

## 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 PERSONNEL YEARS

	Personnel Years			Expenditures		
	2009-10	2010-11	2011-12	2009-10*	2010-11*	2011-12*
10 Cash Management	-	-	-	\$257,028	\$205,000	\$300,000
20 Budgetary Loans	-	-	-	5,893	25,000	62,000
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>	-	-	-	<b>\$262,921</b>	<b>\$230,000</b>	<b>\$362,000</b>
<b>FUNDING</b>				<b>2009-10*</b>	<b>2010-11*</b>	<b>2011-12*</b>
0001 General Fund				\$262,921	\$230,000	\$362,000
<b>TOTALS, EXPENDITURES, ALL FUNDS</b>				<b>\$262,921</b>	<b>\$230,000</b>	<b>\$362,000</b>

### LEGAL CITATIONS AND AUTHORITY

#### DEPARTMENT AUTHORITY

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

### DETAILED BUDGET ADJUSTMENTS

	2010-11*			2011-12*		
	General Fund	Other Funds	Personnel Years	General Fund	Other Funds	Personnel Years
<b>Workload Budget Adjustments</b>						
<b>Other Workload Budget Adjustments</b>						
• Adjustment to General Fund Budgetary Loan Repayments	\$5,600	\$-	-	\$42,600	\$-	-
• Adjustment to Internal Cash Flow Borrowing	-25,000	-	-	-	-	-
• Adjustment to External RANs Borrowing Costs	-120,000	-	-	-50,000	-	-
<b>Totals, Other Workload Budget Adjustments</b>	<b>-\$139,400</b>	<b>\$-</b>	<b>-</b>	<b>-\$7,400</b>	<b>\$-</b>	<b>-</b>
<b>Totals, Workload Budget Adjustments</b>	<b>-\$139,400</b>	<b>\$-</b>	<b>-</b>	<b>-\$7,400</b>	<b>\$-</b>	<b>-</b>
<b>Totals, Budget Adjustments</b>	<b>-\$139,400</b>	<b>\$-</b>	<b>-</b>	<b>-\$7,400</b>	<b>\$-</b>	<b>-</b>

### PROGRAM DESCRIPTIONS

#### 10 - CASH MANAGEMENT

Chapter 312, Statutes of 1907, authorized the transfers to the General Fund from other funds in the State Treasury whenever the General Fund was exhausted. This enabled the General Fund to overcome normal cash flow imbalances. All money so transferred had to be returned as soon as possible, and such transfers were not to interfere with the day-to-day needs of the loaning funds. These provisions in slightly modified form are now contained in Sections 16310 and 16418 of the Government Code.

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.

\* Dollars in thousands, except in Salary Range.

## 9620 Cash Management and Budgetary Loans - Continued

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.

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 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	2009-10*	2010-11*	2011-12*
0001 General Fund			
APPROPRIATIONS			
001 Budget Act appropriation as amended by Chapter 1, Statutes of 2009, Fourth Extraordinary Session	\$150,000	-	-
001 Budget Act appropriation	-	\$100,000	\$100,000
002 Budget Act appropriation Budgetary Loan Costs	6,615	19,400	62,000
Revised expenditure authority per Provision 1	-	5,600	-
Government Code Sections 5924, 17271 and 17300-17313--External Cashflow Borrowing	190,458	130,000	200,000
Government Code Sections 17210, 17212, and 17222--Registered Warrants Costs	8,100	-	-
<b>Totals Available</b>	<b>\$355,173</b>	<b>\$255,000</b>	<b>\$362,000</b>
Unexpended balance, estimated savings	-92,252	-25,000	-
<b>TOTALS, EXPENDITURES</b>	<b>\$262,921</b>	<b>\$230,000</b>	<b>\$362,000</b>
<b>TOTALS, EXPENDITURES, ALL FUNDS (State Operations)</b>	<b>\$262,921</b>	<b>\$230,000</b>	<b>\$362,000</b>

\* Dollars in thousands, except in Salary Range.