

9620 Cash Management and Budgetary Loans

Cash Management and Budgetary Loans account for the interest cost and related expenses to the General Fund for internal and external borrowing used to overcome normal cash flow imbalances during the fiscal year. Because receipts and disbursements occur unevenly throughout the fiscal year, the General Fund will need to borrow even though its budget is balanced. This short-term borrowing for cash flow purposes does not indicate fiscal weakness and may be preferable to carrying too large a reserve.

3-YR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2011-12	2012-13	2013-14	2011-12*	2012-13*	2013-14*
10 Cash Management	-	-	-	\$82,875	\$116,800	\$150,000
20 Budgetary Loans	-	-	-	28,767	17,500	31,500
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	-	-	-	\$111,642	\$134,300	\$181,500
FUNDING				2011-12*	2012-13*	2013-14*
0001 General Fund				\$111,642	\$134,300	\$181,500
TOTALS, EXPENDITURES, ALL FUNDS				\$111,642	\$134,300	\$181,500

LEGAL CITATIONS AND AUTHORITY

DEPARTMENT AUTHORITY

Government Code Sections 5924, 12020, 12021, 16310, 16330, 16381, 16418, 16731.6, 17200-17280.2, 17300-17313; Budget Act Items 9620-001-0001 and 9620-002-0001.

DETAILED BUDGET ADJUSTMENTS

	2012-13*			2013-14*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
Workload Budget Adjustments						
Other Workload Budget Adjustments						
• Adjustment to General Fund Budgetary Loan Repayments	-\$500	\$-	-	\$13,500	\$-	-
• Adjustment to Internal Cash Flow Borrowing	-10,000	-	-	-	-	-
• Adjustment to External RANs Borrowing Costs	-51,600	-	-	-	-	-
• Adjustments to SAIF costs	-	-	-	-28,400	-	-
Totals, Other Workload Budget Adjustments	-\$62,100	\$-	-	-\$14,900	\$-	-
Totals, Workload Budget Adjustments	-\$62,100	\$-	-	-\$14,900	\$-	-
Totals, Budget Adjustments	-\$62,100	\$-	-	-\$14,900	\$-	-

PROGRAM DESCRIPTIONS

10 - CASH MANAGEMENT

Internal Cash Management

Chapter 312, Statutes of 1907, authorized the transfers to the General Fund from certain specified funds (often referred to as "borrowable" funds) in the State Treasury System whenever the General Fund was exhausted. Those provisions, in slightly modified form, are now contained in Sections 16310 and 16418 of the Government Code. This authorization enables the General Fund to overcome normal cash flow imbalances throughout the fiscal year to a large extent. The use of these funds' money for General Fund cash flow purposes is largely transparent to most of these funds. This mechanism does not interfere with the day-to-day cash needs of the borrowable funds because of the implementation method. Generally, when a fund is designated as borrowable for General Fund cash flow purposes, it merely increases the amount of cash the State Controller's Office is authorized to borrow from the Pooled Money Investment Account (PMIA) when there is a General Fund cash shortage. For most of these funds, actual cash is not transferred out of the funds into the General Fund. The entire cash balances of these funds remain intact and completely available for the funds' purposes.

A State Agency Investment Fund (SAIF) Program was enacted pursuant to Chapter 142, Statutes of 2011 (Senate Bill 79, Government Code section 16330), to increase internal borrowable resources through the receipt of deposits from a state entity that is not required to deposit or invest funds in the PMIA. The minimum deposit or investment per participant is \$500 million and the maximum amount for the SAIF Program for all participants is \$10 billion.

* Dollars in thousands, except in Salary Range.

9620 Cash Management and Budgetary Loans - Continued

External Cash Management

In addition, the courts have validated temporary external borrowing that meets the "appropriation doctrine". Under this doctrine, an obligation is not considered a debt or liability within the State Constitutional limitation on indebtedness (Section 1 of Article XVI) if an appropriation is made from existing funds or reasonably anticipated funds subject to appropriation. This doctrine was invoked in 1933 and 1936 to uphold the use of registered warrants (IOUs) during the Great Depression and again in 1971 to validate the State of California Notes provisions of Chapter 223, Statutes of 1971. The Notes provisions were invoked in 1971-72 in lieu of the more costly registered warrant authority used during the Depression and, like registered warrants, required the projected exhaustion of all internal sources of funds before being implemented. The Notes provisions were re-enacted by Chapter 10X, Statutes of 1983, and employed in 1982-83 and 1983-84.

In 1984-85, the state implemented a cash management program pursuant to Chapter 268, Statutes of 1984, which provided the flexibility to borrow from external sources prior to exhausting internal sources. Under this program, the use of external funds results in potential savings to the General Fund, as well as increased revenue to the various special funds from which the General Fund would have borrowed from pursuant to Sections 16310 and 16418 of the Government Code.

External sources of borrowing available to the state include revenue anticipation notes (RANs), revenue anticipation warrants (RAWs), and registered warrants (short-term IOUs). RANs and RAWs are short-term debt obligations issued in anticipation of receiving revenues in the near future.

Additional costs to the cash management program include, but are not limited to, costs to issue and redeem IOUs, and any other program measures necessary to effectively manage cash flow.

Overall Program

Pursuant to Government Code Sections 12020 and 12021, accounts payable and receivable and cash flow statements for the past, current, and budget years are included as Schedule 5 in the Governor's Budget Summary. Neither cash receipts nor disbursements match revenues and expenditures presented elsewhere in this Budget. In order to reflect cash flow, budget data is converted to cash basis primarily by adjusting for cash collected by an agency but not yet recorded by the Controller and for accruals. Adjustments are also made to reflect statutory changes, anticipated legislative actions, and administrative actions.

The estimated current and budget year cash flows incorporate revenue and expenditure measures and assumptions reflected in this Budget, as well as cash management measures such as intra-year payment deferrals that are used from time-to-time to address low points during the fiscal year, as of the release of the Governor's Budget. These cash flows also include estimates of internal and external borrowing based on these measures and assumptions.

20 - BUDGETARY LOANS

The Budget Act authorizes budgetary loans from various funds and accounts to the General Fund. These loans are being repaid over multiple fiscal years. Unless otherwise specified in statute, the loans are being repaid with interest calculated at the Pooled Money Investment Account rate on the date of transfer.

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

1 STATE OPERATIONS	2011-12*	2012-13*	2013-14*
0001 General Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$75,000	\$50,000	\$50,000
002 Budget Act appropriation Budgetary Loan Costs	57,700	18,000	31,500
Government Code Sections 5924, 17271 and 17300-17313--External Cashflow Borrowing	26,356	48,400	100,000
Government Code section 16330	<u>22,566</u>	<u>28,400</u>	<u>-</u>
Totals Available	\$181,622	\$144,800	\$181,500
Unexpended balance, estimated savings	<u>-69,980</u>	<u>-10,500</u>	<u>-</u>
TOTALS, EXPENDITURES	\$111,642	\$134,300	\$181,500
TOTALS, EXPENDITURES, ALL FUNDS (State Operations)	\$111,642	\$134,300	\$181,500

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