

CAPITALIZED ASSETS FINANCING

6870

(Revised 09/2017)

This portion of the Capitalized Assets chapter addresses the methods to secure long-term financing for the ownership and/or use of infrastructure. In addition, this chapter addresses interim (short-term) financing needs for projects. ***Please note that nothing in this chapter is intended to commit either the State Treasurer's Office (STO) or the State Public Works (PWB) to policies or practices.***

Capitalized assets may be paid by direct appropriation—sometimes called “pay-as-you-go”—or financed over multiple years. Long-term financing generally follows one of three paths:

1. If the project authority is a GO bond appropriation, the state issues GO bonds to finance the project. Debt service is paid through an appropriation in the applicable bond act from the General Fund.
2. If the project authority is a lease-revenue appropriation, lease-revenue bonds are generally issued by the PWB. A separate lease rental payment item is included in the annual Budget Act under the department's business unit.
3. When the department has obtained authority to *acquire* real assets through leasing, it may execute a financing lease using an installment sale agreement or lease-purchase agreement. Payments are made from the department's support appropriation.