

BUDGET LETTER

SUBJECT: INTERIM LOANS FOR GENERAL OBLIGATION AND LEASE REVENUE BOND PROJECTS—ALLOWABLE DISBURSEMENTS	NUMBER: 09-02
REFERENCES: BL 08-33	DATE ISSUED: January 23, 2009
	SUPERSEDES:

TO: Secretary of State
State Controller
State Treasurer
Superintendent of Public Instruction
Administrative Office of the Courts
Agency Secretaries
Office of the President, University of California
Chancellor's Office, California State University
Board of Governors, California Community Colleges

Department Directors
All GO Bond Financing Committees
California Institute for Regenerative Medicine
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Budget Officers are requested to forward this Budget Letter (BL) to their Department Facilities, Construction, and Contract Managers.

On January 16, 2009, the Pooled Money Investment Board (PMIB) continued the freeze on PMIB AB 55 loan disbursements originally imposed at the December 17, 2008 PMIB meeting. However, the PMIB made available \$650 million in AB 55 loan disbursements and specified that the Department of Finance (Finance) should determine which disbursements have the highest priority and are in the state's best interests. Finance and the State Controller's Office (SCO) have established a mutually agreeable disbursement approval process to ensure that only the disbursements within the \$650 million authorized by the PMIB are made.

Because the \$650 million authorized by the PMIB is not sufficient to fund all outstanding obligations, Finance has requested the SCO to only make disbursements for the following expenses, within AB 55 loans approved by the PMIB (see Attachment I). These include:

- Administrative costs incurred for bond programs through June 30, 2009, up to a maximum amount as reported to Finance on Attachment I. Administrative costs include, but are not limited to, wages, benefits, and related operational expenses such as rent, utilities, and travel expenses.
- Unpaid bills under state contracts for work performed, up to a maximum amount as reported to Finance on Attachment I.

When submitting claims or plans of financial adjustment (PFAs) to the SCO that draw on funds from AB 55 loans, departments must attach a letter certifying that the amounts requested are for appropriate expenditures (i.e. administrative costs and unpaid bills as described above) and within the amount identified on Attachment I. The letter should specify the amount requested, the cumulative amount requested (if multiple claims/PFAs are or have been submitted), and a statement signed by an appropriate accounting officer that *"the cumulative disbursements are appropriate and within the amount authorized by the Department of Finance for [Department name], and PMIB Loan [Loan Number] pursuant to BL 09-02."* For PFA transaction requests, departments/agencies need to identify amounts attributable to administrative costs and for state contract costs in the PFA transaction request description field. **The SCO will return all claims or PFAs that lack the required certification to departments/agencies.**

Note that some loans may not have sufficient unexpended balances for the entire amount of allowable disbursements. In these instances, departments/agencies, through the appropriate bond fund administrator, should request the PMIB to renew their loan at an increased level to accommodate the allowable disbursements before requesting these disbursements. In the meantime for these loans, departments are directed to work with the appropriate bond fund administrator to restrict disbursement requests to within their share of the existing loan.

AGENCY LIABILITY

Please be advised that any expenditure not in compliance with this BL could result in your department's or agency's general operating budget being charged for that expenditure.

PROJECT SUSPENSION AND FREEZES

Pursuant to BL 08-33 and the PMIB's December 17, 2008 actions, departments and agencies have suspended all projects funded from AB 55 loans, excluding those for which Finance has authorized an exemption or the contracting entity can continue with non-state funding sources (private, local, or federal funds). These suspensions will remain in effect until such time as they can be reevaluated in light of additional information regarding the condition of the Pooled Money Investment Account (PMIA) and future PMIB actions. Likewise, funding for exempted projects and the continuation of exemptions will be evaluated in light of additional information regarding the condition of the PMIA and future PMIB actions.

State entities are not permitted to substitute cash in special funds for previously approved AB 55 loans. Utilizing cash in other state special funds that are in the PMIA would not comply with BL 08-33 and the PMIB's actions.

Please contact your Finance budget analyst if you have questions.

/s/ Karen Finn

Karen Finn
Program Budget Manager

Attachment