

# BUDGET LETTER

	<b>NUMBER:</b> 09-04
<b>SUBJECT:</b> STATE CONTROLLER'S GENERAL FUND PAYMENT AND OTHER TRANSACTION DEFERRALS IN FEBRUARY	<b>DATE ISSUED:</b> February 3, 2009
<b>REFERENCES:</b> BUDGET LETTER 09-03	<b>SUPERSEDES:</b>

**TO:** Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget and Accounting Staff

**FROM:** DEPARTMENT OF FINANCE

On January 16, 2009, the State Controller announced a plan to delay the payment of certain claims out of the State General Fund until adequate cash solutions are in place. Due to the lack of a budget agreement and other cash solutions at this time, the State Controller's Office (SCO) has begun implementing the payment deferral plan to preserve cash for education, debt service, and other payments required by the State Constitution, federal law, and court rulings.

This Budget Letter provides state departments with more information regarding General Fund payment and other transaction deferrals by the State Controller.

## **PAYMENTS THE CONTROLLER PLANS TO DELAY IN FEBRUARY**

The Prompt Payment Act (PPA) provides that, upon receipt of a correct claim schedule, the SCO has 15 calendar days to issue a warrant without incurring a late payment penalty. For the month of February 2009, the SCO plans to delay the following General Fund payments for at least 30 days beyond the 15 days provided under the PPA:

- Refunds for personal income tax and corporation tax
- Local assistance program payments
- State operations and capital outlay payments (see exceptions below)

For a more detailed list of delayed payments, please see the SCO's website at: <http://www.sco.ca.gov/eo/fiscalissues/payments01-2009c.shtml#paymentmenu>

As stated in BL 09-03, multi-funded claims that use the General Fund as a clearing account are subject to delay in their entirety under the State Controller's plan. Recognizing this, departments may choose to submit separate claim schedules for non-General Fund payments so these other claims will not be delayed.

## **PAYMENTS THE CONTROLLER WILL NOT DELAY**

- Payments to certified small businesses<sup>1</sup>
- Payments required by the State Constitution, federal law, and court rulings

<sup>1</sup> For the purpose of this BL, "small businesses" are entities as defined in the Prompt Payment Act. For this process, other entities that are subject to the same late payment penalty rate as small businesses under the Act will be paid timely.

- Payroll and payments necessary to meet payroll (includes interagency reimbursements where the billing department has identified the payment is required for payroll purposes)
- Payments to schools
- Debt service payments
- Institutional and non-institutional Medi-Cal payments
- Repayments of loans from special funds (to the extent required by law)
- Pension contributions

## **OTHER GENERAL FUND ACCOUNTING TRANSACTIONS**

The SCO also plans to hold the following accounting transactions for at least 30 days if the transaction would result in reducing General Fund cash, *unless the transaction is necessary to provide funding for the state operations and capital outlay payments that the Controller will continue to process (see section above).*

- Plans of Financial Adjustments (PFAs)
- Offset claims
- No-warrant claim schedules
- Revolving fund replenishment claim schedules
- Revolving fund augmentation claim schedules
- Architecture Revolving Fund (ARF) transfers (Form 22)
- Executive Orders
- General Fund direct transfers
- Transfers required by the Budget Act or legislation
- Claim Schedules and Controller's Receipt corrections

As mentioned above, multi-funded transactions that include the General Fund are subject to delay in their entirety. Recognizing this, departments may choose to submit separate requests for non-General Fund transactions.

For all other accounting transactions that involve General Fund, the SCO plans to review them as appropriate. If you have other compelling reasons why an accounting transaction must be processed urgently and cannot be held for 30 days, please contact your SCO claim auditor or accounting analyst prior to submitting the claim schedule or transaction and inform your Finance budget analyst.

## **SEPARATE GENERAL FUND CLAIM SCHEDULES FOR SMALL BUSINESSES**

Departments should prepare separate General Fund claim schedules for payments for certified small businesses versus payments for other businesses/entities. Departments should stamp or write "Small Business" on the claim schedule cover sheet (Standard Form 218). This will facilitate the SCO's process to promptly pay invoices that would otherwise be subject to significant late payment penalties. This process is also encouraged for non-General Fund claim schedules.

Departments may have previously submitted General Fund claim schedules to the SCO that included invoices for both small and other businesses/entities. This may result in the delayed payment of these invoices. In such cases, departments should contact their SCO claim auditor or call the claim audits inquiry number at (916) 445-3060 to discuss replacing the claim schedule. Departments can then separate invoices as noted above for resubmission to the SCO.

**PROMPT PAYMENT ACT AND OTHER EXISTING LAW/POLICIES**

BL 09-03 instructed departments to hold General Fund claim schedules for a maximum of 30 days, to the extent practicable, in order to preserve General Fund cash. We also advised departments to fully comply with the PPA and all other laws and policies that are applicable to the payment of claims. If other laws and policies have stricter requirements than the PPA, departments must comply with the stricter laws or policies. The Department of General Services provides a summary of PPA requirements at: <http://www.pd.dgs.ca.gov/promptpay/AQPPA.htm>

State departments are encouraged to cooperate with the SCO plan to delay certain payments out of the State General Fund. To the extent practicable, departments should hold all General Fund claim schedules for a maximum of 30 days before submitting them to the SCO.

If you have any general questions, please contact your Department of Finance budget analyst. For questions about claim payments or transaction status, please contact your SCO claim auditor or accounting analyst, respectively.

/s/ Michael C. Genest

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