

Reimbursement Guidelines

Reimbursement of Capital Spending from State Bond-Funded Appropriations

The standard and preferred practice with respect to use of State capital (bond) funds is for higher education institutions to request a release of funds as needed to cover expenses on a current basis. Reimbursements from State bond funds of prior local expenditures are limited to necessary or exceptional situations and should not occur as a standard practice.

Two types of reimbursements may be requested, provided that certain conditions are met and that the required documentation has been timely completed and approved by the institution, BOR, and OBM:

- 1) Institution pays from available local funds costs of a capital project for which a State appropriation is reasonably expected to be forthcoming (for example, the appropriation bill has passed the General Assembly, but is not yet effective or not yet available for release).
 - 2) Institution issues its own debt obligations (such as bond anticipation notes) in anticipation of future State appropriations being made for the project.
- 1) Reimbursements of temporarily advanced local funds will be considered if, at the time the expenditure was made:
- a) An appropriation specifically for the capital project to which the expenditure was related had been passed by the General Assembly and was in effect as law;
- OR
- b) The institution timely submitted to OBM for approval a Declaration of Official Intent to be reimbursed with tax-exempt bond proceeds (see the attached Declaration of Official Intent form).
 - o The Declaration of Official Intent applies only to future expenditures and prior expenditures made within 60 days of its signing.
 - o The Declaration of Official Intent is limited to the stated amount and purpose. An approved copy of the form must be attached to the Controlling Board request.

Generally, reimbursements from State bond proceeds must take place within 18 months of the original expenditure.

Note: The Controlling Board must approve the release of State capital funds. An approved Declaration of Official Intent does not obligate, or affect the authority of, the Controlling Board with respect to approving or denying the release of State capital funds.

- 2) The issuance by higher education institutions of bond anticipation notes should be limited to longer-term, higher cost projects, and particularly those that may require multiple bienniums to complete. Upfront approval of this approach by OBM and the Board of Regents is required and ongoing coordination with respect to the payment schedule is essential.

Note: In all cases, the institution accepts the risk that future State appropriations may not occur in the anticipated amount or timeframe or may not be made at all. The institution understands that it is ultimately responsible for funding of the project, including payment of debt service on any obligations it issues.