BENEFITS OF THE STATE TREASURER’S CONTINGENCY PLAN

- Retire State’s accumulated $8.6 billion deficit (as of the end of the 2002-03 fiscal year)
- Repay $14 billion in short-term borrowing due in June 2004, and provide for additional cash flow and budgetary needs
- Protect California’s credit ratings from further deterioration
- Free up debt capacity to build and fix up schools and other vital infrastructure projects
- Protect critical services such as health care and education from unnecessary, deep cuts
- Credible, workable plan based on historical precedent

STATE TREASURER'S CONTINGENCY PLAN

Revenue Sources

- For three years, the same ¼ cent state sales tax currently earmarked for the Economic Recovery Bonds; not a new or increased tax for consumers.
  ($3.96 billion over three fiscal years)

- Temporary three-year restoration of the Reagan/Wilson 10 and 11 percent tax rates on higher-income earners – single taxpayers earning more than approximately $140,000 and $280,000 per year, respectively, and married taxpayers filing jointly earning more than approximately $280,000 and $560,000 per year, respectively.
  ($6.8 billion over three fiscal years)

STATE TREASURER'S CONTINGENCY PLAN

Short-Term Borrowing and Cash Flow

- Issue approximately $5.7 billion in short-term borrowing (Revenue Anticipation Warrants or RAWs) in June 2004, payable in June 2005.

- Issue approximately $5.2 billion in short-term borrowing (RAWs) in July 2004, payable in June 2006.

- Borrow from available, internal state resources from time to time, as is conventionally done by the State, all of which would be fully repaid by the end of 2006-07 FY.

- This debt retirement and short-term borrowing plan is similar to what then-Governor Wilson did during the 1990s.