

Department of Transportation:

**No Activity in the Seismic Retrofit Bond
Fund for the Fiscal Year Ended
June 30, 1996**

December 1996
96022

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December 31, 1996

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The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

The Seismic Retrofit Bond Act of 1996 (Bond Act) was adopted by the voters of the State of California in March 1996. This measure authorized the State to sell \$2 billion in general obligation bonds in order to reconstruct, replace, or retrofit state-owned highways and bridges, including toll bridges. Chapter 310, Statutes of 1995, requires the State Auditor to annually audit the revenues and expenditures authorized by the Bond Act to insure that seismic retrofit projects are consistent with the purpose of the Bond Act.

We reviewed the bond issuance records maintained by the State Treasurer's Office for the period of March 1996 through December 18, 1996. During this period, there were no general obligation bond sales related to the Bond Act. Instead, the Department of Transportation (department) obtained a pooled money investment loan through the State Treasurer's Office. The pooled money investment loan program provides interim financing to bond programs until general obligation bonds are issued. On August 21, 1996, the Pooled Money Investment Board approved the department's request for a loan totaling \$190 million. We reviewed the financial records of the Seismic Retrofit Bond Fund of 1996 established to account for the Bond Act and found that there were no recorded expenditures for fiscal year 1995-96.

In December 1996, the department requested the Department of Finance to allocate the proceeds from bonds issued in accordance with Chapter 310, Statute of 1995, Section 8879.3(a), as follows:

- \$1,350,000,000 for the seismic retrofit of state-owned highways and bridges throughout the state.
- \$650,000,000 for the seismic retrofit of state-owned toll bridges.

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The Department of Finance is in the process of reviewing the department's request. Upon approval of the department's request, the State Controller will be authorized to reimburse the department's expenditures up to the amounts allocated. Some of these expenditures have been initially paid from various revenue sources available for seismic retrofit projects prior to the passage of the Bond Act. As provided by the Bond Act, the department is required to first use Bond Act revenue sources to finance seismic retrofit of the state-owned highways and bridges and state-owned toll bridges.

The initial transactions charged to the Seismic Retrofit Bond Fund of 1996 are scheduled to occur in fiscal year 1996-97. They will be included in the scope of our audit for fiscal year 1996-97, that is due on January 1, 1998.

The information in this report was shared with the department and we considered its comments.

Sincerely,



KURT R. SJÖBERG
State Auditor

cc: **Members of the Legislature**
Office of the Lieutenant Governor
Attorney General
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps