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Assembly Passes Deferral Bill; Further Cleanup Legislation is Expected

On Thursday, February 25, 2010, the Assembly concurred in Senate amendments and passed ABX8 5 (Committee on Budget), the provisions of which were described in our February 23, 2010, *Fiscal Report* article titled "[Additional K-12 Education Deferrals Proposed](#)." The bill is intended to address the state's cash management needs by making further deferrals of payments for fiscal years 2009-10 and 2010-11. Despite opposition from the K-14 education community and the articulated concerns of some Republicans over the current level of state borrowing and whether there was a need to act on the bill now, the bill secured the two-thirds vote necessary for passage.

In presenting the bill, Assembly Member Noreen Evans (D-Santa Rosa) indicated that the Assembly had heard the concerns of the education community and that "It looks like it won't be a problem." She said the Legislature needed to pass the bill now—as it was drafted—in order to avoid a repeat of what occurred last year when infrastructure projects had to be stopped for lack of funding. Evans told her fellow Assembly Members that the Treasurer had cancelled one General Obligation (GO) bond sale last week, and would like to issue GO bonds next week. She also stated that the Assembly will come back with cleanup legislation to address some of the concerns. Hopefully, the K-12 provisions will be cleaned up to address the current bill's uncertainty regarding the amount and timing of the deferrals, both to allow local educational agencies (LEAs) to manage their cash flow, and to help them avoid IRS arbitrage penalties when sizing their Tax and Revenue Anticipation Notes (TRANS). While it was encouraging to hear the commitment to do cleanup legislation, the devil will be in the details. Stay tuned . . .

—Deborah Harmon

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