

# The Sale of General Obligation Bonds

## **Staff Report**

Proposition 41 created the Voting Modernization Finance Committee (Committee). The three-member Committee is responsible for the issuance and sale of the bonds authorized by the Voting Modernization Act in accordance with the State General Obligation Bond Law. The Committee consists of the State Controller, the Director of Finance, and the State Treasurer, or their designated representatives. The Treasurer serves as chairperson of the Committee.

Prior to 2009, after funds were awarded to a county, money was borrowed from the Pooled Money Investment Account and those accounts were then paid back after the sale of bonds. However, after the economic downturn in 2008, the Pooled Money Investment Board decided that general obligation bonds could no longer borrow against their Pooled Money Investment Account.

In light of this, the Treasurer's Office decided that rather than requesting bonds be sold in order to free up money for issuance to a county at an undetermined date in the future, they will instead authorize the use of commercial paper. General obligation bonds are sold four times a year; twice in the spring and twice in the fall, whereas, commercial papers are issued once a month. The Voting Modernization Board (VMB/Board) does not always get six or more months advance notice before a county comes before them requesting bond funds. According to the Treasurer's Office, the issuance of commercial paper is a flexible option given the Board's specific needs.

Currently, the staff to the Board reports quarterly to the Department of Finance speculating on the amount of funds that may need to be available for disbursement to counties. This information is then shared with the Treasurer's Office who works directly with the staff to the Board to borrow money in the commercial paper market for the amount requested. Once the bonds are sold at a later date, the borrowed money will be paid back.

Staff to the Board will need to update our policies and procedures manual in the near future to reflect these changes and remove references to the Pooled Money Investment Account and replace it with language explaining the issuance of commercial paper.