



Executive Director's Watch

CALIFORNIA
Counties

March 6, 2009

It's good news for California counties! This afternoon, State Controller John Chiang announced that his office is planning to stop delaying state payments owed to counties, vendors, and taxpayers and repay all previously delayed payments within the next few weeks. This announcement comes as welcome news to us all, as counties would be facing a second month of withheld payments for a variety of federally and state-required programs in the coming weeks.

The State Controller's Office, working with the Department of Finance, has determined that, with \$1.5 billion in short-term borrowing, the state treasury is sufficiently healthy to maintain payments on schedule for the duration of the fiscal year. State officials have indicated that it will take a few weeks to allocate funds for the previously delayed payments, but that they intend to do so as quickly as possible on a first-in, first-out basis.

We are grateful to the State Controller's Office for keeping us informed during this particularly uncertain time and certainly are pleased that the state's recently adopted budget package allows cash to begin flowing once again. However, we are mindful that the state's finances continue to be in a precarious position and will be monitoring the cash situation throughout this budget year and next.

As for the suit recently filed by a number of counties against the State Controller to prevent his withholding or delaying of state funds appropriated to counties, we anticipate that county counsels will be reviewing today's announcement and the state's actions in the coming weeks to determine the appropriate next steps.

Counties should also be aware of activities at the State Treasurer's Office with regards to the status of the state's Pooled Money Investment Account (PMIA) and the various bond funds that have been frozen as a result of the state's cash crisis. We understand that the State Treasurer's Office is preparing its own analysis of the state's cash situation, and the Pooled Money Investment Board (PMIB) is scheduled to meet on March 18 to discuss the status of the PMIA.

More details on that matter as they become available.

CSAC is pleased to bring you news of this positive development; we will continue to keep you advised on these critical fiscal matters as the situation evolves.

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