

To: The Honorable Christine Kehoe, Chair, Senate Committee on Appropriations

From: Reed Royalty, President, Orange County Taxpayers Association (OCTax)

Date: May 13, 2011

SB 11 (Anderson): Registered Warrants
SB 120 (Anderson): State Funds: Registered Warrants
OCTax Position: SUPPORT

SB 11 would prohibit a state entity from assessing a fine, interest, or penalty based on a debt owed to the state by an individual or entity named in a registered warrant until 30 days after the date the registered warrant is payable by the state.

SB 120 would require a state agency to 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.

OCTax analysis

In view of state government's habitual overspending, it is possible that the state again may issue warrants (i.e., IOUs) instead of cash to its creditors. Once again, taxpayers and vendors of services to the state, not elected officials and bureaucrats, would suffer the consequences. SB 11 and SB 120 are companion bills that would help protect innocent citizens from the Legislature's irresponsibility.

SB 11 would protect small businesses, non-profits, taxpayers and others who receive IOUs from the state from suffering late-payment penalties on bills they owe to third parties, but can't pay because the state has not paid them.

SB 120 would allow recipients of state IOUs to endorse and return them to the state as payment for any obligations they owe to the state (e.g., state taxes, DMV fees, public university tuition, etc.).

Seems fair. If IOUs are good enough for taxpayers, they should be good enough for the state.

cc: Senator Joel Anderson; Orange County Legislative Delegation