

PMIB – Bond Payment Freezing – FAQ
(as of June 12, 2009)

1. I have a payment request pending in your office, when will I get paid?

It is our understanding that payments should be moving through the State Controller's Office in a timely fashion. Please check with your Project Officer if you believe a payment has been delayed.

2. The bonds were sold in March and April. Why the delay in my payment?

Short answer: Various factors led the state into new models of bond financing. Adapting to these changes caused the delay.

Longer answer: The State's traditional method of bond financing involved the Pooled Money Investment Board. Essentially, that meant that as bond expenditures came due, the funds were borrowed from a pool of money coming from various sources, such as early tax receipts, and very short term borrowing. Bonds were then sold to reimburse the pool. That method is no longer viable due to changes in the larger investment climate (namely, the failure of many of the firms that provided this short term financing).

The March and April bond sales used different methodologies. The March sale was a traditional sale of tax exempt bonds, the April sale took advantage of a new federal tool, the Build America Bond program, which was created as part of the American Recovery and Reinvestment Act of 2009.

Use of bond proceeds must follow strict rules (such as generally being used for capital outlay). Expenditures made with the bond proceeds had to be certified by the State Treasurer's Office that they were in compliance with the rules for both the March and April bond sales. The delays were caused by this new certification process.

California State Parks was not the only entity to experience this delay, and in fact, we were among the first agencies to get through this new process. Of all the State's bond issuances, Propositions 12 and 40 were the first two bond acts to be certified for payment by the State Treasurer's Office.

3. I haven't finished a bond funded project that liquidates on June 30, 2009. What happens now?

A one year extension of all grants scheduled to liquidate on June 30, 2009 is included in the 2009/2010 budget and there is no reason to think they will not be approved by the Legislature. Once the budget is passed, the

next step is for the State Controller's Office to "set up" the extensions. Once this is done, payments can be processed through our office, to SCO and paid. In prior years, "setting up" the extension has been a relatively low priority for the SCO, and has taken as long as six months. It is difficult to predict how long this process will take this year, but given the volume of extensions, there is some possibility that it may occur sooner.

4. I've got a bond funded project scheduled to liquidate on June 30, 2010 (2011, 2012), can I get an extension?

We have been told that extensions for future budget years will be considered in future budgets.

5. Why can't I get an advance on my bond funded project?

The March and April bond sales provided limited funds. Essentially, we were asked to estimate how much funding our grantees would need before the next bond sale; once those funds run out, we will be unable to make payments until the next bond sale. This means we are on a first in, first out basis. Accordingly, we are not allowing advances to ensure that we will have funds available for grantees seeking reimbursement.

6. Is it safe to restart (or start) my project?

Yes. The Governor has stated that California will honor all of its existing contracts. In addition, we strongly encourage you to submit project applications for any RZH Block or Per Capita funds that you have not yet allocated to projects. Submitting the applications in timely fashion will help prevent unnecessary delays in the payment process.

7. May I submit payment requests?

Yes, we are processing payments as they are received.

8. Will the payments for those projects that are liquidating June 30, 2009 be given preference for paying, in accounting, over projects that are not set to expire this year?

Our office and the State Controller always prioritize projects that are liquidating.

9. As a result of the freeze, I was not able to finish my project prior to the deadline. Will I be required to return any funds I've received?

The purpose of the extension to June 30, 2010 is to allow the extra time needed for grantees to complete their projects. You will not have to return bond funds as long as your project is completed by March 31, 2010, approved by OGALS and all costs are eligible. Nonetheless, we

recommend that you finish the project and submit all the required documents as quickly as possible.

10. Are funds available for projects under other grant programs?

Based on our projections, we estimate that we will have sufficient funds to make payments for approved projects through the summer until the next bond sale, which is expected to occur sometime in the fall. However, if payment requests exceed the amount of funds available, they cannot be processed until more bonds are sold.

11. Can I resume work on my project and/or enter into new contracts for work?

Yes. You may resume work on your approved project and/or enter into new contracts. However, although we can guarantee you will get paid, we cannot guarantee when that will happen.

12. May I submit new project applications?

Yes. We strongly encourage you to identify and submit applications for projects as soon as possible.

13. Can I continue to spend advance funds I've already received?

Yes. You must comply with our current policy on advances or return the funds in a timely fashion.

14. How does this affect my HCF, RTP or LWCF project?

Payments on those projects are scheduled to continue as normal.