



Executive Director's Watch

CALIFORNIA
Counties

January 16, 2009

We do not need to remind you that the state's fiscal crisis remains dire. You may have heard or read about the Governor's State of the State address yesterday, which focused on the difficult road he and the four legislative leaders are on to resolve the budget deficit. Of course, the million dollar (or is it 40 billion dollar?) question is: when?

No one has a good answer to that question, but we at CSAC are sounding the alarm with the Administration, Legislature, and the public about the impacts of further delay. Today, State Controller John Chiang announced that, if a budget resolution is not enacted immediately, he will begin withholding payments of state obligations starting February 1. CSAC representatives spoke at the press conference about the impact of delayed state payments on counties. These obligations include state and federal payments to counties for social services, mental health, and alcohol and drug programs. Specifically, SSI/SSP, CalWORKs grants, funding for county administration of social services programs and Medi-Cal, local assistance for mental health programs including EPSDT and AB 3632, and local assistance for alcohol and drug programs including drug Medi-Cal, Proposition 36, perinatal services, and drug court funding.

CSAC President Gary Wyatt, CSAC First Vice President Tony Oliviera, and Yolo County Assistant County Administrative Officer Pat Leary spoke at the Controller's press conference today about the dramatic impacts of delay of state and federal funds for these important programs. These supervisors were extremely clear: counties cannot withstand delays of state funds and will explore our legal options to ensure that counties are not left holding the bag for state and federal programs.

The Controller's press conference dealt with a very serious issue. You will likely recall that last year the state addressed their cash flow problem, at least in part, by deferring certain payments to counties for a number of months. While CSAC was able to obtain a statutory repayment date and an exemption for the smallest counties, we know that the deferred payments made fiscal management that much more difficult for counties.

The deferral issue, unfortunately, has reared its ugly head in the form of draft statutory language proposed by the Administration that would defer seven months of state payments for a number of health and social services programs and the local gas tax subventions. We estimate that the total amount of such a deferral plan ranges from \$3-\$4 billion. Talk about passing on the cash crisis to the counties!

We understand that these proposals create considerable uncertainty, anxiety, anger, and stress for you all. We are doing our best to get detailed information about what will occur with state payments in the coming weeks and will get it to you as quickly as we can. Please keep talking to your legislative delegation and please keep us informed of your own budget activities.

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