

Background Information

If you're not clear on why the PMIB action affects our projects, you need to understand that bond funded projects, unlike General Fund projects, do not have any actual cash behind them. The Budget Act merely gives us "authority" to spend with the backing of a particular bond measure. Because there is no cash, we get a loan from the PMIA (with the approval of the PMIB) to float the project. When the State Treasurer sells the bonds, the State repays the PMIA with cash from the bond sale.

The PMIB has stated that without any action the PMIA will run out of cash within a week. As such, there is no cash to back the current loans we have outstanding, nor can we seek new loans, and because of the State's budget deficit, it can't sell bonds to replenish the PMIA cash reserves due to the State's inability to guarantee repayment of the bonds. In other words, no one is going to buy our bonds with the current budget deficit.

The PMIA will meet in January to decide what further action it needs to take. In any case, no future PMIA loans or higher amount of loan renewals will be approved until the budget deficit is resolved in a manner sufficient to allow the state to resume selling bonds. Until then, bond projects are basically on hold.