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**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
MAY 19, 2005**

SUBJECT: STATE LEGISLATION

ACTION: APPROVE STAFF RECOMMENDATION ON STATE LEGISLATION

RECOMMENDATION

Adopt the following position:

- A. AB 1702 (Frommer) – Would appropriate \$500 million from the General Fund, using Economic Recovery Bonds, to the Traffic Congestion Relief Fund (TCRP) to repay transportation projects and programs. —**SUPPORT**


ATTACHMENT


- A. AB 1702 (Frommer)

Prepared by:

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BILL: AB 1702

AUTHOR: ASSEMBLY MEMBER DARIO FROMMER
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TITLE: ECONOMIC RECOVERY BONDS

STATUS: ASSEMBLY APPROPRIATIONS COMMITTEE

ACTION: SUPPORT

RECOMMENDATION

Adopt a support position on AB 1702 which would appropriate \$500 million from the Economic Recovery Bonds to repay loans made from Proposition 42.

ISSUE

Proposition 57 provided for \$15 billion in Economic Recovery Bonds to be used to address the State's General Fund debt. Portions of this debt are obligations of the General Fund to repay loans made from Proposition 42.

PROVISIONS

The Economic Recovery Bond Act authorizes the issuance of bonds to finance the accumulated state budget deficit. This measure would appropriate \$500 million from the General Fund, using Economic Recovery Bond proceeds to repay loans from Proposition 42. Specifically, the funds would be allocated to:

- The State Highway Account, \$250 million
- The Traffic Congestion Relief Program (TCRP), \$250 million

IMPACT ANALYSIS

The State of California has borrowed over \$2 billion in Proposition 42 funds and is required to repay these loans over time. Last year, Governor Schwarzenegger proposed, and the Legislature ultimately approved, new tribal gaming compacts which dedicated portions of revenues, from tribal gaming operations to the repayment of the Proposition 42 loans. Under this program the state would have issued bonds against the tribal gaming revenues to repay transportation.

Unfortunately these revenues have not been allocated to transportation as litigation has blocked the issuance of the bond package. AB 1702 would instead allocate a portion of the remaining Economic Recovery Bonds to make a partial repayment in place of the tribal gaming bonds.

AB 1702 would provide a replacement source of revenue to transportation and allow for allocation to delayed projects. The proceeds would be allocated to the Traffic Congestion Relief Program and the State Transportation Improvement Program, both of which have a number of ready-to-go projects on hold.

AB 1702 would provide an immediate infusion of cash into transportation accounts and allow for advancement of projects. Staff recommends that the Board of Directors adopt a support position on AB 1702