

AMENDED IN ASSEMBLY APRIL 11, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1229

Introduced by Assembly Member Feuer

February 18, 2011

An act to amend ~~Sections 64111 and 64132~~ *Section 14553.4* of the Government Code, relating to transportation financing, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1229, as amended, Feuer. ~~California Transportation Financing Authority Fund: subsidies: local agency revenue bonds.~~ *Transportation: financing: federal highway grant anticipation notes.*

Existing law continuously appropriates the amounts specified in the annual Budget Act as having been deposited in the State Highway Account from federal transportation funds, and pledged by the California Transportation Commission, to the Treasurer for the purposes of issuing federal highway grant anticipation notes, commonly known as GARVEE bonds, to fund transportation projects selected by the commission. Existing law prohibits the Treasurer from authorizing the issuance of the notes if the annual repayment obligations of all outstanding notes in any fiscal year would exceed 15% of the total amount of federal transportation funds deposited in the account for any consecutive 12-month period within the preceding 24 months.

This bill would increase the 15% limitation to 25%, thereby making an appropriation. This bill, with respect to the amount represented by the 25% limitation, would reserve 40% of that amount to fund projects proposed by transportation planning agencies. The notes for those projects would be secured by all federal transportation funds deposited

in the State Highway Account, but would be repaid from specified federal funds designated for allocation to and expenditure by the transportation planning agencies. The bill would provide that a transportation planning agency may not commit more than 50% of its share of apportionments of the designated federal funds to annual debt service on the notes, as specified. The bill would require the commission to approve these project proposals upon receiving a communication from the Director of Transportation that the associated debt service for the transportation planning agency’s region will not exceed the 50% limitation and a communication from the Treasurer that the total debt service on federal grant anticipation notes authorized will not exceed the overall 25% limitation.

~~The California Transportation Financing Authority Act sets forth the duties of the California Transportation Financing Authority in issuing certain transportation financing instruments, or approving their issuance by various local or regional agencies. The authority is authorized to expend moneys in the continuously appropriated California Transportation Financing Authority Fund to secure the issuance of bonds issued by the authority and cover various related costs, among other things.~~

~~This bill would authorize the authority to direct the Treasurer to utilize unrestricted moneys in the fund to subsidize the payment of interest by those local or regional agencies on revenue bonds issued by those agencies pursuant to these provisions.~~

Vote: majority. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 14553.4 of the Government Code is
- 2 amended to read:
- 3 14553.4. (a) The Treasurer may not authorize the issuance of
- 4 notes if the annual repayment obligations of all outstanding notes
- 5 in any fiscal year would exceed 25 percent of the total amount
- 6 of federal transportation funds deposited in the State Highway
- 7 Account in the State Transportation Fund for any consecutive
- 8 12-month period within the preceding 24 months.
- 9 (b) Of the amount represented by the 25-percent limitation in
- 10 subdivision (a), 40 percent shall be reserved for projects proposed
- 11 by transportation planning agencies for funding from notes secured

1 *by all federal transportation funds deposited in the State Highway*
2 *Account, but to be repaid by federal regional surface transportation*
3 *program funds and federal congestion mitigation and air quality*
4 *funds that flow through the State Highway Account for use by*
5 *transportation planning agencies pursuant to Sections 182.6 and*
6 *182.7 of the Streets and Highways Code. A transportation planning*
7 *agency may not commit more than 50 percent of its share of*
8 *apportionments of Section 182.6 and 182.7 funds for any*
9 *consecutive 12-month period within the preceding 24 months to*
10 *annual debt service on the notes. The commission shall approve*
11 *regionally funded project proposals pursuant to this subdivision*
12 *upon receiving a communication from the Director of*
13 *Transportation that the associated debt service for the*
14 *transportation planning agency’s region will not exceed 50 percent*
15 *of its share of Section 182.6 and 182.7 funds and a communication*
16 *from the Treasurer that the total debt service on notes authorized*
17 *pursuant to this article will not exceed the 25-percent limitation*
18 *under subdivision (a). Approval by the commission constitutes a*
19 *pledge of federal funds pursuant to subdivision (a) of Section*
20 *14554.8.*

21 ~~SECTION 1. Section 64111 of the Government Code is~~
22 ~~amended to read:~~

23 ~~64111. (a) Prior to issuing or approving the issuance of bonds~~
24 ~~for a project, the authority shall determine that the revenues and~~
25 ~~other moneys available for a project will be sufficient to pay debt~~
26 ~~service on the bonds and to operate and maintain the project over~~
27 ~~the life of the bonds consistent with the objective set forth in~~
28 ~~Section 64105. The authority may hire outside consultants to assist~~
29 ~~in making these determinations.~~

30 ~~(b) The authority may issue or approve the issuance of bonds~~
31 ~~to achieve any of its purposes under this division and bonds may~~
32 ~~be issued without investment grade ratings, as long as the bonds~~
33 ~~are sold only to qualified institutional buyers or accredited investors~~
34 ~~who attest upon purchase that they understand the nature of the~~
35 ~~risks of their investment. The bonds may be taxable or tax exempt~~
36 ~~and may be sold at public or private negotiated sale. The Treasurer~~
37 ~~shall serve as the agent for sale for all authority bond issues, and~~
38 ~~shall be reimbursed from bond proceeds to cover the Treasurer’s~~
39 ~~costs related to the issuance of these bonds. As used in this~~
40 ~~subdivision, “accredited investor” shall have the meaning as~~

1 ~~defined in subdivision (a) of Section 5950, and “qualified~~
2 ~~institutional buyer” shall have the meaning as defined in~~
3 ~~subdivision (h) of Section 5950.~~

4 ~~(e) The project sponsor may request that it be the issuer of the~~
5 ~~bonds. The authority may grant the request if it determines that~~
6 ~~the revenues and other moneys available for the project will be~~
7 ~~sufficient to pay debt service on the bonds and to operate and~~
8 ~~maintain the project over the life of the bonds. A project sponsor~~
9 ~~for which the authority has granted a request that the project~~
10 ~~sponsor issue the bonds, in addition to any other powers it may~~
11 ~~have under any other law, shall have all of the powers of the~~
12 ~~authority under this division necessary or convenient for the~~
13 ~~purpose of issuing, securing, and repaying the bonds and financing~~
14 ~~or refinancing the project. This provision is a complete, additional,~~
15 ~~and alternative method of accomplishing the matters authorized,~~
16 ~~and the project sponsor need not comply with any other law relating~~
17 ~~to the issuance of bonds, financing of projects and, if applicable,~~
18 ~~the imposition and collection of tolls.~~

19 ~~(d) The authority may arrange additional credit support for the~~
20 ~~bond issues, including, but not limited to, interest subsidies~~
21 ~~provided pursuant to subdivision (e) of Section 64132. However,~~
22 ~~the authority may not compel project sponsors to make use of that~~
23 ~~credit enhancement, nor compel them to contribute to it by~~
24 ~~becoming part of a common credit or by providing funding for a~~
25 ~~common reserve or other enhancement mechanism.~~

26 ~~SEC. 2. Section 64132 of the Government Code is amended~~
27 ~~to read:~~

28 ~~64132. (a) The California Transportation Financing Authority~~
29 ~~Fund is hereby created and continued in existence in the State~~
30 ~~Treasury, to be administered by the authority. Notwithstanding~~
31 ~~Section 13340 of the Government Code, all moneys in the funds~~
32 ~~shall be continuously appropriated without regard to fiscal year~~
33 ~~for the purposes of this division. The authority may pledge any or~~
34 ~~all of the moneys in the fund as security for payment of the~~
35 ~~principal of, and interest on, any particular issuance by the authority~~
36 ~~of bonds issued pursuant to this division, or any particular secured~~
37 ~~or unsecured loan made pursuant to subdivision (g) or (h) of~~
38 ~~Section 64107, and, for that purpose or as necessary or convenient~~
39 ~~to the accomplishment of any other purpose of the authority, may~~
40 ~~divide the fund into separate accounts. All moneys accruing to the~~

1 authority pursuant to this part from whatever source shall be
2 deposited in the fund.

3 (b) Subject to the priorities that may be created by the pledge
4 of particular moneys in the fund to secure any issuance of bonds
5 of the authority, and subject further to the costs of loans provided
6 by the authority pursuant to subdivisions (g) and (h) of Section
7 64107, and subject further to any reasonable costs that may be
8 incurred by the authority in administering the program authorized
9 by this division, all moneys in the fund derived from any source
10 shall be held in trust for the security and payment of bonds of the
11 authority and shall not be used or pledged for any other purpose
12 so long as the bonds are outstanding and unpaid. However, nothing
13 in this section shall limit the power of the authority to make loans
14 with the proceeds of bonds in accordance with the terms of the
15 resolution authorizing the same.

16 (c) Pursuant to any agreements with the holders of particular
17 bonds pledging any particular assets, revenues, or moneys, the
18 authority may create separate accounts in the fund to manage
19 assets, revenues, or moneys in the manner set forth in the
20 agreements.

21 (d) The authority may, from time to time, direct the Treasurer
22 to invest moneys in the fund that are not required for its current
23 needs, including proceeds from the sale of any bonds, in the eligible
24 securities specified in Section 16430 as the agency shall designate.
25 The authority may direct the Treasurer to deposit moneys in
26 interest-bearing accounts in state or national banks or other
27 financial institutions having principal offices in this state. The
28 authority may alternatively require the transfer of moneys in the
29 fund to the Surplus Money Investment Fund for investment
30 pursuant to Article 4 (commencing with Section 16470) of Chapter
31 3 of Part 2 of Division 4 of Title 2. All interest or other increment
32 resulting from an investment or deposit shall be deposited in the
33 fund, notwithstanding Section 16305.7. Moneys in the fund shall
34 not be subject to transfer to any other fund pursuant to any
35 provision of Part 2 (commencing with Section 16300) of Division
36 4 of Title 2, excepting the Surplus Money Investment Fund.

37 (e) The authority may direct the Treasurer to utilize unrestricted
38 moneys in the fund, including interest or other increment resulting
39 from an investment or deposit of unrestricted moneys, to subsidize

- 1 ~~the payment of interest by project sponsors on revenue bonds~~
- 2 ~~issued by those project sponsors pursuant to this division.~~

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