

Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	Anderson, et al.	AB 1506

SUBJECT

State Agencies Accept Registered Warrants For Payment Of Any State Obligation

SUMMARY

This bill would require a state agency to accept a registered warrant for payment of any state obligation.

PURPOSE OF THE BILL

It appears that the purpose of this bill is to remove cash liquidity problems of an individual that owes an obligation to the state while holding a state IOU.

EFFECTIVE/OPERATIVE DATE

As an urgency statute, this bill would be effective immediately upon enactment and would be operative on or after that date. This bill would become inoperative on July 1, 2012, and would be repealed on January 1, 2013.

ANALYSIS

STATE LAW

Generally, under state law, the Controller is responsible for issuing warrants drawn from the General Fund for payment of obligations of the state. In instances where the amount payable out of the General Fund is in excess of the balance remaining in the General Fund after deducting amounts earmarked or reserved for payment by law, the Controller can issue a “registered warrant.”

A registered warrant is a warrant that carries a promise to pay the bearer the amount shown on the warrant plus interest, by a date prescribed on the warrant, usually within one year of the date of issuance. Interest accumulates at the rate determined by the Pooled Money Investment Account.

Under state law, if a taxpayer has a tax liability and is a payee named in a registered warrant, the taxpayer may pay any tax liability specified above, in whole or in part, by a check in an amount not to exceed the amount of the registered warrant. State law provides that the check may not be presented for payment by the state or paid by the bank until the registered warrant is payable upon its presentation to the Treasurer. These provisions apply only if the check is presented with a copy of the registered warrant.

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THIS BILL

This bill would require a state agency to accept from any person or entity a registered warrant issued by the Controller endorsed by the payee, at full face value, for payment of any obligation owed by that payee to that state agency if the Controller determines that all of the following conditions are met:

1. The acceptance of registered warrants will not jeopardize the ability of the state to issue regular warrants for reduction programs, debt service, state payroll, pensions, In-Home Supportive Services, medical providers, or any other payment required by federal law, the California Constitution, or a court order; and
2. The acceptance of registered warrants will not result in a net cost to the state.

The provisions of this bill would not apply to an obligation owed by a payee for payments subject to the immediate deposit standard contained in the Federal Unemployment Tax Act or the federal Social Security Act.

The bill would require that the Controller submit a report to the Joint Legislative Budget Committee on or before September 1 following the conclusion of a fiscal year in which a state agency is required to accept registered warrants. The report would be required to contain the following information:

- The amount of warrants received by state agencies;
- The effect of the acceptance of these warrants on the state's cash flow and financial well being including any net costs or savings as specified; and
- The impacts on state payments required by federal law, the California Constitution, or court order.

The bill would become specifically 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.

This bill is an urgency statute necessary for the immediate preservation of the public peace, health, or safety and would go into effect immediately. The bill states, "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."

IMPLEMENTATION CONSIDERATIONS

This bill would not impact the Franchise Tax Board because, notwithstanding any other provision of law, Government Code section 17280.1 specifically requires the department to accept registered warrants as payment for tax liabilities.

OTHER STATES' INFORMATION

A comparison with other states would not be meaningful as this bill pertains to administrative procedures that are specific to California.

FISCAL IMPACT

Because the number of registered warrants issued that would be submitted for payment of tax is expected to be few, the department estimates costs to implement the provisions of this bill would be absorbable.

ECONOMIC IMPACT

There would be no impact on personal income or corporation tax revenues. Because payment of tax using a registered warrant would require the warrant to be held until the warrant redemption date, there could be a deceleration of cash receipts.

Support/Opposition

Support:

Associated Builders and Contractors of California, California Association of Health Facilities, Engineering Contractors' Association, Howard Jarvis Taxpayers Association, United Agribusiness League, and numerous others.

Opposition:

None on file.

VOTES

Assembly Floor – Ayes: 78, Noes: 0

Senate Floor – Ayes: 35, Noes: 0

Concurrence – Ayes: 77, Noes: 0

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