARVEE bonding. The selection will be made through the programming process for the State Transportation Improvement Program (STIP) and the State Highway Operation and Protection Program (SHOPP). The Commission will select projects that are major improvements to corridors and gateways for interregional travel and goods movement. Major improvements include projects that increase capacity, reduce travel times, or provide long-life rehabilitation of key bridges or roadways.