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California State Senate

SENATOR DEAN FLOREZ

REPRESENTING KERN, KINGS, FRESNO, AND TULARE COUNTIES



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October 3, 2008

The Honorable Bill Lockyer
Treasurer, State of California
Post Office Box 942809
915 Capitol Mall C-15
Sacramento, California 94209-0001

Dear Treasurer Lockyer:

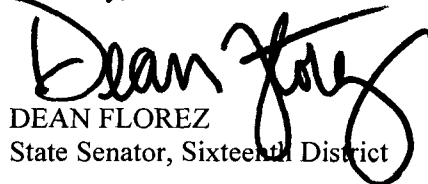
With the state facing a possible \$7 billion borrowing crisis as a result of the limited liquidity of the financial markets, it would seem to me that the state should look to one of the world's largest investors, the California Public Employee Retirement System as a reasonable purchaser of short-term California state government debt.

Many financial institutions have moved a great deal of their liquid assets into low-interest Treasury notes as a safety strategy. Rather than keeping these assets at the federal level, it would make more sense if these assets were used to purchase short-term California debt especially with the state facing the current unprecedented cash shortage. In fact, the state's retirees, if CalPERS has invested in such a manner, would benefit from the increased interest rate spread between Treasury notes and state Revenue Anticipation Notes.

I've always advocated that California tax dollars should help Californians to the maximum extent possible. Our state taxes should be used to invest in our state to create jobs and improve our economy. I've learned through experience that there are ways to address financial crises, it just takes a steady hand and innovative thinking.

And while I can appreciate the enormity of the situation you are facing and some of the tax issues surrounding the purchase of California debt by the state's retirement system, I am confident that any difficulties can be worked out. I look forward to speaking with you on this proposal at your earliest convenience.

Sincerely,


DEAN FLOREZ
State Senator, Sixteenth District

