



June 24, 2009

Eight Days and Counting

Today, for the first time, the Senate and Assembly put up bills on their respective floors to amend the 2009-10 budget enacted in February. Both houses failed to approve these measures and now are scheduled for floor sessions tomorrow morning. Members also have been asked to clear their schedules for the weekend. Although specific budget and trailer bill language is generally not available, we have provided below a list of bills and general content description.

Of particular importance to counties, State Controller John Chiang announced today that, starting July 2, his office would be issuing registered warrants, or IOUs, if immediate budget and cash solutions are not approved by the Legislature and the Governor. The State Controller's Office has determined that the magnitude of the cash shortfall is so large that simply delaying payments as it did in February will not cover the gap. The option to pursue Revenue Anticipation Warrants (RAWs) was eliminated when Governor Schwarzenegger rescinded the authority for the Controller to do so earlier this month.

Regular payments will continue for K-12 schools, UC, CSU, and community colleges; debt service on general obligation bonds; payments to CalPERS and CalSTRS; state, legislative, and court employees' salaries; IHSS services; Medi-Cal associated payments; and child support services payments.

IOUs will be issued for the following payments:

- Cal Grants
- SSI/SSP grants
- CalWORKS grants
- County administration of social services programs
- Developmentally disabled centers
- Local assistance payments for mental health services
- Local assistance payments for alcohol and drug treatment services
- Judicial branch
- State and small business vendors
- Personal income tax and corporate tax income refunds

The warrants will carry an interest rate set by the Pooled Money Investment Board (PMIB). The Controller has requested an emergency PMIB meeting on July 2 to set the rate and that rate adoption will become effective immediately. The warrants will have a maturity date of October 1, 2009.

The State Controller's Office [Web site](#) has resources and information to provide answers to the many questions that this recent announcement has provoked.

It is important to note that the 2009-10 state budget already includes deferred payments to counties for most social services payments expected in July and August 2009. IOUs will only be issued for those payments that are currently scheduled to be made during those months.

In terms of impacts to counties, it appears that registered warrants are a preferable option to delaying payments outright. There is at least the potential that banks or other lenders will cash these warrants in anticipation of receiving the interest earnings when the warrants mature. CSAC is communicating with the State Controller's Office to determine if and when banks are willing to accept the IOUs.

Counties also should know that Government Code section 29822 authorizes local agencies to issue registered warrants. Counties may wish to consider this option if the budget impasse becomes protracted and local cashflow issues ensue.

We appear to be in "hurry up and wait" mode, as we move closer to the July 1 deadline. There are no indications as to who will blink first, but we will do our best to provide you with the most up-to-date information available. Look for more news tomorrow on the Legislature's action...

List of Bills – Revisions to 2009–10 State Budget

SB 62/AB 180	Changes to 2009–10	SB 75/AB 193	Revenue
SB 64/AB 182	2008-09 Education/Higher Ed	SB 76/AB 194	Revenue
SB 65/AB 183	2009-10 Education/Higher Ed	SB 77/AB 195	Parks
SB 67/AB 185	Human Services	SB 78/AB 195	Emergency Response Initiative
SB 68/AB 186	Health	SB 79/AB 197	Corrections/Judiciary
SB 69/AB 187	Developmental Disabilities	SB 80/AB 198	Redevelopment Agencies
SB 70/AB 188	General Government	SB 81/AB 199	Realignment
SB 72/AB 190	Transportation	SB 82/AB 200	Cash Management
SB 73/AB 191	Resources	SB 83/AB 201	Driver's License/Motor Vehicle Account Fee
SB 74/AB 197	Cash Management/Deferrals	AB 14XXX	Other Corrections reforms

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