

Date of Hearing: January 31, 2012

ASSEMBLY COMMITTEE ON BUDGET
Bob Blumenfield, Chair
SB 95 (Budget and Fiscal Review) – As Amended: January 30, 2012

SUBJECT: State internal borrowing for cash flow purposes.

SUMMARY: The bill would increase the availability various funds that could be used as borrowable resources for the state's General Fund for cash flow purposes. The state currently has a cash management plan in place and exempts certain activities to implement this cash management plan from the administrative procedures act. This legislation is necessary to carry-out the requirements of the 2011-12 Budget Act. Specifically, this bill:

- 1) Authorizes the Director of Finance to designate up to 15 percent of the cash balances in the Highway Users Tax Account, Transportation Investment Fund, Motor Vehicle Fuel Account, Transportation Revolving Account and the State Highway Account to be available for contingency interim financing for critical state highway and local road projects that would otherwise be financed by General Obligation bonds.
- 2) Sanctions the Controller to receive and duly account for moneys received by the Condemnation Deposits Fund, maintained by the Treasurer's Office, to use such funds for cash flow loans to the General Fund.
- 3) Allows the Controller to use funds in the Transportation Investment Fund for cash flow loans to the General Fund as long as such loans would not interfere with the purpose for which the fund was created. Interest would be computed based on the earnings rate of the fund.
- 4) Permits the Controller to use funds in the Motor Vehicle Fuel Account of the Transportation Tax Fund for cash flow loans to the General Fund as long as such loans would not interfere with the purpose for which the fund and account were created. Interest would be computed based on the earnings rate of the fund.
- 5) Authorizes the Controller to use funds in the Transportation Revolving Account of the State Transportation Fund for cash flow loans to the General Fund as long as such loans would not interfere with the purpose for which the fund and account were created Interest would be computed based on the earnings rate of the fund.
- 6) Sanctions the Controller to use funds in the State Highway Account of the State Transportation Fund for cash flow loans to the General Fund as long as such loans would not interfere with the purpose for which the fund and account were created. Interest would be computed based on the earnings rate of the fund.
- 7) Allows the Controller to use funds in the Highway Users Tax Account of the Transportation Tax Fund for cash flow loans to the General Fund as long as such loans would not interfere with the purpose for which the fund and account were created. Interest would be computed based on the earnings rate of the fund.

- 8) Permits an exemption from the current prohibition against encumbering moneys without specific statutory authorization, with respect to moneys appropriated from the Highway Users Tax Account, and moneys apportioned or transferred from that account. Moneys from these funds would thus be able to be encumbered in the event of a delayed budget.
- 9) Provides an appropriation to the Department of Finance for administrative costs and as a budget bill will take effect immediately pursuant subdivision (e) of Section 12 or Article IV of the California Constitution.

EXISTING LAW: Currently, deposits in the funds named above must be retained in those funds until dispersed for the purposes for which the fund was established. Certain funds for roads and highways are continuously appropriated, but existing law generally provides that moneys in continuously appropriated funds may not be encumbered unless the Legislature through statute specifies that the moneys in the funds are appropriated for encumbrances.

FISCAL EFFECT: The bill will have no budgetary impact but facilitate and ease cash flow requirements within the budget year by increasing the amount of borrowable resources from internal funds. An estimated \$865 million will become available for General Fund borrowing for cash flow purposes during 2011-12.

COMMENTS: The bill includes various provisions that further transportation goals and facilitate the completion of projects. The retention of cash balances in these funds will ensure that interim financing is available and the loosening of encumbrance limitations for continuously appropriated funds will help projects be completed in a timely fashion.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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