



SUBJECT: Registered Warrants	Issue Date: July 17, 2009
ISSUE: Changes in Processing of General Fund Claims and Accounting Transactions	

TO: Department Directors
Departmental Accounting Officers

PURPOSE: To provide state departments with information regarding the issuance of registered warrants for General Fund claims and delays in accounting transactions.

WHO IS AFFECTED: Any department which submits claim schedules or accounting transactions that impact the General Fund.

BACKGROUND: On June 24, 2009, the State Controller announced a plan to issue registered warrants in order to manage the State's cash crisis. To ensure the availability of General Fund cash to make priority status payments, the State Controller's Office (SCO) began issuing registered warrants, also known as IOUs, on July 2, 2009, for all General Fund payments that do not have priority status under the Constitution, federal law or court order. These registered warrants will earn interest at a rate of 3.75% as determined by the State Pooled Money Investment Board (PMIB).

A registered warrant is a "promise to pay," redeemable at the State Treasurer's Office (STO) once the General Fund has sufficient cash. Registered warrants will be identified with the word "REGISTERED" printed on the face of the warrant and will contain a special endorsement on the reverse side. Currently, registered warrants are scheduled for redemption on October 2, 2009, unless called for early redemption by the PMIB.

Education, debt service, state payroll, CalPERS and CalSTRS, In-Home Supportive Services, and Medi-Cal providers will continue to be paid with regular warrants. Registered warrants will be issued for most General Fund and other specified funds' state operations, including vendor and small business vendor payments. In contrast to delayed payments, as implemented in February 2009, registered warrants constitute payment and do not trigger late payment penalties pursuant to the Prompt Payment Act. A list of July payments and the type of warrant that will be issued for that payment (regular or registered) is available at http://www.sco.ca.gov/eo_news_registeredwarrants.html.

PROCEDURE:

Claims:

All claims that impact the General Fund are subject to review to determine if the claim will be paid with a regular or registered warrant. For CALSTARS Departments using a General Fund clearing account for payment of claims, it is recommended that departments discontinue the use of the General Fund clearing

account and direct charge the special appropriation to assist SCO in the review process. If the department is unable to direct charge the special appropriation and must submit a claim using a General Fund clearing account, the claim may be issued a registered warrant.

Claims with Federal Funds:

Claims involving federal reimbursements could be subject to the issuance of registered warrants. Registered warrants do not qualify as "payment" per federal statute, and therefore claims for federal funds cannot be submitted for reimbursement until the registered warrant is eligible for redemption.

Some claims involving federal "draw" (Cash Management Improvement Act) or advances should be split between Federal and General Fund. To the extent possible, the federal portion of the claims will be paid with regular warrants and General Fund claims will be paid with registered warrants. If the claim cannot be split, the claim may be subject to delay.

Claims that are 100% federal funds should be certified as such and will be paid with regular warrants.

SCO Cash Management and Claims Audit staff will work with individual agencies to determine appropriate processing for specific claims affected by federal funding.

Accounting Transactions:

Effective immediately, accounting transactions which impact the General Fund are subject to delay until further notice, unless the transaction is necessary to provide funding to cover payroll or priority status payments. These transactions include, but are not limited to:

- Plans of Financial Adjustments (PFAs)
- Offset Claims
- No-warrant claim schedules
- Revolving fund replenishment claim schedules
- Revolving fund augmentation claim schedules
- Architecture Revolving Fund (ARF) transfers (Form 22)
- Executive Orders
- General Fund direct transfers
- Transfers required by the Budget Act or legislation
- Claim Schedules and Controller's Receipt corrections

Multi-funded transactions that include the General Fund are subject to delay in their entirety. Departments may choose to submit separate requests for non-General Fund transactions.

Registered Warrants Issued to Departments:

Due to the volume of registered warrants, and the automated process of generating payments, it is not possible for the SCO to withhold the issuance of registered warrants to departments. As such, departments may be issued a registered warrant for a General Fund CalATERS payment, payments from other state agencies, or revolving fund reimbursements. If your department receives a registered warrant, **do not deposit the registered warrant into your Centralized Treasury System (CTS) account.** Departments are not eligible for interest on registered warrants at redemption. Therefore, departments receiving registered warrants should either promptly return them to the SCO or hold registered warrants until redemption, as follows:

- Return registered warrants, with deposit instructions, to the SCO, Disbursements Bureau.

- Hold registered warrants until it is called for redemption by the STO. Then, upon redemption, return the registered warrant, with deposit instructions, to the SCO, Disbursements Bureau.

Registered warrants, and related deposit instructions, should be returned to the SCO at the following address:

State Controller's Office
Disbursements Bureau
3301 C Street, Suite 780
Sacramento, CA 95816

For registered warrants returned to the State Controller's Office, the Disbursements Bureau will hold them until they are called for redemption by STO. Once called, the registered warrant will be deposited into a fund in the State Treasury, as designated by the agency. If the registered warrant is a replenishment to your revolving fund, return the registered warrant to SCO with a completed deposit slip. The registered warrant and deposit slip will be processed by the STO when the registered warrant is called for redemption.

Again, if your department receives a registered warrant, do not deposit the registered warrant into your CTS account.

CONTACT INFORMATION:

SCO will continue to update its Website, http://www.sco.ca.gov/eo_news_registeredwarrants.html, as information becomes available, or you can call SCO's toll-free registered warrants assistance phone line at 1-866-267-4255. Information may also be found at STO's Website at www.treasurer.ca.gov or by calling STO's registered warrants toll-free phone help line at 1-888-864-2762. For questions about claim payments or accounting transactions, contact your SCO claim auditor or accounting analyst, respectively.

Your assistance and patience is greatly appreciated during this extraordinary time.

Original signed by
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Chief Operating Officer