

# CCFC FAST FAX

**Community College Facility Coalition**  
Legislative Update — January 5, 2009 — 2 Pages  
CCFC Phone 916.446.3042 — Website: [www.caccfc.org](http://www.caccfc.org)

**STATE FINANCIAL CRISIS IMPACTS STATE FUNDED CAPITAL PROJECTS** — Unless you've been living in a cave for about 18 months you are well aware that the state, country and world are in a virtually unprecedented financial crisis. While the Federal Reserve's Federal Open Market Committee has reduced their overnight interest rate to virtually zero, California was unable to fully subscribe a 9% water bond issue this month. That's a **tax exempt** 9% rate.

All capital outlay projects involving state funds are initially funded through the Pooled Money Investment Account (PMIA), an account in which virtually all state funds are held prior to disbursement. Capital projects funded by general obligation bonds are initially funded through the PMIA and subsequently reimbursed by the bond proceeds when the bonds are actually sold. If the state is unable to sell bonds, the liquidity of the PMIA is impaired.

On December 17<sup>th</sup> the Pooled Money Investment Board (PMIB) virtually froze disbursements from the PMIA until the state's fiscal crisis is resolved. The Chancellor's Office, with input from the Department of Finance (DOF), issued the following memo on December 19<sup>th</sup> to advise districts regarding the impact on community college projects that involve state funds.

**TO:** Chief Executive Officers  
Chief Business Officers  
Facilities Planners  
Other Interested Parties

**FROM:** Frederick E. Harris, Assistant Vice Chancellor  
College Finance and Facilities Planning

**SUBJECT:** PMIB Suspension of Interim Loans for State-funded General Obligation and Lease Revenue Bond Projects

*The Pooled Money Investment Board (PMIB) voted on December 17, 2008 to freeze all disbursements from AB 55 loans (Pooled Money Investment Account (PMIA) loans) with the exception of accrued interest and necessary administrative costs. The PMIB took this action to preserve necessary cash resources to pay the day-to-day operational needs of the state for the balance of the fiscal year pending further PMIB action in January. If loan disbursements continue at the current pace, the state's portion of the PMIA is projected to run out of liquid cash before the end of the current fiscal year (cash held in the Local Agency Investment Fund will remain). No future loans or higher amount of loan renewals will be approved until the budget crisis is resolved in a manner sufficient to allow the state to resume issuing bonds.*

*As a result of this PMIB Action, the Department of Finance (DOF) has provided us with the following further guidance to share with you:*

- 1. Cease authorizing any new grants or obligations for bond projects, including new phases of existing projects. Instruct all grant/loan recipients to not enter into any new construction, agreements or contracts.**
  - If districts incur state costs from this point forward, these costs will not be reimbursed.*
  - Until this PMIA issue is resolved, we will not process project requests that obligate state funds.*
- 2. Freeze all disbursements not authorized or submitted to the Controller for payment prior to December 17, 2008.**

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- *District reimbursement requests that did not make it to the Controller's by December 17, 2008 won't be paid until the PMIA issue is resolved.*
- *We are in the process of determining with the Controller's Office what specific project claims will be reimbursed.*

### **3. There are special considerations for projects that have local funding.**

- *Districts could request approval for the next project phase of a state funded project ONLY if local funds are used. Until this PMIA issue is resolved, STATE FUNDS WILL NOT BE OBLIGATED OR RELEASED. If a district chooses to proceed with an approval request, the approval request letter must certify that:*
  - a. *ONLY local funds will be expended;*
  - b. *To the extent that districts choose to use local dollars to backfill the state funded portion of the project, those funds will not be reimbursed; and*
  - c. *If a district proceeds with the locally funded portion of a contract, the district will be responsible for the entire contract obligation should state funds for the project not become available.*
- *Public Works Board items will be processed, at DOF discretion, for actions that do not involve the release of state dollars (e.g. approval of preliminary plans and working drawings).*

*In this holiday season, we wish we had better news. We are currently in the process of determining the status of claims that are at the Controller's Office. Once we have any new information we will share it with you.*

A later clarification indicated that item 3(b) of the memo was amended to indicate that local funds used to backfill state funds **may** be reimbursed, but that districts should not rely on a forthcoming reimbursement.

Paul H. Holmes