

BUDGET LETTER

	NUMBER: 09-09
SUBJECT: INTERIM LOANS AND BOND PROCEEDS FOR GENERAL OBLIGATION AND LEASE REVENUE BOND PROJECTS—ALLOWABLE DISBURSEMENTS	DATE ISSUED: April 3, 2009
REFERENCES: BL 08-33, BL 09-05, BL 09-06	SUPERSEDES: BL 09-02

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 March 24, 2009, the State Treasurer's Office (STO) announced the sale of approximately \$6.5 billion of tax-exempt general obligation bonds. Of this amount, approximately \$3.8 billion will repay existing AB 55 interim financing loans, and approximately \$2.67 billion will be available for the following purposes after the bond sale closes on April 2, 2009:

- Approximately \$1 billion for projects exempt from the stop-work order imposed due to the freeze in AB 55 interim financing loans (see Attachment I for dollar amounts and Attachment IA for a list of projects).
- Approximately \$988 million for payment of amounts owed for past obligations that had been incurred but not paid (see Attachment II).
- Approximately \$688 million for funding to start or restart certain critical transportation, flood control, and water management projects (see Attachment III for dollar amounts and IIIA for a list of projects).

The STO and State Controller's Office (SCO) will set up accounts to be used for disbursement of the bond proceeds as detailed on Attachments I, II, and III. Note that disbursements from these bond proceeds are not authorized until the STO determines that the projects to be funded are eligible for tax-exempt financing and the department executes a tax compliance certificate pertaining to the use of such funds. Further direction on executing tax compliance certificate will be forthcoming from the STO.

Also, because the bond sale exceeded \$4 billion, in addition to the \$2.67 billion described above, the Pooled Money Investment Board (PMIB) has made \$500 million available for disbursement from AB 55 interim financing loans, in addition to the \$650 million previously made available (see Attachment IV). Except for these disbursements, the PMIB has continued the freeze on PMIB AB 55 loan disbursements originally imposed at the December 17, 2008 PMIB meeting. The Department of Finance (Finance) and the SCO have established a mutually agreeable disbursement approval process to ensure that only the

disbursements authorized by this budget letter are made from bond proceeds or AB 55 interim financing accounts.

Regarding the allowable disbursements on Attachment IV, note that the allowable disbursements include all anticipated costs previously reported to Finance for (1) administrative and other direct costs through June 30, 2009, such as staffing costs and overhead, (2) costs attributable to work performed on state contracts prior to the initial freeze in December, and (3) anticipated disbursements for exempted projects. Departments/Agencies have discretion to spend up to the total allowable disbursements for their department for any of these purposes. If these amounts are incorrect, departments/agencies are directed to contact their Finance Budget Analyst to identify their actual needs; however, departments are cautioned that the timing and availability of additional funds is uncertain.

CLAIMS PAID FROM BOND PROCEEDS

When submitting claims or plans of financial adjustment (PFAs) to the SCO that draw on bond proceeds described in the attachments, departments must attach a letter certifying that the amounts requested are for appropriate expenditures and within the amounts identified on Attachments I, II, or III. 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 consistent with the tax compliance certificate completed for the use of the up front bond proceeds and are within the amounts authorized by the Department of Finance for [Department name], and Account [GO Bond Proceeds Account Number] pursuant to BL 09-09, Attachment [Attachment number].”* **The SCO will return all claims or PFAs that lack the required certification to departments/agencies.**

CLAIMS PAID FROM AB 55 INTERIM FINANCING LOANS

When submitting claims or plans of financial adjustment (PFAs) to the SCO that draw on funds from AB 55 interim financing loans described in Attachment IV, departments must attach a letter certifying that the amounts requested are for appropriate expenditures and within the amounts identified on Attachment IV. 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 within the amounts authorized by the Department of Finance for [Department name], and Loan [PMIB Loan Number] pursuant to BL 09-09 Attachment IV.”* **The SCO will return all claims or PFAs that lack the required certification to departments/agencies.**

In addition, departments/agencies should track and have available upon request a list of all disbursements against the allowable disbursements for bond proceeds and AB 55 interim financing loans described in the attachments.

Note that some loans may not yet have been established or 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 establish or 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 for these loans to remain 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 interim financing 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). If projects continue with non-state funding sources, the state intends to eventually pay the costs to which it has committed through a valid agreement; however, entities providing the non-state funding sources should be cautioned that the timing of such payment is uncertain and these projects will be considered for repayment in the same manner as if they had remained suspended. 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.

State entities are not permitted to substitute cash in special funds for previously approved AB 55 interim financing 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

Attachments:

Attachment I: Allowable Disbursements of general obligation bond proceeds for previously exempted projects.

Attachment IA: List of projects to be funded with amounts in Attachment I.

Attachment II: Allowable disbursements of general obligation bond proceeds for unpaid bills

Attachment III: Allowable disbursements of general obligation bond proceeds for newly exempt projects.

Attachment IIIA: List of DWR projects funded from amounts in Attachment III

Attachment IIIB: List of CalTrans projects funded from amounts in Attachment III

Attachment IV: Allowable disbursements of AB 55 interim financing loans.