

# Budget Action Bulletin No. 11

2007-08 Proposed State Budget

Week of August 20, 2007

## Via Electronic Mail

DATE: August 21, 2007

TO: CSAC Board of Directors  
County Administrative Officers  
CSAC Corporate Associates

FROM: Paul McIntosh, CSAC Executive Director  
Steve Keil, CSAC Director of Legislative Services  
Jean Kinney Hurst, CSAC Legislative Representative

RE: **Budget Action Bulletin #11**

The Senate and Assembly completed a state budget today, after a 52-day long summer stalemate. Senators Dick Ackerman and Abel Maldonado put up the two necessary Republican votes in the Senate for the budget bill and accompanying trailer bills this afternoon. Four additional measures were considered as components of the budget package, and are described below. A number of measures already approved by the Assembly were not considered by the Senate and seem to not be a component of the final budget agreement.

With regards to the state's outstanding financial obligations, existing law provides that, upon the Governor's signature on the budget, the State Controller's Office has 15 days to review, process, and pay standard claims. However, Controller Chiang has directed additional staff to assist in the expedited processing of approximately 60,000 claims that have gone unpaid since July 1. The Controller has urged state agencies and departments to prioritize backlogged claims to ensure that the most critical claims are paid first. The Controller's goal is to turn around critical payments in 1-3 days and standard claims in 7-10 days.

For a complete list of budget and trailer bills, check out the end of this Bulletin.

### WHAT YOU SHOULD DO:

Counties should contact the Governor and urge protection of local programs and services. We know that funding for these programs is at risk from the Governor's blue pencil. We expect that the Governor will take final action on the budget within the next few days.

### WHAT'S BEEN HAPPENING:

#### ADMINISTRATION OF JUSTICE

**Transfer of Juvenile Offenders.** SB 81, the corrections trailer bill contains, among other things, provisions to carry out the transfer of a certain class of non-violent juvenile offenders to counties. The Senate made no changes to the elements of the transfer proposal that previously was approved by the Assembly. Counties should be aware that the effective date for the transfer is **September 1, 2007**. From that date forward, the state will no longer accept for intake into its detention facilities administered by the Division of Juvenile Justice any ward adjudicated for any offense outside of Welfare and Institutions Code

Section 707(b). It is expected that legislation will be needed to carry out technical adjustments to SB 81 for purposes of facilitating certain components of the transfer processes.

## **GOVERNMENT FINANCE AND OPERATIONS**

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**General Government Trailer Bill.** The Senate amended AB 199 to modify SB 86, the budget trailer bill affecting state government. They and then the Assembly subsequently passed the bill. The bill makes two changes to the original trailer bill language. First, it retains the current-law provision that purges state jobs vacant for six months in a row; SB 86 contained language that extended this time period to twelve months. Secondly, it removes a code section that would have been added by SB 86 requiring all state buildings – whether owned and occupied by the state or where the state is the sole lessee – constructed or renovated after January 1 of next year to meet the silver LEED efficiency rating.

## **HEALTH AND HUMAN SERVICES**

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**Health Trailer Bill.** AB 203 is now the health trailer bill. AB 203 contains all of the provisions of SB 83, the original health trailer bill passed by the Assembly on July 20, with two exceptions. First, AB 203 deletes redundant language regarding County Organized Health System rates. Second, the measure deletes language regarding Medi-Cal payments and third party liability tort claims.

## **HOUSING, LAND USE AND TRANSPORTATION**

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**Climate Change and CEQA Relief.** The issue of how to address climate change through the CEQA process for future development and local and regional plans was a major issue of debate during the budget impasse. It was resolved in the following manner: SB 97, new trailer bill language unveiled today, provides for a moratorium on climate change litigation under the California Environmental Quality Act (CEQA) against projects funded by Proposition 1B, the transportation bond, and Proposition 1E, the flood control bond, both passed by voters in November 2006. Although there were discussions about a moratorium on litigation for city and county general plans, regional transportation plans, and additional projects, this was ultimately not included in the final budget package.

The measure provides that the moratorium on litigation will sunset on January 1, 2010. Additionally, SB 97 requires the Governor's Office of Planning and Research (OPR) to prepare CEQA guidelines regarding the reduction of greenhouse gasses by July 2009. The guidelines must then be adopted by the Resources Agency by January 2010 and updated on a periodic basis.

**Proposition 1B: \$1 Billion Goods Movement Emission Reduction Program.** Another agreement that was reached in order to break the budget impasse was on the issues of eligibility for the Goods Movement Emission Reductions Program contained in Proposition 1B. SB 88, the trailer bill to implement Proposition 1B, includes implementation provisions for the program which excludes railroad projects from bond funding. However, AB 201, also new trailer bill language passed by the Legislature this afternoon, removed this prohibition thus allowing railroad projects in a Memorandum of Understanding (MOU) to compete for bond funding.

**Proposition 1B: \$2 Billion for Local Streets and Roads.** CSAC last reported in Budget Action Bulletin #6 that SB 88, the Proposition 1B implementation trailer bill, provides for a total appropriation of \$950 million to cities and counties in 2007-08 from the local streets and roads account. Per SB 88, the total appropriation is to be divided amongst cities and counties evenly, i.e. \$475 million for cities and \$475 million to counties. However, CSAC had requested an appropriation of \$400 million and the League of California Cities (League) had asked for \$550 million in 2007-08. It is anticipated that the split of the total appropriation will be reconciled prior to adjournment to meet the requests of CSAC and the League.

**Proposition 1C: \$850 Million Regional Planning, Housing, and Infill Incentive Account.** SB 86, the Proposition 1C implementation trailer bill, includes a \$240 million appropriation from the \$850 million Regional Planning, Housing, and Infill Incentive Account. As stated in a previous CSAC Budget Action

Bulletin, CSAC was successful in ensuring implementation language that allows counties to compete for bond funding under this program.

**Public Transit.** According to the California Transit Association, the recently passed budget package enacts a \$1.259 billion shift of Public Transportation Account funds into new, non-transit expenditure programs.

The 2007-08 State Transit Assistance (STA) Program will be funded at approximately \$416 million; however, up to \$948 million in Public Transportation Account (PTA) funds are provided to fund general obligation transportation bond debt service payments that are supposed to be paid by the General Fund, or that have already been paid.

In addition to the \$948 million in bond debt service payments, the package also enacts another \$311 million in PTA shifts to non-transit purposes, including for regional center transportation costs (\$129 million), home-to-school transportation (\$99 million), and repayment of debt owed by the General Fund to Proposition 42 programs (\$83 million), for the total of \$1.259 billion in non-transit expenditures.

**High-Speed Rail.** No changes were made to funding levels for the High-Speed Rail Authority. As last reported, SB 79 reallocates \$15.6 million from Proposition 116, the Rail Transportation Bond Act of 1990 to the High Speed Rail Authority.

## **WHAT'S GOING TO HAPPEN NEXT:**

With the passage of the budget, counties breathe a collective sigh of relief; however, we await the Governor's actions. We expect the Governor to complete an estimated \$700 million in line-item vetoes in the coming days. CSAC will provide a listing of those actions when the budget bill is eventually signed.

**Stay tuned for the next Budget Action Bulletin!**

**If you would like to receive the Budget Action Bulletin electronically, please e-mail Jean Hurst, CSAC Legislative Representative, at [jhurst@counties.org](mailto:jhurst@counties.org). We're happy to accommodate you!**

**Budget and Trailer Bills**

(Bill text, analyses, and votes are available at [www.leginfo.ca.gov](http://www.leginfo.ca.gov))

SB 77	Conference Committee Report
SB 78	Conference Committee Report Amendments
SB 79	Transportation Trailer Bill
SB 80	Higher Education Trailer Bill
SB 81	Corrections Trailer Bill
SB 82	Administration of Justice Trailer Bill
SB 83*	Health Trailer Bill
SB 84	Human Services Trailer Bill
SB 85	Resources Trailer Bill
SB 86	General Government Trailer Bill
SB 87	Taxation Trailer Bill (teachers' tax credit, business use tax, and fractional aircraft)
SB 88	Proposition 1B Implementation Trailer Bill
SB 89	EdFund Sale Implementation Trailer Bill
SB 90**	State Chief Information Officer
SB 91**	EdFund Administrative Changes Trailer Bill
SB 92***	Charter Schools Trailer Bill
SB 98*	Economic Stimulus Package (tax credits for motion picture and television industry and R&D, tax exemptions for jet fuel and low-sulfur fuel)
SB 97	Prop 1B/1E CEQA Lawsuit Compromise
AB 199	General Government Trailer Bill Amendment
AB 201	Prop 1B: Air Quality Fund Eligibility for Rail
AB 203	Amended Health Trailer Bill

\* Not considered by the Senate.

\*\*Passed by the Senate in July.

\*\*\* Up for reconsideration in the Assembly.

**FOR IMMEDIATE RELEASE**

August 21, 2007

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## **CALIFORNIA COUNTIES REACT TO TODAY'S STATE BUDGET DEAL**

SACRAMENTO – California's 58 counties expressed relief following today's passage of the state budget, but remain deeply concerned about the effects of possible cuts that are still to come.

"We are pleased that the legislature was able to put aside their differences and work together to craft a spending plan for the state," said Frank Bigelow, CSAC President and a Madera County Supervisor. "Funds can now flow to many essential programs that have been held up because of the impasse, such as Medi-Cal payments to hospitals and clinics. However, we are extremely worried about the impact that potential cuts could have on California's counties."

Before signing the budget, the Governor is expected to use his line-item veto authority to eliminate the \$700 million deficit remaining in the proposed budget. It is not clear at this point which programs will be affected by these cuts.

"Once this budget reaches the Governor's desk, we urge him not to use his blue pencil to eliminate funding for the programs and services provided by our counties – which are vital to all Californians," said Paul McIntosh, CSAC Executive Director. "Counties are the partners of the state in service delivery, yet we are already being shorted on some especially important programs, including the cost of doing business for Social Services and mental health programs. It is essential that further cuts not be taken in these areas. It is also imperative that any new requirements placed on counties, such as the housing and care of additional juvenile offenders, are adequately funded, as well."

Counties will continue to work with the Governor and the Legislature to ensure sufficient funding is secured for county programs.

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*CSAC is a nonprofit corporation that promotes the interests of California's 58 counties at the state and federal level. One of the association's primary goals is to educate the public about the value and necessity for county programs and services. Founded in 1895, CSAC is based in Sacramento.*