



August 27, 2010

Fifty-Eight Days and Counting

Today marks the 58th day of the fiscal year and there is still no end in sight for the state budget stalemate. Earlier this week, Governor Schwarzenegger, in addressing a Chamber of Commerce meeting in Santa Barbara County stated that taxes would be increased “over his dead body.” Since new revenues are central to the Democratic leadership’s budget proposal, this would not appear to be a step toward compromise.

The Governor also reiterated his call for pension reform, stating he would not sign a budget that does not roll back pension standards to the pre-1999 level. 1999 is when the state adopted AB 900, significantly enhancing pension plans.

Yesterday, in what could have been a spark to fruitful negotiations, the Big Five (Governor, Speaker of the Assembly, President Pro Tempore of the Senate, Assembly Republican Leader, and Senate Republican Leader) met for the first time since June 14 , (that’s 73 days, for those of you keeping track). Unfortunately, the meeting lasted less than an hour. Upon exiting the meeting, Assembly Republican Leader Martin Garrick told reporters: “It went, we had a meeting.” The Democratic leadership reiterated their position that there needs to be a balanced approach to the budget (taxes and cuts) rather than an all cuts approach.

Senator Republican Leader Dennis Hollingsworth had indicated previously that he would turn over the reins of his caucus to Senator Bob Dutton on September 1, regardless of the status of budget negotiations. He seemed to be softening on that position, though, indicating yesterday that he may continue as leader if negotiations are moving forward. Yesterday’s discussions, however, could hardly be characterized as “moving forward.”

If Senator Hollingsworth indeed step down as Senate Republican Leader next Wednesday, negotiations could revert back to square one. At this stage, there is no telling when a budget will be adopted or what components that budget will include.

Meanwhile, the Legislature keeps churning out bills. Of most interest to counties are Assembly Bill 155 and the package of bills introduced in the wake of the City of Bell salary scandal. AB 155, by Assembly Member Tony Mendoza, requires a local agency desiring to seek Chapter 9 bankruptcy protection to either request the approval of the California Debt and Investment Advisory Commission (CDIAC) or to request and receive a review of the local agencies’ financial position from the State Auditor prior to entering federal bankruptcy court. These amendments were proffered with Senators Mark DeSaulnier and Lois Wolk to provide a less onerous option for local agencies facing a fiscal crisis. Unfortunately, delays in seeking the protections provided by federal bankruptcy law have the potential to be severely damaging to the local agencies fiscal

position and to local programs and services. CSAC, along with the Urban Counties Caucus, the Regional Council of Rural Counties, the League of California Cities, and the California Special Districts Association, among others, remains opposed.

On Thursday, August 19, Speaker Pérez, Pro Tem Steinberg, and Legislators held a press conference to announce a package of reform bills to, as they stated, “prevent Bell scandals”. Highlights of the reform package include:

- AB 192 (Gatto) would require any CalPERS contracting agency that provides more than a 15 percent raise to an individual to bear the entire cost of the retirement increase even for service with a previous employer covered by CalPERS. AB 192 has been put on hold for 2010. Legislation to address this issue is expected in 2011.
- AB 194 (Torrico) would create a new cap on the salary or payrate that is used to determine a pension benefit.
- AB 827 (De La Torre) would prevent “evergreening” clauses (automatic renewals) in the contracts of unrepresented individuals who report directly to a governing body and require a performance review of those individuals prior to a local agency providing an increase in compensation above a cost-of-living adjustment.
- AB 1955 (De La Torre) would require the State Controller to determine whether a charter city is an excess compensation city, as defined, and mandates penalties if such a determination is made. AB 1955 would also amend the Brown Act to require 5 days notice prior to considering a contract for employment.
- AB 2064 (Huber) would require all levels of government to post employee salary information on their websites. AB 2064 will not apply to counties if SB 501 is signed into law.
- SB 501 (Correa) would require specified individuals to complete a new salary and benefit disclosure form created by the Secretary of State. As an alternative, a local agency may provide that information on its website so that the specified individuals do not need to complete the form.

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