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California Girds for Cash Crunch

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SACRAMENTO, Calif., Feb. 2 (LID) – The California Legislature sent Gov. Jerry Brown (D) a proposal Thursday that would allow the state controller to dip into earmarked funds so the Golden State may avert a cash-crunch this spring.

Senate Bill 95 cleared the Assembly on a 52-16 vote after being approved 24-14 in the Senate.

The bipartisan-backed plan, expected to be signed by the governor, would authorize Controller John Chiang (D) to borrow up to \$865 million from seven, mostly transportation related internal state accounts, including the Highway Users Tax Account, and the Transportation Investment Fund.

Absent the internal borrowing, California will run out of cash by early March, Chiang warned in the letter to leaders of the Joint Legislative Budget Committee, Sen. Mark Leno (D-San Francisco) and Assemblyman Bob Blumenfield (D-Woodland Hills).

“Although this cash management plan relies on still more borrowing, payment delays and deferrals, we believe this is the most prudent and responsible course of action considering we have about four weeks before the advent of the cash shortfall,” Chiang wrote.

However, to pay for priority state programs between Feb. 29 and April 13, officials must find a total of \$3.3 billion. That’s because revenues were \$2.6 billion below projections through Dec. 31 and the state is spending \$2.6 billion more than budgeted.

The controller, the governor’s office and Treasurer Bill Lockyer (D) are seeking to fully bridge the seven-week shortfall by borrowing money from some dedicated state accounts, holding a supplemental revenue-anticipation note (RAN) sale on Wall Street and delaying some payments.

In 2010, California took a \$6.7 billion bridge loan after the state budget was enacted 100 days into the new fiscal year.



Chiang