



February 23, 2010

Governor Receives Partial Budget Solution

Yesterday, the Legislature attempted to finalize action on the emergency budget package amidst considerable confusion and irritation. Eventually, the Assembly sent five measures to the Governor, achieving about \$2.3 billion in savings. Outstanding issues remain, however, including concurrence on a two measures that have already passed the Senate and failed in the Assembly, as well as the cash management proposal and gas tax swap.

The chart below outlines the various bills in the Extraordinary Session, as well as their current status. Please keep in mind that identical measures were amended in the Senate and Assembly, but the Assembly measures are moving.

Bill	Description	Status
ABX8 1	Current Year Budget Changes	To the Governor
ABX8 2	Budget Year Budget Changes	To the Governor
ABX8 3	DOJ/Corrections Trailer Bill	To the Governor
ABX8 4	Health/Human Services Trailer Bill	Assembly failed to concur; reconsideration granted
ABX8 5	Cash Solutions (urgency)	Assembly Floor
ABX8 6	Transportation Part I	Senate Floor
ABX8 7	Resources Trailer Bill	Assembly failed to concur; reconsideration granted
ABX8 8	Tax Enforcement	Assembly Floor
ABX8 9	Emergency Response Initiative	Senate Floor
ABX8 10	General Government Trailer Bill	To the Governor
ABX8 11	Transportation Part II	To the Governor

While Monday was the official deadline for action in the Extraordinary Session convened by the Governor, the Legislature has indicated that their actions serve to "address the state's fiscal emergency," even though the complete package is not finalized. The Eighth Extraordinary Session remains open to allow for additional negotiations on various components of the package. Under the provisions of Proposition 58, the Legislature can continue to work on budget matters in the Eighth Extraordinary Session beyond the 45-day deadline, but is prohibited from "acting on bills," a phrase that is certainly subject to interpretation.

Transportation. ABX8 6 was amended on February 19 to contain trailer bill language related to the Legislature's draft proposed alternative to the Governor's transportation tax swap proposal. There is only one significant difference between the recently released language and what CSAC reported

from the Senate Budget Committee last week. This most recent version makes additional changes to transit funding as follows:

- Increases the sales tax rate on diesel to 6.75% starting in 2011-12 to provide additional revenues for the Public Transportation Account (PTA). This revenue stream is projected to increase over time.
- Appropriates, in the period between now and June 30, 2011 (i.e. current year plus budget year), \$400 million from the PTA balance to the State Transit Assistance (STA) program.
- Appropriates some non-Article XIX funds to the PTA.

The Governor has indicated concerns with the Legislature's developing alternative proposal (apparently related to the corporate tax breaks rather than the actual transportation components), so negotiations continue in order to reach a compromise. At this time, it is possible that further changes to the transportation component could be made during negotiations, yet we still expect resolution on this issue and a vote in the Legislature on a compromise package by the end of this week.

Cash deferrals. The cash management package reflects the same provisions that CSAC described to you late last week: deferrals of state payments to counties for the 2010-11 budget year in the areas of transportation, social services, and Proposition 63. The details of these deferrals are contained in [ABX8 5](#).

Public safety/corrections. The Legislature adopted an \$811 million cut to the federal prison healthcare receiver's budget, a \$41 million reduction to the Division of Juvenile Justice, and a \$45 million reduction to the Department of Justice related to forensic lab services. On the latter item, the reduction to DOJ forensic lab funding reflects concurrent action to increase by \$2 the existing criminal penalty assessment (authorized in Government Code Section 76104.7), which is expected to produce revenue for operation of state criminal laboratories in an amount equivalent to the cut.

We anticipate additional negotiations will result in more action by the Senate and Assembly in the Eighth Extraordinary Session this week. Look for a *Budget Action Bulletin* from CSAC outlining the impacts of the special session measures soon.

Cabinet Secretaries to speak at NACo Legislative Conference

Jobs, economic recovery and health reform will be the main focus of NACo's Legislative Conference, **March 6-10**, at the **Marriott Wardman Park Hotel in Washington, D.C.** Confirmed guest speakers include **Health and Human Services Secretary Kathleen Sebelius**, **Agriculture Secretary Tom Vilsack**,

Rep. Gerry Connolly (D-Va.) and TIME magazine columnist Joe Klein. In addition to featured speakers, excellent educational workshops are planned to cover issue areas ranging from health care to energy policy to the federal budget. Check out all the sessions by clicking [here](#). If you haven't registered yet, make sure you register online before March 5 to save your county \$135 in registration fees! To register now, click [here](#).

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