

9620 Cash Management and Budgetary Loans

Cash Management and Budgetary Loans account for the interest cost and related expenditures 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 may 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		
		2014-15	2015-16	2016-17	2014-15*	2015-16*	2016-17*
7720	Cash Management	-	-	-	\$8,940	\$10,000	\$15,000
7725	Budgetary Loans	-	-	-	43,070	48,817	63,665
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		-	-	-	\$52,010	\$58,817	\$78,665
FUNDING					2014-15*	2015-16*	2016-17*
0001	General Fund				\$52,010	\$58,817	\$78,665
TOTALS, EXPENDITURES, ALL FUNDS					\$52,010	\$58,817	\$78,665

LEGAL CITATIONS AND AUTHORITY

DEPARTMENT AUTHORITY

Government Code Sections 5924, 12020, 12021, 16310, 16330, 16340, 16381, 16418, 16731.6, 17200-17280.2, 17300-17313; Budget Act Items 9620-001-0001 and 9620-002-0001.

DETAILED BUDGET ADJUSTMENTS

		2015-16*			2016-17*		
		General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
Workload Budget Adjustments							
Other Workload Budget Adjustments							
•	Miscellaneous Baseline Adjustments	-\$3,083	\$-	-	-\$22,735	\$-	-
Totals, Other Workload Budget Adjustments		-\$3,083	\$-	-	-\$22,735	\$-	-
Totals, Workload Budget Adjustments		-\$3,083	\$-	-	-\$22,735	\$-	-
Totals, Budget Adjustments		-\$3,083	\$-	-	-\$22,735	\$-	-

PROGRAM DESCRIPTIONS

7720 - CASH MANAGEMENT

Borrowing From Other Funds or Other State/Local Entities

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. There are currently no deposits in this program.

A Voluntary Investment Program (VIP) was enacted pursuant to Chapter 44, Statutes of 2012 (Senate Bill 1033, Government Code section 16340), for the receipt of voluntary deposits from local entities for the purpose of providing

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additional liquidity for the state's cash management. The minimum deposit from a local entity is \$200 million and the maximum amount for the VIP from all local entities combined is \$10 billion. No deposits have been made into this program.

Borrowing From Financial Markets

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 the latest revenue and expenditure budget measures and assumptions. During difficult cash periods, cash management measures such as intra-year payment deferrals may be used from time-to-time to address low points during the fiscal year.

7725 - 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.

DETAILED EXPENDITURES BY PROGRAM

		2014-15*	2015-16*	2016-17*
	PROGRAM REQUIREMENTS			
7720	CASH MANAGEMENT			
	State Operations:			
0001	General Fund	\$8,940	\$10,000	\$15,000
	Totals, State Operations	\$8,940	\$10,000	\$15,000
	PROGRAM REQUIREMENTS			
7725	BUDGETARY LOANS			
	State Operations:			
0001	General Fund	\$43,070	\$48,817	\$63,665
	Totals, State Operations	\$43,070	\$48,817	\$63,665
	TOTALS, EXPENDITURES			
	State Operations	52,010	58,817	78,665
	Totals, Expenditures	\$52,010	\$58,817	\$78,665

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EXPENDITURES BY CATEGORY

1 State Operations	Positions			Expenditures		
	2014-15	2015-16	2016-17	2014-15*	2015-16*	2016-17*
SPECIAL ITEMS OF EXPENSES				52,010	58,817	78,665
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)				52,010	58,817	78,665

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

1 STATE OPERATIONS	2014-15*	2015-16*	2016-17*
0001 General Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$10,000	\$15,000	\$15,000
Revised expenditure authority per Provisions 1 and 2	-	-5,000	-
002 Budget Act appropriation (Budgetary Loan Costs)	37,200	46,900	63,665
Revised expenditure authority per Provisions 1 and 2	9,100	1,917	-
Government Code Sections 5924, 17271 and 17300-17313--External Cashflow Borrowing	20,000	-	-
Revised expenditure authority per Provisions 1 and 2	-16,900	-	-
Totals Available	59,400	58,817	78,665
Unexpended balance, estimated savings	-7,390	-	-
TOTALS, EXPENDITURES	52,010	58,817	78,665
Total Expenditures, All Funds, (State Operations)	52,010	58,817	78,665

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