

Introduced by Senator AndersonJanuary 24, 2011

An act to add and repeal Section 17203.6 of the Government Code, relating to state funds, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 120, as introduced, Anderson. State funds: registered warrants.

Existing law prescribes procedures for the issuance of registered warrants and provides that a registered warrant is acceptable and may be used as security for the performance of any public or private trust or obligation.

This bill would, if the Controller makes a specified determination, require a state agency to accept, from a person or entity, a registered warrant issued by the Controller and endorsed by that payee, at full face value, for the payment of any obligations owed by that payee to that state agency.

The bill would specify that its requirements do not apply to certain obligations and would require the Controller, on or before the September 1 following the conclusion of a fiscal year in which a state agency is required to accept registered warrants pursuant to these provisions, to submit a report to the Joint Legislative Budget Committee.

The bill would make its provisions inoperative on July 1, 2012, and would repeal them on January 1, 2013.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 17203.6 is added to the Government
2 Code, to read:

3 17203.6. (a) Except as provided in subdivision (c), upon the
4 Controller making the determination specified in subdivision (b),
5 a state agency shall accept from a person or entity a registered
6 warrant issued by the Controller that is endorsed by that payee, at
7 full face value, for the payment of any obligations owed by that
8 payee to that state agency.

9 (b) The requirements of subdivision (a) shall become operative
10 only if the Controller determines that all of the following conditions
11 are satisfied:

12 (1) The acceptance of registered warrants will not jeopardize
13 the ability of the state to issue regular warrants for education
14 programs, debt service, state payroll, pensions, In-Home Supportive
15 Services, Medi-Cal providers, or any other payment required by
16 federal law, the California Constitution, or a court order.

17 (2) The acceptance of registered warrants will not result in a
18 net cost to the state. For purposes of this paragraph, the calculation
19 of “net cost” includes, but is not limited to, all of the following
20 factors:

21 (A) Interest savings related to redemption of the registered
22 warrant.

23 (B) Interest costs related to any new registered warrants issued
24 to replace the registered warrant accepted for payment of an
25 obligation to the state.

26 (C) Costs related to any other internal or external borrowing
27 required to offset the loss of resources due to acceptance of the
28 registered warrants for payment of an obligation to the state.

29 (D) Foregone interest earnings related to loss of payments due
30 to acceptance of the registered warrants for payment of an
31 obligation to the state.

32 (E) Significant new administrative costs to state agencies related
33 to acceptance of registered warrants for payment of an obligation
34 to the state.

35 (c) Subdivision (a) shall not apply to an obligation owed by a
36 payee for payments subject to the immediate deposit standard
37 contained in Section 3304(a)(3) of the Federal Unemployment Tax

1 Act (26 U.S.C. Sec. 3304(a)(3)) or Section 303(a)(4) of the Social
2 Security Act (42 U.S.C. Sec. 303(a)(4)).

3 (d) On or before the September 1 following the conclusion of
4 a fiscal year in which a state agency is required to accept registered
5 warrants pursuant to subdivision (a), the Controller shall submit
6 a report to the Joint Legislative Budget Committee that contains
7 all of the following information:

8 (1) The amount of warrants received by state agencies.

9 (2) The effect of the acceptance of these warrants on the state's
10 cashflow and financial well-being, including any net costs or
11 savings, based on factors specified in subparagraphs (A) to (E),
12 inclusive, of paragraph (2) of subdivision (b), and any impacts on
13 state payments required by federal law, the California Constitution,
14 or a court order.

15 (e) This section shall become inoperative on July 1, 2012, and,
16 as of January 1, 2013, is repealed, unless a later enacted statute,
17 that becomes operative on or before January 1, 2013, deletes or
18 extends the dates on which it becomes inoperative and is repealed.

19 SEC. 2. This act is an urgency statute necessary for the
20 immediate preservation of the public peace, health, or safety within
21 the meaning of Article IV of the Constitution and shall go into
22 immediate effect. The facts constituting the necessity are:

23 In order to allow the residents of the state to pay for all
24 obligations owed to the state, while the state is issuing registered
25 warrants, it is necessary that this act take effect immediately.