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## ***California seeking short-term loan to get by***

**By Kevin Yamamura - [kyamamura@sacbee.com](mailto:kyamamura@sacbee.com)**

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State leaders Wednesday delayed immediate action to resolve California's latest budget woes as they approached Wall Street with some trepidation seeking a short-term loan.

Gov. Arnold Schwarzenegger and legislative leaders said they focused on the state's short-term cash needs in a Capitol meeting Wednesday but plan to deal with California's multibillion-dollar revenue gap in subsequent weekly discussions.

Department of Finance Director Mike Genest confirmed new projections that the state will take in \$3 billion less this fiscal year than anticipated in the state budget Schwarzenegger signed two weeks ago.

To deal with that fiscal problem, lawmakers likely would have to convene a special midyear budget session.

In a Treasurer's Office document, the Department of Finance outlines an even worse scenario in which the state would receive as much as \$4.3 billion less in revenues and owe \$300 million for inmate medical care, creating a \$4.6 billion hole.

But Finance spokesman H.D. Palmer called that only a "worst-case scenario." The document states that in such a scenario, the state would still have enough cash resources through internal borrowing to pay off its bondholders.

State leaders Wednesday tried to steer the conversation away from a special session, which could spark new battles between Democrats and Republicans over tax increases and make Wall Street nervous.

Instead, they sought to put on a unified front for the cameras, saying that obtaining a short-term cash loan is a more pressing need. Schwarzenegger talked about Democrats and Republicans working together as he stood outside his Capitol doorway with both parties' leaders behind him.

"Right now, we need to get our short-term money needs to the market, have them picked up, and then we go a step after that," said Senate President Pro Tem Don Perata, D-Oakland.

California will seek part of a \$7 billion bridge loan early next week, testing a frozen credit market that has begun to thaw in the wake of a \$700 billion federal infusion. The state wants to borrow \$4 billion next week and seek the remainder at a later date, according to Treasurer's Office spokesman Tom Dresslar.

The cash needs are not directly related to the state's revenue problem. California regularly obtains short-term loans early in the fiscal year to pay its bills until it receives the bulk of tax revenue in the spring.

State leaders gained confidence Wednesday after Massachusetts successfully obtained \$750 million in short-term loans and got more bids than needed, Dresslar said. Though that amount is less than 20 percent of California's request, the fact that demand exists for state bonds was considered a positive sign.

"Given the cascade of bad news, this is a hopeful sign we'll be able to complete the (loan)," Dresslar said.

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