



June 26, 2009

We're Down to Five Days

We now find ourselves five days away from the new fiscal year, and no specific plan for closing the state's \$24 billion-plus budget deficit is in sight. Since we last reported, the Assembly swiftly passed three measures on a bipartisan basis yesterday, which would have freed up \$5 billion in available cash to avoid the issuance of IOUs on July 2. However, the Senate was not able to muster sufficient Republican votes to follow suit, and the Governor pledged to veto anything that was short of a complete solution.

Today, both houses met on their respective floors in another attempt to address the looming crisis. The Assembly took up the measure that would make major spending reductions to the 2009-10 budget; that bill failed, and reconsideration was noticed. On the Senate side, three measures were considered regarding state park fees, the Governor's Emergency Response Initiative, and various revenue collections and accelerations. All three measures failed, and reconsideration was noticed. Both houses have adjourned and remain on call of the house leader until Sunday evening.

Update on Potential HUTA Litigation

As you likely read in news reports, the League of California Cities held a press conference Thursday, announcing cities' intention to file a lawsuit if the taking of \$1.7 billion in local gas tax funds (Highway User Tax Account or HUTA) is a part of the final state budget. CSAC agrees with the League's legal opinion that such a raid is unconstitutional.

It's important to note that a lawsuit cannot, and will not, be filed unless a state budget that includes the gas tax take is approved by the Legislature and signed by the Governor. Should such a budget be approved and a lawsuit filed, county counsels will coordinate with city attorneys, the League and CSAC to pursue litigation and to facilitate counties joining the lawsuit. If your county has or is considering a resolution authorizing cooperation in a potential lawsuit, keep in mind that the resolution shows your county's intention to join the lawsuit. It does not mean your county is a part of a lawsuit, which has not and cannot be filed at this time.

CSAC continues to urge you to contact your legislators and share with them what the HUTA take would mean for your county. There has been a lot of media attention both locally and statewide on the devastation this would cause to public works departments, communities, and the economy. When you talk to your legislative delegation, remind them of these important points regarding the potential loss of HUTA:

- The diversion of local gas taxes will result in 4,000 lay-offs in county public works departments alone.
- Disinvestment of \$1.7 billion in infrastructure activity will have a huge ripple effect in the economy.

- Counties will lose million of dollars in additional federal funding as HUTA provides the local match for many federal grant funds.
- Proposition 1B and American Recovery and Reinvestment Act (ARRA) funds do not backfill counties for the loss of HUTA.

CDCR Rejects Tentative Agreement with Prison Medical Receiver

Yesterday, Department of Corrections and Rehabilitation (CDCR) Secretary Matthew Cate addressed a letter to the federally appointed Prison Medical Receiver, Clark Kelso, explaining that, due to the unprecedented fiscal crisis, the state is not able to consummate a tentatively reached agreement on prison healthcare. As counties may recall, the federal receiver and Corrections Secretary Matthew Cate announced last month that they had reached tentative agreement on a memorandum of understanding (MOU) that would have dramatically scaled back the Receiver's original plan to address the state prison system's health care needs. Rather than pursue a much larger-scale construction program with an \$8 billion price tag, the new approach envisioned building two new long-term health care facilities to house 3,400 inmates. The tentative MOU would have sought \$1.9 billion in funding from the California Infrastructure and Economic Development Bank (I-Bank) for correctional healthcare.

Secretary Cate's letter, however, indicates that the state cannot afford to assume any additional debt at the present time, given the fiscal crisis. The Secretary commits to continuing to work with the receiver and his staff towards addressing the state's prison healthcare needs, but cites several new developments - in addition to the state's budget deficit - that forced the state to rethink the previously negotiated agreement. CDCR's press release on its decision not to enter in to the MOU, as well as a copy of the Secretary Cate's letter, can be found [here](#).

CSAC will report any budget developments as they occur. Please enjoy your weekend.

Paul McIntosh
 Executive Director
 California State Association of Counties
 1100 K Street, Suite 101
 Sacramento, CA 95814
 (916) 327-7500 x506
 (916) 441-5507 - Fax
 pmcintosh@counties.org
 www.csac.counties.org