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Chiang Announces State Has Sufficient Cash for Remainder of the Fiscal Year

SACRAMENTO – State Controller John Chiang today announced new cash figures show the State is currently positioned to finish out the fiscal year without having to borrow an additional \$1.5 billion from Wall Street.

In a letter to State Treasurer Bill Lockyer, Chiang noted that Lockyer's ability to secure a \$500 million note from Golden 1 Credit Union, the Legislature's passage of a bill last week providing \$1.57 billion in federal stimulus funds in April, and higher-than-projected funds available for internal borrowing will allow the State to meet all of its payment obligations through June 30, 2009.

"Averting the need for additional borrowing in a still-tight market is great news and will save Californians about \$15.4 million in high interest rates," Chiang said. "With sufficient cash on hand, we will be able to meet all of our obligations in full and on time, including tax refunds to California taxpayers and payments to private businesses and local programs that provide needed services to our most vulnerable residents."

After enactment of the latest budget bill in late February, the Controller had projected the State would dip to a low of -\$636 million in April. However, because of additional revenue erosion and increased expenditures in March, the low point in April fell to -\$1.9 billion. But three factors changed those cash flow projections, which now show a low point on April 1, when the State will have \$1.1 billion in the Treasury:

- 1 A bill signed Friday to change Medi-Cal reporting requirements will provide about \$1.57 billion in federal stimulus funds in April;
- 1 Special funds used for internal borrowing grew by \$1.35 billion, largely because they were not tapped when the State stopped funding infrastructure projects during the cash crisis, and;
- 1 The Treasurer was able to secure a \$500 million short-term loan from Golden 1.

Chiang also announced that more than \$3 billion in delayed payments have been made, including \$2.2 billion in tax refunds. But he warned the State's cash crisis is far from over and urged lawmakers and the Governor to begin now to prepare for even more difficult choices to get us through the next fiscal year. The budget enacted in February anticipated no further revenue deterioration and assumed voters would pass May ballot measures to provide an additional \$6 billion. Even then, the budget projects the State will have exhausted all available cash, plus \$19 billion in internal funds this summer, and will likely need to borrow externally to bridge a \$10.6 billion gap between projected expenditures and revenues.

[Chart showing California's estimated cash outlook for the remaining three months of the fiscal year](#)