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PR09:007
For Immediate Release:
2/3/2009

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Chiang Works to Mitigate Harm of State Payment Delays

SACRAMENTO – State Controller John Chiang today announced an agreement with several financial institutions to provide lines of credit to those Californians impacted by the State's historic cash crunch, which has forced the Controller's office to delay an estimated \$3.3 billion in payments during the month of February.

"Without corrective action from the Governor and Legislature, this cash crisis will continue indefinitely. I applaud those in the financial services community who are stepping up to help Californians in a time of tremendous need," said Controller Chiang.

Eroding revenues and a chronic structural budget deficit have depleted the State's cash reserves. On February 1, the Controller's office had to begin delaying payments in order to preserve cash flow and make payments required by the State constitution, federal law, or court rulings.

The following institutions together pledged at least \$22.4 million to meet the needs of their affected customers:

Alliance Credit Union \$250,000
American First Credit Union \$1,000,000
Cal State L.A. Credit Union \$1,000,000
Central State Credit Union \$1,000,000
Firestone Financial Services Credit Union \$100,000
First Entertainment Credit Union \$5,000,000
Health Associates Federal Credit Union \$300,000
SF Police Credit Union \$250,000
Stanford Federal Credit Union \$5,000,000
Visterra Credit Union \$1,000,000
Water and Power Community Credit Union \$7,500,000

Other banks and credit unions have indicated they will, to the extent possible, provide lines of credit and other short-term borrowing solutions on a case-by-case basis to those affected by the State's cash crisis.

The Department of Finance assured that additional special funds would be made available for borrowing in order to pay small businesses on time in February. While these businesses represent a small portion of the State's private sector contracts, they carry the highest penalties – up to 92 percent for each missed payment when a budget is in place.

The Controller's website will continue to be updated with new payment information as it becomes available. New pages have been created specifically for recipients of and to let them know what affect, if any, the delays will have on payments they normally receive. Recipients of SSI/SSP will not see any change to their regular payments in the month of February, as the Federal Government has indicated it will temporarily cover the State's share of the funding. Many Cal Grant recipients will also be covered by their college or university – including students at the California State University system and the University of California.

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