

## The State's Plan to Defer Payments for Cash Management

The Controller pays counties and cities for gasoline sales tax revenues, or Proposition 42, quarterly. He customarily pays the fourth quarter revenues in June of the following calendar year. This proposal would delay that payment from June of 2009 until October of 2009. The language allows counties to use their existing cash balances of Proposition 1B money to meet cash obligations, as long as it is replaced when the Controller transfers the revenue in October. However, that money is no longer accessible due to recent actions by the Pooled Money Investment Account board. Furthermore, there are "use it or lose it" provisions that apply to that money. Thus, should a county continue to rely on these funds for operations rather than for projects, they may lose those funds. Counties may accrue the suspended revenue back to the 2008-09 fiscal year. No counties are exempt from this deferral. The total amount of deferred money for counties could be \$60,000,000.

Most Highway Users Tax Account revenues, or gas taxes, are distributed to counties and cities monthly, in the month after they are collected. This proposal would delay payments of revenue collected during January, February, March, and the first half of April until September, and would also delay payments of revenue collected during the second half of April, May, June, and July until October. The language allows counties to use their existing cash balances of Proposition 1B money to meet cash obligations, as long as it is replaced when the Controller transfers the revenue in October. However, as mentioned above, that money is currently inaccessible due to recent actions by the Pooled Money Investment Account board, and also has "use it or lose it" provisions that apply. Counties may accrue the revenue suspended from the 2008-09 fiscal year back to that year. No counties are exempt from this deferral. The total amount of deferred money for counties could be \$325,000,000.

The language proposes to suspend monthly advances of state general funds to counties "for benefits or aid grants, administration, and for employment and supportive services" for the seven-month period February through August. Payments would resume in September and all previously deferred payments would be made by the end of September. The language does not delineate specific programs, but SSI/SSP and IHSS would be specifically exempted from this deferral. Counties with populations of fewer than 40,000 would be exempt from this deferral. The payments deferred earlier this fiscal year include:

- Mental health managed care.
- Early Periodic Screening Diagnosis and Treatment (EPSDT).
- CalWORKs grants.
- Foster Care grants.
- Adoptions grants.
- Seriously Emotional Disturbed (SED) grants.
- County administration of:
  - Medi-Cal.
  - CalWORKs single allocation, mental health & substance abuse & KinGAP.
  - Food Stamps.
  - Foster Care.
  - Child Welfare Services.
  - Adult Protective Services.
  - Child Abuse Prevention, Intervention, and Treatment (CAPIT).
  - Title IV-E Waivers.
  - Adoptions Services.
  - Community Care Licensing.
  - CWSOIP.
  - Emancipated Foster Youth Stipends.
  - Foster Parent Training & Recruitment
  - State Family Preservation
  - Substance Abuse/HIV Infant Program (Options for Recovery)
  - Supportive and Therapeutic Options Program
  - Group Home Monthly Visits
  - Kinship Support Services
  - Kinship/Foster Care Emergency Funds

If the same programs are deferred as were deferred in July and August, then with no caseload growth the total amount of deferred money for counties would be over \$3.3 billion.

The language proposes to delay one month's worth of Medi-Cal provider payments for one month, sometime in the current fiscal year.

The proposed language would delay reimbursements for state mandate claims until October 15 of every year, instead of August 15. There are no exemptions for this delay, nor is there a sunset date. The Governor's 2009-10 proposed budget would fund mandates at \$131 million.