

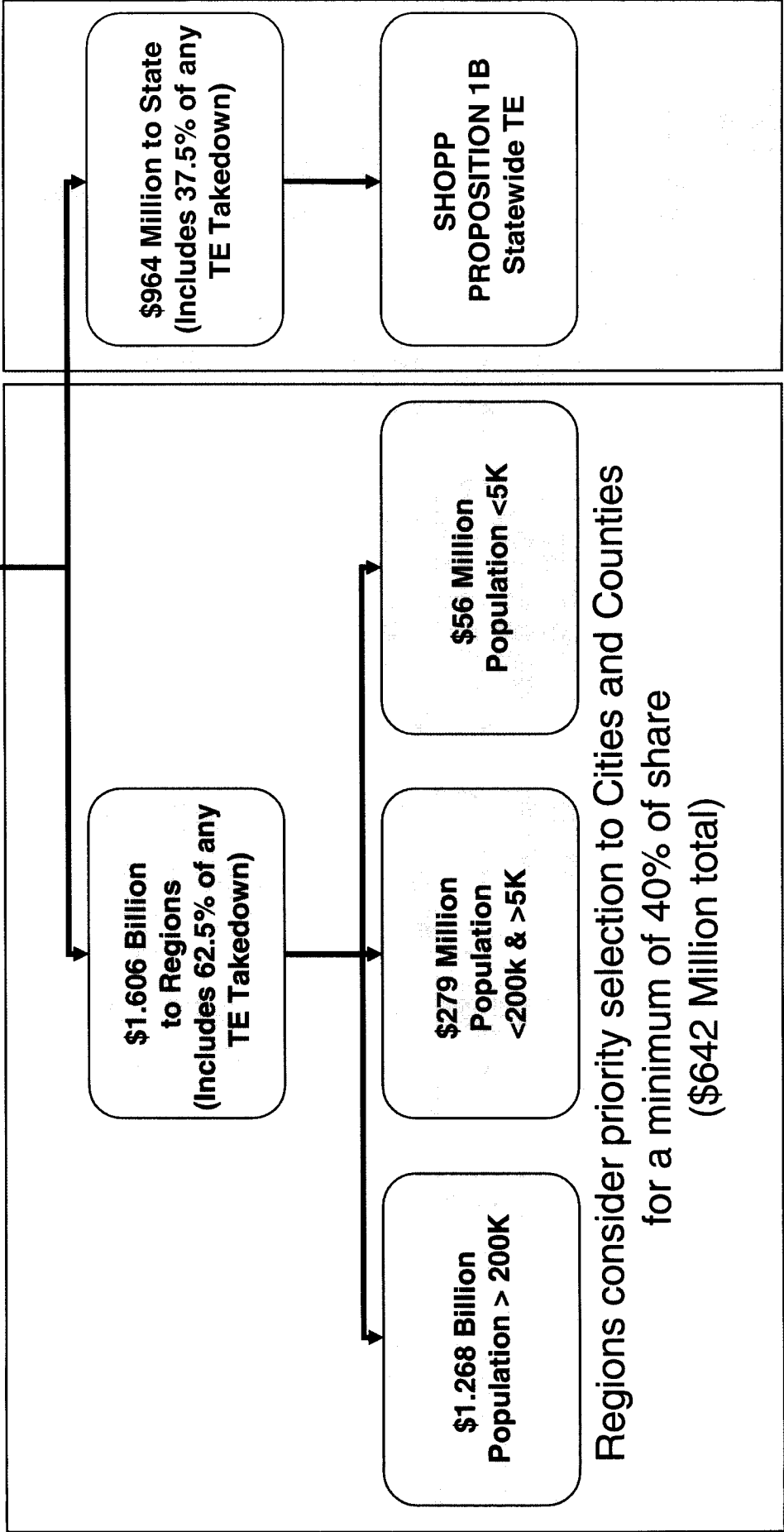
# PROPOSED CALIFORNIA DISTRIBUTION



**\$2.57 Billion  
Economic Recovery**

62.5%

37.5%

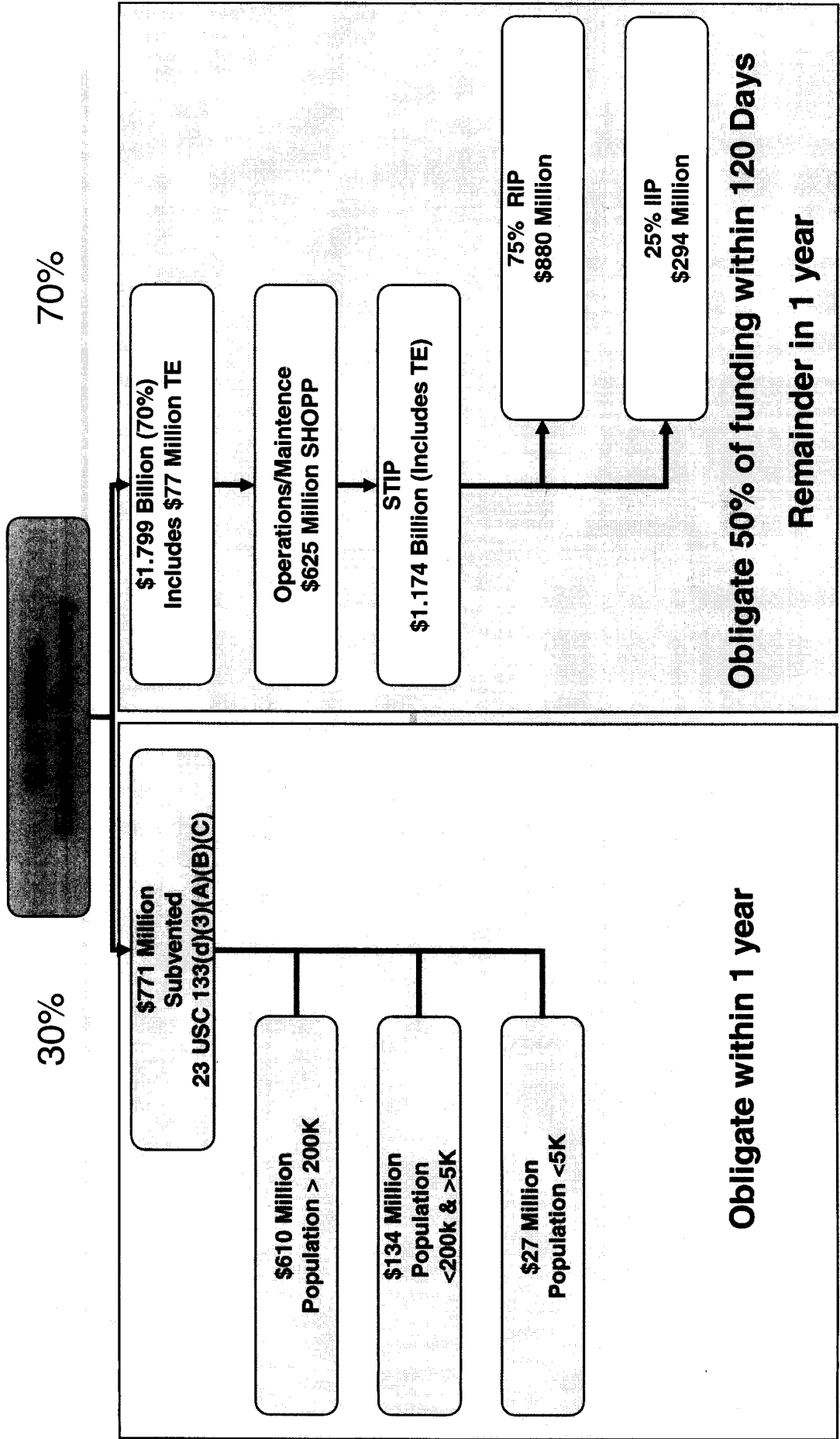


HR 1

# CALIFORNIA DISTRIBUTION



## EXISTING LAW



# California Department of Transportation

## Summary of 2009-10 Budget Act and Changes to the 2008-09 Budget

On February 20, 2009, Governor Schwarzenegger approved mid-year 2008-09 Budget Act changes and signed the 2009-10 Budget Act in order to address the projected \$42 billion General Fund (GF) shortfall through June 30, 2010, and to keep the GF solvent. Although the 2009-10 Budget was nearly signed four months earlier than required, a May Revise is expected with Spring hearings to consider proposals affected by the State cash crisis.

Changes to the 2008-09 Budget resulted in reductions to transit and highway. The 2009-10 Budget authorizes \$12.8 billion in expenditures for the Department of Transportation (Department). This includes \$3.1 billion in Department administered Proposition 1B appropriations. The 2009-10 Budget is \$1.4 billion less than the adjusted 2008-09 budget as a result of lower Proposition 1B expenditures, and lower revenues.

### Changes in Budget Category Expenditures

(\$ in millions)

Category	CY	BY	% Change
	Adjusted 2008-09	Proposed 2009-10**	
State Operations	\$ 4,261	\$ 4,216	-1.1%
Capital Outlay	7,290	6,234	-14.5%
Local Assistance	2,682	2,381	-11.2%
<b>Total</b>	<b>\$ 14,233</b>	<b>\$ 12,831</b>	<b>-9.9%</b>
Personnel Years	22,136	22,186	0.2%

\*\* The 2009-10 State Operations and Personnel Years totals may be subject to future revisions from the May Revise.

#### Proposition 42

- The budget fully funds the 2009-10 Proposition 42 transfer of \$1.483 billion, reflecting a proposed temporary increase to sales tax of 1.0 percent. This increase will last for only two years, but may extend another year if voters approve a permanent spending cap in a May 2009 special election. The 2009-10 Proposition 42 transfer would provide \$593 million for the State Transportation Improvement Program (STIP), \$593 million to local streets and roads, and \$297 million to the Public Transportation Account (PTA). The budget also includes the Proposition 1A annual loan repayment of \$83 million to the Traffic Congestion Relief Fund (TCRF) for partial repayment of Proposition 42 debt.

#### Tribal Gaming Revenues

- The budget will retain \$100 million of Tribal Gaming revenues originally slated to repay Pre-Proposition 42 debt for GF relief in both 2008-09 and 2009-10. This would impact the State Highway Operation and Protection Program (SHOPP) funding by \$100 million in 2008-09, and \$32 million in 2009-10. TCRF funding would also be impacted by \$68 million in 2009-10.

### **Pooled Money Investment Account (PMIA) issues**

- Although the budget contains appropriations for Proposition 1B in 2009-10, the Pooled Money Investment Board (PMIB) halted about 2,000 infrastructure projects through June 2009. The PMIB made this decision due to a struggling bond market and the impact of the State's fiscal emergency.
- The Proposed 2009-10 Governor's Budget included a State economic stimulus that authorized a Proposition 1B increase of \$800 million in 2008-09 and \$350 million in 2009-10 for transit, and \$700 million for local roads in 2008-09 (funds must be spent by December 31, 2009). Although these items were dropped from the enacted 2009-10 Budget, this may be a revisited topic if the PMIB can re-enter the bond market.

### **State Transit Assistance (STA) and the PTA**

- The budget reduces STA funding to \$153 million in 2008-09, and eliminates the STA transfer in 2009-10. These resources will instead be used to fund the Department of Education's Home-to-School program. Beginning in 2009-10, all spillover revenues will be diverted to the Mass Transportation Fund.
- As a result of the temporary sales tax increase, the PTA will receive additional funding from Proposition 42 transfers and diesel sales tax revenues. However, this increase will likely be used to fund non-traditional PTA expenditures and will not increase project capacity.
- The 2009-10 Budget Act provides funding for PTA projects programmed in the STIP for 2009-10.

### **State Economic Stimulus**

- The budget includes the following State economic stimuli:
  - Relief from State environmental laws and permit process time for a small group of transportation projects that may be awarded before January 1, 2012;
  - An expansion of authority for the Department to use design-build contracting to accelerate 10 state highway system and five local system projects through December 31, 2014;
  - Unlimited authority for the Department to enter into public-private partnerships through December 31, 2016, and
  - Settlement of litigation on the U.S. Highway 50 and Caldecott Tunnel projects allowing a combined \$600 million in programming to move forward.

### **Local Payments Delayed**

- Due to the length of budget negotiations, the State Controller's Office delayed the following transfers to cities and counties:
  - January 2009 through March 2009 Highway Users Tax Account revenue apportionments until May 2009, and
  - Second quarter (October 2008 through December 2008) Proposition 42 transfer. The payment is in process now, though it is typically distributed in January.

### **Federal Economic Stimulus**

- On February 17, 2009, the Federal government passed the American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA includes \$26.8 billion in Federal highway and local streets and roads funding, and \$7.5 billion for Federal transit. From this amount, California receives \$2.6 billion in state highway and local streets and roads funding, and \$1.1 billion for regional transit.
  - The ARRA is **not included** in the 2008-09 or 2009-10 Budget Acts, but the Department is preparing the changes necessary to implement the Act for submittal in the May Revise.
  - The Department proposes to allocate about \$1.6 billion (62.5 percent) for regional projects while retaining approximately \$970 million (37.5 percent) for state highway system projects.

**State of California****State Treasurer's Office****MEMORANDUM**

**Date:** February 23, 2009  
**To:** General Obligation Bond Grant and Loan Program Administrators  
**From:** Geoff Palmertree  
Manager, Interim Financing Section, Public Finance Division  
**Subject:** Alternative Non-State Bridge Financing for Grant and Loan Recipients

Several agencies and departments ("grantor state agencies") have inquired as to whether they may repay some type of bridge financing obtained by grant and loan recipients ("grantees") once the freeze on disbursements from Pooled Money Investment Board ("PMIB") loans is over. The Attorney General's Office has provided the following informal general guidance to the State Treasurer's Office ("STO") relating to this question:

Generally, a grantee may continue to incur expenses during the PMIB freeze in order to maintain project schedules and avoid additional costs, and seek payment of those expenses at the end of the freeze, if all of the following apply:

1. The grantee is not a state agency.
2. PMIB approved the loan to the grantor state agency that will be used as interim financing in anticipation of the sale of general obligation bonds for the grant or loan program of the grantor state agency before the freeze took effect.
3. The grantor state agency awarded or allocated the grant or loan and approved the project before the freeze took effect.
4. The grantee incurs the expenses during the freeze period. If the grantee fronts an expense with an alternative source of non-state funds during the freeze period, the grantor state agency may still disburse grant funds after the freeze upon the receipt of an invoice detailing the expense. However, grant funds may not be used to pay interest or other financing costs on any alternative non-state bridge financing obtained by a grantee to front project expenses.
5. The expenses incurred by the grantee during the freeze must meet the requirements of the applicable bond act, any statutes incorporated in the bond act, and the grantor state agency's program guidelines or regulations. For example, some grant programs may have matching, timing or percentage requirements that must still be followed. The freeze on PMIB loans does not eliminate those requirements.

Please be advised that the guidance provided by the Attorney General's Office to the STO is informal and general in nature. Each program administrator should take care to review program guidelines or regulations, the applicable bond act, and any statutes incorporated into the bond act and consult with counsel to ensure that all program requirements are met.

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Please also note that the STO cannot guarantee when funds from PMIB loans will be available for reimbursement of project costs, and should grantees decide to continue projects with an alternative non-state source of bridge financing, they do so at their own risk with respect to the timing of reimbursement from the State.

In addition, loans made to grantees that are Local Governmental Entities (as that term is defined in the Bond Expenditure Transaction Form) which will be used by those grantees to repay bridge financing raise additional tax considerations that may affect the State's issuance of General Obligation Bonds. Each program administrator must track which loans to grantees that are Local Governmental Entities, if any, will be used to repay the grantee's bridge financing, and must report those loans separately on the Bond Expenditure Transaction Form.

I hope this information is helpful. If you have any questions, please contact me at (916) 653-2440 or [gpalmtree@treasurer.ca.gov](mailto:gpalmtree@treasurer.ca.gov).