

SAM - BUDGETING

INTERIM FINANCING

6878

(Revised 09/2017)

The purpose of interim financing is to meet project cash flow needs for expenses incurred after project authorization, but prior to the issuance of long-term debt instruments. Unless statute provides otherwise, projects eligible for state-funded interim financing are those financed through:

1. General Obligation (GO) bonds; and
2. Public Works Board (PWB) lease-revenue bonds.

Most GO bond programs are eligible for commercial paper interim financing.

Interim financing for lease-revenue bonds may be necessary for preconstruction costs (preliminary plans and working drawings) as well as a portion or all of construction costs. Lease-revenue bonds are typically sold after the construction bids are received. When long-term bonds are sold, proceeds are used, in part, to repay interim financing costs.

General Fund loans: Section [15849.1](#) of the Government Code authorizes loans from the General Fund for PWB lease-revenue projects to be repaid from the proceeds received from the sale of bonds.

Pooled Money Investment Account loans: Government Code Section [16470](#) et seq. establishes the Pooled Money Investment Board (PMIB) and Pooled Money Investment Account (PMIA) for investment of surplus state and local government funds. Government Code Section [16312](#) permits PMIB to make loans to projects otherwise eligible for interim financing through a General Fund loan. PMIB may also make loans to any special fund for a project authorized to be debt-financed. The PMIB has adopted a PMIA Loan Policy which imposes additional restrictions and requirements on loans eligible for funding through the PMIB. For more information on PMIB and its policy, see the State Treasurer's Office website.

PMIB meets monthly (usually the third Wednesday of each month).

1. PMIB Loans are made at taxable rates set by PMIB in accordance with policies set forth in Government Code Section [16314](#).
2. PMIB requires substantial assurance that the loan will be repaid. This is generally met for PWB lease-revenue projects with the following provisional or statutory language:

In the event the bonds authorized for the project are not sold, the Department of _____ shall commit a sufficient portion of its support appropriation provided for in this act to repay any loans for interim financing. It is the intent of the legislature that this commitment shall be included in future Budget Acts until outstanding loans for interim financing are repaid either through the sale of bonds or from an appropriation.

3. PMIA loans for interim financing do not exceed 12 months in length. If a project requires a longer loan, it must apply to PMIB annually for loan renewal.

Commercial paper program: Commercial paper notes are short-term negotiable instruments which may be used to meet a project's interim financing needs. Government Code [16731.6](#) authorizes the use of short-term negotiable instruments for interim financing needs for general obligation projects.