State of California
DEPARTMENT OF TRANSPORTATION

Business, Transportation and Housing Agency

M e m o r a n d u m

To: CHAIR AND COMMISSIONERS

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Information Item

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Subject: **REPORT ON GARVEE FOR STATE HIGHWAY OPERATION AND PROTECTION PROGRAM PROJECTS**

SUMMARY:

The Department of Transportation (Department) is presenting this informational item on Grant Anticipation Revenue Vehicle (GARVEE) Bonds as a financing tool to fund projects programmed in the State Highway Operation and Protection Program (SHOPP).

GARVEE bonds are tax-exempt anticipation notes backed by annual federal appropriations for Federal Aid Highway projects. This method of financing was authorized in federal law in 1995.

As with all financing tools, there is a cost for bond issuance and administration. The first objective is to minimize bond issuance and administration costs by careful planning of the timing and size of bond sales. This will ensure the maximum value of financing goes directly to the transportation project. The second objective is to accelerate the construction of projects that would otherwise be deferred due to funding availability. The last objective is to maintain future program flexibility.

The Department will provide additional information and discuss the potential use of GARVEE for funding SHOPP projects.