

STATE CAPITOL  
P.O. BOX 942849  
SACRAMENTO, CA 94249-0007  
(916) 319-2099  
FAX (916) 319-2199

Assembly  
California Legislature



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# Agenda

May 7, 2012

Upon Adjournment of Session - Room 4202

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BILL	AUTHOR	SUBJECT
AB 103	(Budget Committee)	State Cash Resources



Date of Hearing: May 7, 2012

ASSEMBLY COMMITTEE ON BUDGET  
Bob Blumenfield, Chair  
AB 103 (Budget Committee) – As Amended: May 7, 2012

SUBJECT: State Cash Resources

SUMMARY: Provides the necessary statutory changes in the area of cash management and cash deferrals in order to ensure sufficient cash reserves during the 2012-13 fiscal year. Specifically, this bill:

- 1) Authorizes General Fund payments to be deferred starting in July 2012, October 2012, and March 2013, except as specified. The deferrals can be made for no more than 60 days, 90 days, and 60 days, respectively.
- 2) Allows for the deferrals to be triggered off or repaid early, in whole or in part, at such time as the State Treasurer, State Controller, and Director of Finance determine sufficient cash reserves are available.
- 3) Allows the deferrals to be moved forward to the prior month or delayed to the subsequent month. The Joint Legislative Budget Committee must be notified before changes can be made.
- 4) Subjects the following General Fund payments to the deferral criteria outlined above along with the more detailed payment-specific criteria listed below:
  - a. Supplementary Security Income/State Supplementary Payments. Permits up to three deferrals of payments to the federal government for Supplementary Security Income/State Supplementary Payments (SSI/SSP) benefits.
  - b. Local Governments. Permits deferral of social services and other payments to cities, counties, and local governments not to exceed \$1 billion. This may include deferral of CalWORKs assistance payments and other social services costs. The Administration has stated that it does not anticipate resulting delays to beneficiaries' receipt of assistance payments. Payments to counties or cities with a population of less than 50,000 shall not be deferred.
- 5) Schedules a specific deferral plan for payments to K-12 local educational agencies (LEAs) as follows:
  - a. \$1.2 billion shall be deferred in July 2012.
  - b. \$600 million shall be deferred in August 2012.
  - c. \$800 million shall be deferred in October 2012.
  - d. \$700 million of the deferral made in July 2012 shall be paid in September 2012.

- e. The remaining \$1.9 billion of the deferrals made in July, August, and October 2012 shall be paid in January 2013.
  - f. \$900 million shall be deferred in March 2013 and repaid in its entirety in April 2013.
- 6) Includes a hardship waiver process for LEAs who might not be able to meet financial obligations if payments are deferred. In order to be eligible for a hardship waiver, LEAs would need to qualify for an emergency apportionment.
- 7) Requires the California Department of Education (CDE) to delay certification of final June apportionment payments for 2011-12 to account for additional RDA-related property tax remittances received through June 10, 2012. Because June apportionment payments are currently deferred until July, this change would delay certification of the second principal apportionment from July 2, 2012 to July 15, 2012.
- 8) Modifies higher-education payments to smooth payment over the fiscal year as follows:
- a. Authorizes the State to pay only one-twelfth (1/12) of the University of California (UC) annual appropriation each month between July 2012 and April 2013. After April 2013, there are no limitations on payments within the UC's appropriations limit.
  - b. Authorizes the State to pay only one-twelfth (1/12) of the California State University (CSU) annual appropriation each month between July 2012 and April 2013. After April 2013, there are no limitations on payments within the CSU's appropriations limit.
- 9) Authorizes the following deferrals for California Community Colleges:
- a. Authorizes the deferral of a \$150 million payment from July 2012 to December 2012.
  - b. Authorizes the deferral of a \$50 million payment from September 2012 to January 2013.
  - c. Authorizes the deferral of \$100 million from October 2012 to January 2013.
- 10) Includes a hardship clause to exempt community college districts that cannot raise funds to cover their necessary expenses during those time periods.
- 11) Authorizes, in addition to the payment smoothing deferral of a \$250 million payment to the CSU with repayment mandated in April 2013.
- 12) Adds one special fund to those eligible for cash flow borrowing. Most special funds are already eligible for cash flow borrowing, except where prohibited by the Constitution. The fund is the Litigation Deposit Fund.

**FISCAL EFFECT:** This bill continues a similar cash deferral schedule employed by the state in the last two years. This bill helps the state avoid insolvency and ensure that payments are made in a timely manner. This avoids significant future costs related to interest and damages that could be owed if the state failed to pay its bills. Furthermore, it also reduces the state's external

borrowing costs to a manageable level, thereby saving the state millions of dollars in borrowing costs.

COMMENTS: Since 2010, the state has employed a version of the intra-year deferrals of major cash payments to schools, universities, and counties in an effort to conserve cash resources and manage the external cash borrowing necessary to ensure the solvency of the state.

Most of the payment deferrals proposed for 2012-13 are similar to deferrals approved last year for 2011-12. However, the deferrals to K-12 schools are significantly less than they have been in prior budgets.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

Analysis Prepared by: Misty Feusahrens / BUDGET / (916) 319-2099