

BUDGET LETTER

SUBJECT: TERMINATION OF ALL PROJECT EXEMPTIONS RELATED TO PMIB DISBURSEMENT FREEZE	NUMBER: 09-05
REFERENCES: BL 08-33; BL 09-02	DATE ISSUED: February 17, 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.

PROJECT SHUTDOWN

Pursuant to BL 08-33 and the Pooled Money Investment Board's (PMIB) December 17, 2008 actions, departments and agencies have suspended or shut down all projects funded from AB 55 loans, excluding those: (a) which the contracting entity can continue with non-state funding sources (private, local, or federal funds) and (b) the 276 projects for which Finance has authorized exemptions (See Attachment I).

The Department of Finance (Finance) has delayed shutting down the exempted projects down because of the excessive costs and disruption associated with shutdown as well as the critical nature of the projects. In addition, it was determined that a shutdown could be avoided should the Legislature pass the necessary revisions to the current year budget and adopt an early balanced budget for the 2009-10 fiscal year.

However, due to the lack of Legislative action to date, Finance is unable to assure that there will be funding for these projects. Therefore, agencies and departments must take action to begin an orderly shutdown of **all projects effective Thursday, February 19, 2009**, except those that can continue with non-state funding sources (private, local, or federal funds).

With regard to using non-state funding, departments should ensure that these alternative funds will be available for an extended period of time since in the absence of a state budget it is uncertain when the state will be in a position to repay them.

It is also important to note that 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 Pooled Money Investment Account would not comply with BL 08-33 and the PMIB's actions.

Further direction on how the state will pay for the liabilities incurred by these 276 projects since December 17 will be forthcoming. In addition, the Department of Finance recognizes that there will be significant shutdown costs associated with this action. Future direction on how to fund these costs will also be forthcoming.

If you have any questions, please contact your Finance Budget Analyst.

/s/ Michael C. Genest

MICHAEL C. GENEST
Director

Attachment