

OFFICE OF ACCOUNTS AND CONTROL

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Cash Float Loan Policy – General Fund proceeds in advance of bond issuance

Accounts and Control Contact:

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Effective 7/1/2023

1. Purpose

To provide guidance to state personnel regarding the policies and procedures for the advancement of general fund proceeds prior to bond issuance.

2. Definitions

- a. **A&C:** Means the Office of Accounts and Control within the Department of Administration.
- b. **Authorized Red Balance or ARB:** Means an authorization by the Budget Officer, statutorily defined, to expend funds in excess of the budgetary control amount installed within the Rhode Island Financial Accounting Network System (RIFANS).
- c. **Bond:** Means a loan taken out by the state, consisting of an instrument in which the state agrees to repay principal and interest from specified repayment sources, in return for the sale proceeds received from the purchaser.
- d. **Bond Authorization:** Means an enabling resolution of the governing body of the state that authorizes the issuance of bonds.
- e. **Bond Issuance:** Means the offering of bonds for the purpose of acquiring funds (sale proceeds) from the purchaser.
- f. **Bond Issuance Proceeds:** Means the sale proceeds received by the state from purchaser of Bonds. These proceeds are used for specific projects authorized by the state in the enabling resolution.
- g. **General Fund:** Means the primary fund for holding state monies recording all resource inflows and outflows that are not associated with special-purpose funds. The activities being paid for through the General Fund constitute the core administrative and operational tasks of the state regarding the receipt of monies and their expenditure.
- h. **OMB:** Means the Office of Management and Budget within the Department of Administration

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3. Background

Current practice by OMB for state bond issuance is the following: prior to each bond issuance, OMB reaches out to all State Agencies, as defined in R.I. Gen. Laws § 35-1-4, with Bond authorization remaining and requests a project cash flow projection for the next three (3) fiscal years; next, OMB determines an issuance amount by project and subproject based on review and analysis of agency requests with the intent of generating sufficient proceeds to provide eighteen (18) months of liquidity.

This process provides Bond Issuance Proceeds for authorized projects. However, circumstances which require spending in excess of issued cash on hand occasionally result from circumstances including, but not limited to, the following:

- A large project authorization with a multi-year timeline may be issued over the course of multiple tranches. Occasionally, due to updated assumptions and experience, project expenditures may proceed more quickly than anticipated while total project costs remain within the original authorized amount.
- A project recently authorized by voters may be ready to begin incurring expenses immediately but there are no Bond Issuance Proceeds for that authorized project immediately available for such use.

The following guidelines and procedures within this policy are for either of these circumstances.

4. Applicability

This policy shall apply to OMB as it is responsible for both Bond Issuance and Bond Authorization and will be made aware by an agency that there is a need to spend in advance of the receipt of Bond Issuance Proceeds. The policy will also apply to A&C as it is responsible for financial reporting for both Bond Issuance Proceeds and expenditures. The policy shall also apply to any State Agency with a project described above as funded with Bond Issuance Proceeds and needing to incur expenses before the

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Bond Issuance Proceeds are available. Further, the State Controller, and the State Budget Officer (both positions being statutorily defined) must review and approve any advancement of General Fund monies prior to a Bond Issuance and/or receipt of Bond Issuance Proceeds.

5: Process for General Fund proceeds in advance of Bond Issuance

- a. OMB receives a written request from an authorized State Agency that a project's expenditures are expected to exceed immediately available Bond Issuance Proceeds.
- b. Upon reviewing the State Agency request and formulating a recommendation, OMB contacts the State Controller to discuss the details of the project, including but not limited to, the timeline of the project, reasons the start of the project cannot be delayed, why authorized Bond Issuance Proceeds are not available yet, the authorized Bond Issuance Proceeds amount and the anticipated time of availability.
- c. The State Controller will review the above details. If in agreement with OMB, the State Controller authorizes advancing General Fund proceeds for the specific purpose of funding the requested amount requested for the project against the future anticipated Bond Issuance Proceeds when available.
- d. The criteria below must be followed regarding the disbursement of General Fund proceeds:
 - i. The General Fund proceeds transfer is considered a loan against Bond Issuance Proceeds which will be transferred back to the General Fund in full by A&C upon receipt of Bond Issuance Proceeds.
 - ii. The State Controller and State Budget Officer are required to execute a Cash Float Loan Form which documents the total amount of proceeds lent from the General Fund and which acknowledges that such a loan will be repaid to the

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General Fund in an agreed upon timeframe. (See attached Appendix A for form).

- iii. Similar to standard authorized Bond Issuance Proceeds, the lent General Fund proceeds are utilized for the sole purpose of funding the authorized project and will be tracked by A&C to ensure that the authorized project does not overspend these funds. If A&C believes the General Fund proceeds will be overspent or improperly spent, A&C will reach out to OMB to devise further action to ensure that there are adequate Bond Issuance Proceeds available for the authorized project and that the General Fund proceeds loaned to the Bond Issuance are returned to the General Fund in the timeframe agreed upon in the Cash Float Loan Form.
- iv. Authorized State Agencies will follow the standard process for reimbursement of authorized project costs: formal requests for reimbursement are conducted via an invoice request from the State Agency to their applicable contact at OMB for review and approval. These requests should not exceed the authorized anticipated Bond Issuance Proceeds under any circumstances and total project costs will be tracked by A&C as referenced in Subsection 5(d)iii of this policy.
- v. Authorized State Agency will contact the Offices of OMB and/or A&C immediately if they believe they are going to exceed authorized project costs. ARB needs to be referenced. Budget control needs to be set to cash or projected expenditures.
- vi. Upon receipt of Bond Issuance Proceeds, OMB will inform A&C through correspondence (email, memo, etc.) to refund the General Fund for the full General Fund proceeds lent to the Bond Issuance Proceeds.

6. Signatures:

State of Rhode Island
Department of Administration

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Budget Officer

August 4, 2023

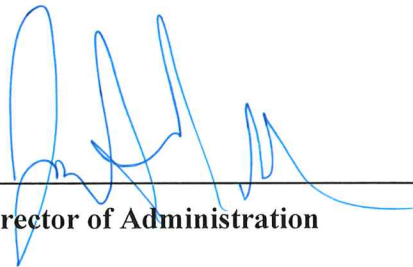
Date

Dorothy Pascale

State Controller

August 4, 2023

Date



Director of Administration

8/4/2023

Date

