



August 13, 2009

The Calm Before the Storm

It has been a quiet few weeks around Sacramento. Once the Senate and Assembly adopted their respective versions of the budget solutions, both houses recessed for a summer break. The Legislature will be back in session on Monday, August 17. There are a number of bills and issues that must be resolved in the four short weeks that are left in the session. CSAC will be looking to support legislation that cleans up and strengthens counties' ability to securitize the state borrowing property tax dollars through the suspension of Proposition 1A, as well as seeking an appropriation to reimburse counties for the costs of the May 2009 special election and cleaning up various provisions related to transportation funding. Legislative discussions on how to implement a \$1.2 billion cut to the state corrections agency will also be a priority issue in the closing weeks of session. Some of the other key issues CSAC continues to follow can be found in our last [Legislative Bulletin](#).

Key dates that remain for this portion of the session are as follows:

August 17	Legislature reconvenes
August 28	Last day for fiscal committees to report bills to the floor
August 31-September 11	Only floor session; no policy committees may meet
September 4	Last day to amend bills on the floor
September 7	Labor Day Holiday
September 11	Last day for bills to be passed; interim recess upon adjournment
September 20	Deadline for report by the Commission on the 21 st Century Economy (the "Tax Commission")

You may recall that Governor Schwarzenegger has already indicated he will call the Legislature into yet another extraordinary session (the 5th) when the Commission on the 21st Century Economy submits their report and recommendations.

State Controller to End Issuance of IOUs

State Controller John Chiang announced today that he would end the issuance of registered warrants (IOUs) on September 4. The Pooled Money Investment Board will be meeting on August 21 to determine if the Treasurer can redeem the IOUs as of September 4, as well.

The Controller based his decision on available cash and the state's plan to borrow \$10.5 billion in short-term Revenue Anticipation Notes (RANs) after passage of the 2009-10 budget revision.

Proposition 1A Securitization

We have been sending out a lot of information about the process to hold counties harmless from the effects of borrowing property taxes. With the help of California Communities, we will be sending out a Frequently Asked Questions (FAQs) flier soon. If your county has not yet signed up as an interested party, you can access additional information and sign up as an interested party through the [CA Communities website](#). It is helpful to have an ongoing

list of those counties interested in the securitization; please note that signing up as an interested party does not commit your county to anything.

Correction Reforms

Upon the Legislature's return, discussions are set to resume on how to direct the California Department of Corrections and Rehabilitation (CDCR) to absorb a \$1.2 billion unallocated reduction. According to the Administration, the state is able implement actions that save \$555 million by exercising CDCR's existing administrative authorities and constitutional powers vested with the Governor. However, the Administration's plan to achieve more than \$600 million in additional reductions will require legislative action. (To view the proposed policy changes the Administration is advancing, please refer to the first two documents posted under "Budget Update" on the CSAC AOJ [page](#).) When and how the Legislature will arrive at a resolution on reforms needed to carry out a cut of this size remains unclear, as many options on the table — which include a variety of sentencing, parole, and early release proposals — remain contentious and politically divisive. Counties have much at stake given that any proposal to shed state prison costs or population results in a shift — directly or indirectly — to counties.

Adding to the pressure is the [decision](#) issued last week by the federal three-judge panel on prison overcrowding ordering the state to reduce its prison population by approximately 40,000 over the next two years. Further, pressures within the prison walls clearly were manifested by the riots last weekend at the California Institution for Men in Chino, which resulted in significant damage to several buildings, extensive injuries, and the transfer of approximately 1,150 displace inmates. While most agree that the state's corrections system is in shambles, it is far less clear how the state will steer itself out of this mess.

State First 5 Gift Fails to Halt Dismantling of Healthy Families Program

The California Managed Risk Medical Insurance Board (MRMIB), which oversees the state's Healthy Families Program (HFP) to insure children in families below 250 percent of the federal poverty level, adopted a motion on Thursday to begin disenrolling participants beginning October 1.

The Board's actions were necessitated by a \$124 million cut in 2009-10 budget revision approved by the Legislature and an additional \$50 million line-item veto by the Governor last month, for a total shortfall of \$174 million in the current year. Board members were also required by statute to adopt the finding of insufficient funds despite the fact that the statewide California Children and Families Commission (also known as First 5 California) voted to contribute \$81.4 million for coverage of children aged birth to five years in the current fiscal year.

MRMIB staff estimates that the state First 5 contribution would apply to roughly 40 percent of HFP participants. However, there has yet to be a solution identified for covering the remaining participants aged 6 to 18, and it is unclear whether the Board could truncate the program and coverage based on available funding streams.

MRMIB is slated to meet next week and once more before the end of August to discuss other options, including changes in co-pays, premiums, and covered services. The First 5 California board also pledged to meet twice more in August to discuss additional ways in which they could assist the HFP. Furthermore, MRMIB board members were also hopeful that a legislative solution could be reached before the end of the session on September 11.

Despite all this activity and in the absence of new revenue, the fact remains that children currently enrolled in the Healthy Families Program will be dropped beginning October 1. The program had already instituted a waiting list in mid-June, and the latest data indicates

55,000 names on the list as of August 11. The HFP currently serves 900,000 children statewide.

U.S. Secretary of Agriculture Tom Vilsack to Visit California

CSAC has received advance information that Secretary Vilsack will bring the Administration's USDA Rural Tour to California on August 25 and 26. The Rural Tour was developed by the Obama Administration to discuss efforts by the Administration to rebuild and revitalize rural America, listen to local residents talk about how the federal government can assist them, and discuss solutions to challenges facing their communities. As details become available, CSAC will get information to you about the visit. For further information on the rural tour program, click [here](#).

We anticipate a very busy four weeks and will keep you apprised of critical developments.

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