

News Release



Controller of the State of California - Kathleen Connell

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For Immediate Release

STATE CONTROLLER KATHLEEN CONNELL CALLS FOR THE ISSUANCE OF A REGISTERED REIMBURSEMENT WARRANT

***Controller Connell Projects That a RAW may be Necessary to Deal With
State's Cash Flow Problem in the Next Fiscal Year (2002-2003)***

SACRAMENTO, April 24, 2002 – State Controller Kathleen Connell today announced that she has sent a letter to the Governor requesting authorization to establish a General Cash Revolving Fund. Establishing the General Cash Revolving Fund is the first required step to issuing the Reimbursement Warrant (RAW).

“I am taking this step as a precautionary measure and in consideration of the impact the recent recession has had on the State’s finances,” stated Controller Connell. “I think it is fiscally prudent to set up the revolving fund, sell the RAW and give the General Fund an infusion of much needed cash. This will ensure that we can meet expected expenditures at the end of this fiscal year and at the beginning of the next fiscal year.”

The RAW is a unique short-term instrument which allows the State to borrow in one fiscal year and repay in a subsequent year when surplus cash becomes available. The RAW was last issued by the State in 1994. Controller Connell estimates that this RAW will be between \$10 and \$11 billion and may be repaid during the latter half of fiscal year 2002-03.

“Unfortunately, revenues are down significantly from the prior fiscal year and we are left with no alternative but to prepare for the sale of this RAW,” explained Connell. “Our current projection of Cash Flows shows that the State will be faced with a \$843 million deficit in June 2002, and a \$4.6 billion cash deficit at the end of July 2002 of the next fiscal year.”

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***To arrange an interview with State Controller Kathleen Connell,
or, for a copy of the State Controller's press materials,
please contact Lisa Casalegno or Stacey Ragland at (916) 445-2636***