AMENDED IN ASSEMBLY AUGUST 31, 2009

AMENDED IN ASSEMBLY JULY 1, 2009

AMENDED IN ASSEMBLY JUNE 29, 2009

AMENDED IN ASSEMBLY MAY 14, 2009

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL No. 1506

Introduced by Assembly Member Anderson
(Coauthors: Assembly Members Adams, Bill Berryhill, Tom Berryhill, Duvall, Fletcher, Gaines, Garrick, Hagman, Harkey, Jeffries, Knight, Logue, Miller, Nestande, Niello, Nielsen, Silva, Smyth, Audra Strickland, Tran, and Villines)

February 27, 2009

An act to ~~add Section 17203.6 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

AB 1506, as amended, 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 any person or entity, a registered warrant or other similar evidence of indebtedness issued by the Controller 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 or similar evidence of indebtedness pursuant to the bill's requirements, 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:

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

17203.6. ~~A~~ *(a) Except as provided in subdivision (c), upon the Controller making the determination specified in subdivision (b), a* state agency shall accept from any person or entity a registered warrant or other similar evidence of indebtedness issued by the Controller that is endorsed by that payee, at full face value, for the payment of any obligations owed by that payee to that state agency.

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

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

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

(A) Interest savings related to redemption of the registered warrant or other form of indebtedness.

(B) Interest costs related to any new registered warrants or other forms of indebtedness issued to replace the registered warrant or other form of indebtedness accepted for payment of an obligation to the state.

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

(D) Foregone interest earnings related to loss of payments due to acceptance of the registered warrants or other forms of indebtedness for payment of an obligation to the state.

(E) Significant new administrative costs to state agencies related to acceptance of registered warrants or other forms of indebtedness for payment of an obligation to the state.

(c) Subdivision (a) shall not apply to an obligation owed by a payee for payments subject to the immediate deposit standard contained in Section 3304(a)(3) of the Federal Unemployment Tax Act (26 U.S.C. Sec. 3304(a)(3)) or Section 303(a)(4) of the Social Security Act (42 U.S.C. Sec. 303(a)(4)).

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

(1) The amount of warrants received or other forms of indebtedness received by state agencies.

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

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

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

In order to allow the residents of the state to pay for all obligations owed to the state, while the state is issuing registered warrants, or other similar debt instruments, which are, in fact, "IOUs" issued by the state, it is necessary that this act take effect immediately.

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