



News & Advocacy

Budget Conference Committee

Begins with a Thud

Let People Know: Make Your County Story and Voice Heard!

Administration of Justice

Agriculture and Natural Resources

Employee Relations

Government Finance and Operations

Health and Human Services

Housing, Land Use and Transportation

Washington, D.C., Report

Calendar of Events

Ask Our Advocates

Legislative Tracking

PDF Version

May 22, 2009

Budget Conference Committee Begins with a Thud

By Paul McIntosh, Executive Director
pmcintosh@counties.org

Three significant events late this week helped to focus on how difficult this year's budget will be, especially for those who rely on state funds. On Thursday, the Legislative Analyst's Office (LAO) released its analysis of the Governor's pre-election May Budget Revision, making several stunning recommendations for balancing the budget. Later that day, the Budget Conference Committee met for the first time to review the general budget situation, where the Department of Finance announced their own list of startling proposals. Today (Friday), the Conference Committee heard several presentations about the state's cash condition.

None of the news was good, and the three events combined with Tuesday's election.

Capitol observers have wrung their hands almost every summer for nearly a decade, worrying about how difficult the budget debate would be, and opining that "this time" the state's leaders would truly have to reconcile revenues and expenditures without too many gimmicks. "This time," however, unlike before, when the Governor's representative proposes closing state parks, releasing thousands of prisoners, and eliminating the CalWORKs program, no one is suggesting that she is doing so only to "rattle some cages."

Except that the state's position is now so strained that there might not be enough discretion in the budget to avoid short-term solutions that negatively affect the out-years. And the cuts to state programs now proposed are so significant that some of these options or others like them will merit serious consideration among legislators eager for any way forward. These choices include borrowing under the provisions of Propositions 1A or 42, as the LAO has proposed; delaying 12% of funds the state pays local schools from June 2009 to July 2009, as the Governor has proposed; or selling off the profitable parts of SCIF's book of business, another proposal from the Governor. (The Legislature established SCIF in 1914 as the state's workers' compensation insurer of last resort.)

Both the LAO and the Department of Finance (DOF) now agree that the state should not issue a multi-billion dollar RAW (revenue anticipation warrant) in the coming fiscal year, as the Governor proposed just a week ago, for reasons of fiscal prudence and constitutionality. Unfortunately, dropping that proposal requires an additional \$5.5 billion in "solutions." Given the dire cash situation, those solutions must be in place at least by the beginning of the new fiscal year, at which time many options either disappear and at which time the state's cash cushion erodes significantly.

Many of the LAO's recommendations are outlined in their respective subject areas elsewhere in this Legislative Bulletin, but a few general findings follow here. First, the LAO believes the deficit is about \$3 billion higher than the Governor's estimate

of \$21 billion. They also find that even if the Legislature adopted all of the Governor's recommendations – which at the time included the RAW – the state would still face a \$15 billion deficit in 2010-11 and bigger ones in the three following years. They also question the legality or wisdom of other of the Governor's proposals, including the \$750 million in Medi-Cal cuts that would require federal waivers. Most importantly, they stress the need for prompt action. This is a time, they say, for the Legislature to truly examine their long-term priorities, and cut or altogether eliminate lower-priority programs.

On Thursday, they heard testimony from DOF Chief Deputy Director of the Budget Ana Matosantos and Legislative Analyst MacTaylor.

Matosantos quickly outlined some of the new cut proposals the Governor's staff is working to fill the newest portion of the multi-billion dollar projected deficit. In doing so, they are attempting to be sensitive to legislators' concerns about relinquishing federal funds. The cuts are startling, and include:

- Eliminating CalWORKs.
- Eliminating Healthy Families.
- Decreasing child welfare services funding by \$60 million.
- Decreasing funding for mental health managed care.
- Using \$750 million of local transportation funding for debt service.
- Decreasing funding for the state prison system by \$750 million by releasing prisoners and scaling back rehabilitation programs.
- Decreasing funding for courts and by 10%.
- Eliminating Cal Grants for higher education.
- Eliminating all General Fund support of state parks.
- Decreasing UC/CSU funding from the General Fund by \$600 million.
- Saving \$210 million in borrowing costs.

The Administration is expected to present its additional cuts to the Conference Committee on Tuesday, May 26. This presentation is anticipated to include additional information about the scope and magnitude of the proposals.

Several people, including State Treasurer Bill Lockyer, have spoken in terms of "resetting" the state's government and building it more intelligently from now on. He made that comment as part of his testimony before the Budget Conference Committee today.

At that hearing, both he and State Controller John Chiang drove home the point that the state has essentially no cash and no prospects for more. The state has not had a positive cash balance since July 12, 2007. Since that time, the General Fund has relied on internally borrowed money from special funds, which it now owes \$20 billion "upon demand." California, as Controller Chiang pointed out, is one firestorm or earthquake away from complete fiscal meltdown. It also means that, while the budget deficit stands at \$20-25 billion, the state's cash deficit is about \$40 billion. He also contextualized the current situation for the Committee by saying that the budget year's cash flow problem appears to be four times worse than February's problem could have been.

Treasurer Lockyer listed for committee members and the many other legislators present in the audience, elements of California's budgets that make investors nervous, including:

- Deficit financing.
- The growing size of state Revenue Anticipation Notes (RANs).
- Reliance on non-recurring revenues.
- Continual impasse.
- Extensive internal borrowing.

Because of these and other issues, he reported that California would have difficulty in borrowing even \$10 billion in the short-term market, much less the more-than-\$20 billion that the LAO suggests would be necessary if the Legislature fails to act by the end of the fiscal year.

The Budget Conference Committee's schedule remains aggressive, and they have scheduled hearings Tuesday, Wednesday, and Thursday next week (May 26-28). Counties should brace themselves for serious discussion of further disquieting proposals in the coming days and weeks as the extent of California's budget woes are further revealed.

May22,2009

LetPeopleKnow:MakeYourCountyStoryandVoiceHeard!

With the many developments at the Capitol this week, it is clear the CSAC Legislative Conference agenda will be full and advocacy will be a critical part of what is accomplished at the event next week.

It cannot be stressed enough – your state representatives in the Legislature and the Administration must hear from counties about how the many proposals on the table will affect our ability to provide services and meet the needs of our constituents. CSAC strongly urges conference attendees to schedule meetings with your legislative delegations, if you have not already. Those who are unable to attend the Legislative Conference are encouraged to make direct contact with their legislative representatives -- by phone, email or an in-person visit – and explain the many challenges your county is already facing and how the latest drastic measures would further cripple your ability to provide vital services.

CSAC is providing conference attendees several opportunities to make their voices heard:

- Attend and testify at budget conference committee hearings, tentatively scheduled for next week.
- Participate in the press conference Wednesday, May 27, at noon in the Sacramento Convention Center West Lobby. We're asking county supervisors to participate in the press conference by gathering behind our main speakers and showing the collaboration among counties to protect local services and our constituents. Help us get the word out that counties are strapped by their own budget deficits and cannot withstand a state raid of Proposition 1A and prolonged periods of delayed payments. We need the state and Legislature to know they need to be responsible partners.
- Take a few minutes to share on video the budget challenges your county is facing. What difficult decisions have you had to make? How do you explain those tough choices to your constituents? The goal is to gather dozens of testimonials to share with the Legislature and Administration.
- Attend policy committee meetings and hear the latest on how the Administration's and Legislative Analyst's proposals will affect county programs.

This budget process will be intense, and many drastic and difficult decisions will need to be made. Inevitably, there will be much to dislike in whatever solution is eventually reached. But the Legislature must make decisions with an understanding of the consequences of their actions. The county voice must be heard, and counties need to fight to protect our services and the people we serve.

California Counties: 38 Million Served, Billion\$ at Risk.

May22,2009

Administration of Justice

For more information, please contact Elizabeth Howard at 916/650-8131 or ehoward@counties.org or Rosemary Lamb at 916/650-8116 or rlamb@counties.org.

Joint Budget and Policy Committee Hearing on CDCR Budget

As counties will recall, the Governor, when signing the 17-month budget compromise in February, exercised his line-item veto authority by applying a \$400 million unallocated reduction to the Department of Corrections and Rehabilitation's (CDCR) budget. (The April 24 Administration of Justice (AOJ) section of the [CSAC Legislative Bulletin](#) provided details previously laid out by CDCR as to how it intends to implement the Governor's cost-savings directive.) This week, the Senate Public Safety Committee, Senate Budget and Fiscal Review Subcommittee No. 4 and Assembly Budget Subcommittee No. 4 convened in a joint informational session to receive an update from CDCR on proposed plans to achieve the unallocated budget reduction. In the May 19 hearing, CDCR presented its proposals — also made available [here](#)— and gave further details on expected savings associated with each element of its cost-savings proposal. It was noted that the proposals, as laid out by CDCR, fall short of the \$400 million target set by the Governor, so additional work will need to be done to identify achievable savings.

After discussing the proposals at length, the joint committees took public comment. A number of interested parties provided testimony, including CSAC, which pointed out that the CDCR reductions associated with the February budget had to be considered in the context of increasingly dire fiscal circumstances for the state, a new round of budget proposals unveiled in the May Revision, and a potential for crippling impacts on counties if the state were to carry out the most dramatic of proposals on the table – a Proposition 1A suspension. While certain of the proposals on the table do not specify new duties for counties, we made clear that no one should expect counties to have the capacity or resources to provide rehabilitative or supportive services to new offenders given the totality of the impacts that counties could be facing in the coming months.

While there was general agreement that CDCR had been thoughtful in developing its plan to reduce \$400 million from its budget, many questions remained and no specific action was taken. CSAC will continue to update counties as these

discussions evolve.

Probation Performance Incentives

SB 678 (Leno and Benoit) – Support in Concept As Amended on April 16, 2009

SB 678, a measure by Senators Mark Leno and John Benoit, would enact the California Community Corrections Performance Incentive Act of 2009. The measure cleared the Senate floor with no “no” votes and now is in the Assembly awaiting its first policy committee referral.

As discussed in previous Bulletins, SB 678 offers a promising and innovative approach to creating performance incentives for local government development of community corrections strategies that reduce prison commitments. With increased supervision, monitoring, and intermediate sanctions, probation departments would be better positioned to decrease adult criminal activity and manage this population locally. Based on a jurisdiction’s success — measured in the reduction of felony probationers who are sent to prison — the state would share its savings derived from the lowered prison population.

CSAC qualifies its support only because this measure represents a significant policy change and funding approach. The CSAC AOJ committee will hear panel presentation on this measure during its May 27 meeting next week, with presentations by Senator Leno and co-author Senator Benoit, as well as representatives of the Chief Probation Officers of California — the sponsors of the bill.

Public Contracts

AB 216 (Beall) – Oppose As Amended on May 6, 2009

AB 216, by Assembly Member Jim Beall, seeks to create a dispute resolution process for claim disputes over \$50,000 between contractors and local agencies. A similar measure was pursued last year by Senator Leland Yee (SB 1642) but was held in the Senate Appropriations Committee.

AB 216 seeks to create a process by which contractors can seek resolution to unresolved claims. Specifically, it outlines a process by which a contractor would first request a “meet and confer” session with the local agency. If the parties are unable to resolve the dispute through this process, the claimant can request mediation to resolve the dispute.

The measure, as amended on May 6, eliminates the binding arbitration requirement previously contained within the measure if mediation were unsuccessful in resolving a disputed claim. However, the measure would impose a 2% penalty upon local agencies that fail to respond to a specified dispute arising from a claim. CSAC has joined a coalition opposing this measure, which includes the Regional Council of Rural Counties (RCRC) and the California Special Districts’ Association (CSDA). Counties and special districts believe the financial penalty is unnecessary. It would inappropriately place a new financial penalty on local agencies without addressing those contractors who fail to perform up to the standards specified in a contract.

AB 216 was referred to the Assembly Appropriations Committee’s Suspense File on May 19. All measures placed on suspense file will be considered by the committee later this month.

Business Licenses

AB 307 (Cook) – Request for Comment As Amended on March 23, 2009

AB 307, by Assembly Member Cook, would prohibit a county or city from issuing a license for operating an ice cream truck to anyone who is required to register as a sex offender. This measure is a reintroduction of Assembly Member Cook’s AB 2619 from last year that was held in the Assembly Appropriations Committee.

CSAC is evaluating this measure more closely in two regards: 1) the extent to which it preempts local authority of cities and counties to issue business licenses and 2) potential liability issues it may cause were a local government to issue a license unknowingly to a sex offender. CSAC is requesting that counties examine this measure and provide feedback as soon as is practical to Rosemary Lamb at rlamb@counties.org.

AB 216 is currently in the Senate awaiting assignment to a policy committee.

AgricultureandNaturalResources

For more information, contact Karen Keene at 916/327-7500, ext. 511, or e-mail kkeene@counties.org or Cara Martinson at 915/327-7500, ext. 504, or email cmartinson@counties.org.

Solid Waste

SB 25 (Padilla) – Request for Comment As Amended on May 6, 2009

SB 25, by Senator Alex Padilla, would increase the solid waste diversion mandate on local governments to 60% by January 1, 2015, with a statewide goal of 75% diversion by 2020. SB 25 would also establish an illegal dumping grant and loan program for local governments, mandate commercial recycling and increase the state tipping fee to \$2.13 per ton by 2012. CSAC continues to have serious concerns with multiple elements of the bill and is working with the author to address some of these issues. This bill is set for hearing in the Senate Appropriation Committee on May 26.

SB 730 (Wiggins) – Request for Comment As Amended on May 6, 2009

SB 730, by Senator Patricia Wiggins, would require an operator of a solid waste transfer or processing station that transfers solid waste outside of the state to pay quarterly tipping fee on that solid waste. According to the analysis, jurisdictions that ship their waste out-of-state, and thus do not pay the tipping fee, still receive benefits from the California Integrated Waste Management Board (CIWMB) through grants and loans as well as technical assistance all paid through the tipping fee. This situation leads to equity issues for those jurisdictions that do pay the tipping fee. This bill would require those jurisdictions shipping waste out-of-state to pay the state fee. This bill was amended to address of number of concerns expressed by CSAC. This bill is set for hearing in the Senate Appropriations Committee on May 26.

CSAC Legislative Conference Agriculture & Natural Resources Policy Committee

The CSAC Agriculture and Natural Resources Policy Committee will meet on Wednesday, May 27, during the CSAC Legislative Conference in Sacramento. The meeting will take place from 2:30-4:30 p.m. at the Sacramento Convention Center, Room 315, Third Floor.

We have an exciting and full agenda with presentations from the three legislative committee consultants from the Senate Natural Resources Committee, Senate Local Government Committee and the Assembly Water, Parks and Wildlife Committee on topics ranging from water and the delta to Williamson Act reform. The Committee will also hear from the Secretary of California Food and Agriculture and the Assistant State Fire Marshall.

CSAC Climate Change Task Force

The CSAC Climate Change Task Force will meet on Thursday, May 28, during the CSAC Legislative Conference. The meeting will take place at the Sacramento Convention Center from 9:30- 11:30am. The Task Force will discuss AB 32 and SB 375 implementation, as well as California's climate adaptation strategy and the Office of Planning and Research's California Environmental Quality Act (CEQA) guidelines.

EmployeeRelations

For more information, contact Eraina Ortega at 916/327-7500, ext. 521 or eortega@counties.org, or Faith L. Conley at 916/327-7500, ext. 522 or fconley@counties.org.

Petition Process Starts for Ballot Initiative to Raise Taxes on Pensions

On May 19, Paul McCauley gained permission from the Secretary of State's Office to begin collecting signatures required to get the McCauley Public Pension Reform Act on the ballot. The measure would place a new tax on Californians who make more than \$40,000 in pensions, Social Security and the cash value of healthcare benefits. For non-California residents who earned income in California and whose pension benefits exceed \$50,000, McCauley's measure may impose a one-time additional tax. A summary by the Legislative Analyst and the Director of Finance states annual increases to the state of up to \$6 billion to \$8 billion beginning in 2010.

McCauley must obtain 433,971 signatures from registered voters (the number equal to 5% of the total votes cast for governor in the 2006 gubernatorial election) within 150 days to qualify the initiative for the ballot.

May22,2009

Government Finance and Operations

For more information, contact Jean Kinney Hurst at 916/327-7500, ext. 515, or jhurst@counties.org or Geoffrey Neill at 916/327-7500, ext. 567, or gneill@counties.org.

Aircraft Assessment

AB 311 (Ma) – Support As Amended on May 4, 2009

AB 311, by Assembly Member Fiona Ma, would extend by four years the sunset date for an aircraft assessment method that has been used since 2005-06. Under the method, a special subcommittee of county assessors appoints a lead assessor for each commercial air carrier who then has primary responsibility for determining the value of that fleet and transmitting the information to other assessors. This bill is sponsored by the California Assessors' Association.

The Assembly Appropriations Committee passed AB 311 at its meeting on May 20.

Taxpayer Penalties for Withholding Information

AB 347 (Block) – Support As Amended on May 4, 2009

AB 347, by Assembly Member Marty Block, would allow the Board of Equalization to impose a penalty of 25% on taxpayers who, through willful neglect, fail to furnish information related to their tax liability when it is requested by the board in writing.

The Assembly Revenue and Taxation Committee passed AB 347 from its suspense file on May 20.

May22,2009

Health and Human Services

For more information, contact Kelly Brooks at 916/327-7500, ext. 531 or kbrooks@counties.org, Faith Conley (for Health policy) at 916/327-7500, ext. 522 or fconley@counties.org, or Geoffrey Neill (for Human Services policy) at 916/327-7500, ext. 567 or gneill@counties.org.

American Recovery and Reinvestment Act of 2009 (ARRA) Update

In early May, questions were raised about whether the federal government views the decrease in the state share of wages for In-Home Supportive Services (IHSS) workers as a violation of the American Recovery and Reinvestment Act of 2009 (ARRA). The concern centered on whether the IHSS wage cut shifts costs to counties. Section 5001(g)(2) prohibits states from increasing the share of Medicaid costs on local governments.

The federal Department of Health and Human Services sent a letter to California this week concluding that there has not been a change in the local contribution percentage requirements and, therefore, California's eligibility for the increased FMAP is not affected by the IHSS wage cap.

If California had been found to be out of compliance, the entire \$10 billion in enhanced Medicaid funds would have been at risk.

Legislative Analyst's Office (LAO) Releases May Revise Analysis Reflecting Cuts to Health and Human Services and the Associated General Fund Benefits

On May 21, the Legislative Analyst released a report in response to Governor Schwarzenegger's May Revise and outlined its suggestions for budget options which would result in General Fund (GF) Benefits. The following is a list of these options which affect California counties, and the general fund benefits associated with each. For the LAO's complete summary of Governor Schwarzenegger's May Revision, please click [here](#).

Health

Department of Alcohol and Drug Programs

- Redirect state and federal asset forfeiture proceeds to support drug treatment programs (**\$10 billion in GF savings**)
- Use federal Byrne Grant funds to supplement substance abuse treatment activities provided by the Offender Treatment Program (**\$50 billion GF savings in 2009-10, \$15 billion GF savings in 2010-11**)

Department of Health Care Services

- Suspend grants to primary care clinics (**\$22 million GF savings**)
- Suspend state-only funding for the Expanded Access to Primary Care program (**\$13 million GF savings**)
- Implement co-pays for nonemergency use of emergency rooms (**\$5.8 million in GF savings in 2009-10, \$7.7 million in GF savings for 2010-11**)
- Shift eligibility determinations from the counties to the state (**\$17.5 in GF savings**)
- Reduce benefits to the federal minimum – eliminate payment for over the counter drugs in the Medi-Cal Program. (**\$8.6 million in GF savings in 2009-10, \$11.5 million in GF savings in 2010-11**)
- Eliminate Medicare Part B payments for all beneficiaries who have not met their Medi-Cal share-of-cost (**\$4.1 million GF savings in 2009-10, \$5.4 million GF savings in 2010-11**)

Department of Public Health

- Reduce several HIV/AIDS programs: 1) expand client cost-sharing and limit the formulary in AIDS Drug Assistance Program; and 2) reduce other HIV/AIDS programs (**\$24.6 million in GF savings**)
- Suspend General Fund support for immunization assistance to local agencies (**\$18 million in GF savings**)

Managed Risk Medical Insurance Board

- Implement co-payment increase in Healthy Families Program (HFP) as proposed by Governor in his 2008-09 budget proposal (**\$1.9 million in GF savings for 2009-10, \$2.9 million GF savings in 2010-11**)
- Lower HFP Dental Cap to \$1,000 as proposed by Governor in his 2008-09 budget proposal (**1.9 in GF savings for 2009-10, \$2.8 million in GF savings for 2010-11**)
- Increase HFP premiums for beneficiaries with family incomes over 150% of the federal poverty level by \$8-\$13/month (**\$19.1 million in GF savings for 2009-10, \$28.2 GF savings in 2010-11**)
- Modify eligibility for Access for Infants and Mothers so women with high-deductible private coverage would keep their coverage and receive assistance in paying their deductibles (**\$5.6 million GF savings in 2009-10, \$11 million savings in 2010-11**)

Human Services

- Create matching program for local child support agencies (**\$4 billion in GF savings**)

Social Services

- Reduce welfare automation maintenance and operations by 10 percent (**\$6 million in GF savings**)
- Reduce child welfare system maintenance and operations by 10 percent (**\$4 million in GF savings**)
- Make CalWORKs work participation voluntary through September 2010 (**\$201.8 million GF savings in 2009-10**).
- Adopt community service requirement for parents who have been on aid for more than five years effective Oct. 1, 2010 (**\$16.7 million GF savings in 2010-11**)
- Make an in-person interview a condition of eligibility for CalWORKs effective Oct. 1, 2010 (**\$16.8 million GF savings in 2010-11**)
- Modify CalWORKs earned income disregard to better reward work effective Oct. 1, 2010 (**\$15 million GF savings in 2010-11**)
- Suspend "hold harmless" budgeting methodology for Child Welfare Services for three years. (**\$9.7 million in GF savings**)
- Reform Adoption Assistance Program (AAP) prospectively (**\$2 million GF savings in 2009-10, \$12 million GF savings in 2010-11**)
- Eliminate the supplemental clothing allowance for Foster Care, Kin-GAP and AAP (**\$10 million in GF savings**)
- Eliminate the Dual Agency Rate Supplement (**\$5.4 million in GF savings**)
- Reduce funding for Extended Independent Living Program (**\$10 million in GF savings**)
- Eliminate funding for emancipated foster youth stipends (**\$3.6 million in GF savings**)
- Eliminate the Kinship Support Services Program (**\$4 million in GF savings**)
- Cap fully loaded CWS social worker costs at \$155,000 (**\$4 million in GF savings**)
- Establish 30 percent county share for Transitional Housing program Plus for emancipated foster youth (**\$12.3 million in GF savings**)
- Restrict California Food Assistance Program to legal non-citizens residing alone (**\$25.3 million in 2009-10, \$40.8 million in GF savings in 2010-11**)
- Eliminate or reduce IHSS share-of-cost buyouts (**\$35.6 million GF savings in 2009-10, \$47.5 million GF savings in 2010-11**)
- Make IHSS advisory committees optional and eliminate state support (**\$1.6 million GF savings**)
- Reduce SSI/SSP couples grants to federal minimum (**\$80 million GF savings in 2009-10, \$98 million in 2010-11**)
- Restrict Cash Assistance Program for Immigrants to most vulnerable populations, such as those living alone or those without adequate sponsors (**\$34 million GF savings in 2009-10, \$45 million in GF savings in 2010-11**)

Federal Pandemic Flu Funding

The Senate on Thursday to approve a \$91.3 billion fiscal year 2009 supplemental war appropriations bill ([HR 2346](#)) that includes \$1.5 billion for influenza pandemic preparedness. The House already has approved a \$96.7 billion version of the measure ([H Res 434](#)). A conference committee to reconcile the two bills will meet after lawmakers return from the Memorial Day recess.

May22,2009

Housing, Land Use and Transportation

For more information, contact DeAnn Baker at 916/327-7500, ext. 509, or dbaker@counties.org or Kiana Buss at 916/327-7500, ext. 566, or kbuss@counties.org.

LAO Overview of the May Revise: Transportation Proposals

The Legislative Analyst's Office (LAO) released an overview of the Fiscal Year 2009-10 State Budget May Revision yesterday morning. As you may know, within days of releasing the May Revision, which proposes to balance the state budget through significant borrowing and cuts, the Governor rejected his own proposal to take out \$5.5 billion in revenue anticipation warrants (RAWs), which are a rarely used financial instrument to help the state meet its monthly cash-flow needs. As such, an additional \$5.5 billion must be borrowed or cut from the May Revise proposal.

In order to achieve the \$5.5 billion in additional cuts or borrowing, the LAO is suggesting that the Legislature consider borrowing transportation funds, including Proposition 42 and gas tax subvention (HUTA) funds. The proposals are as follows:

- \$1 billion or the entire local portion of the HUTA is proposed to be suspended in FY 2009-10.
- \$240 million (\$120 million for counties, \$120 million for cities) or 40% of the local portion of Prop 42 is proposed to be suspended in FY 2009-10.
- \$650 million (\$325 million for counties, \$325 million for cities) or the entire local portion of Prop 42 is proposed to be repealed in FY 2010-11.

Regarding the proposal to repeal Prop 42 in Fiscal Year 2010-11, CSAC understands the term "repeal" to imply a constitutional amendment to remove the Proposition 42 program from state law in its entirety. This would take a 2/3rds vote of the Legislature or a signature-gathering campaign to put a measure on the next ballot. The Legislative Budget Conference Committee has not taken up this issue specifically yet but there are more budget hearings next week so stay tuned for more information on the details of this proposal.

Public Works Administration
AB 1409 (John Perez) – Oppose
As Amended on May 19, 2009

AB 1409, by Assembly Member John Perez, would revise Public Contract Code Section 20395 (c) so that a county could use day labor or force account only after putting a project out to bid and then adopting a board resolution stating that no bids were received or that all bids received exceed the cost of having the project done by day labor or force account. While we appreciate Assembly Member Perez's commitment and effort to allow counties to retain the authority to prepare for, and respond to local emergencies, the May 19 amendments do not actually accomplish this goal.

We oppose removal of existing 20395 (c), which has provided county government with the authority to respond to the needs of the public since 1935. This authority provides for direct accountability to our elected boards of supervisor's to establish limitations as necessary. Utilizing county workforce for transportation projects is critical to maintain our system and to perform critical and timely work to prevent and respond to emergencies.

Further, the removal of the term "force account" from the new Section 20395 (c) does not address our concern regarding mandating a costly and time consuming bid process to county highway projects. According to case law, the term "day labor" does not exclude skilled, full-time county employee road crew workers. The court ruled in *Copeland v. County of Kern* (1951) that day labor is, "used for the purpose of distinguishing between work done under contract and work by employees hired by the board." Thus, the court found that the term "day labor" included "all men, teams, and equipment necessary to do all highway work other than that let by contract." As such, the requirement to solicit bids for all projects over \$25,000 still applies to full-time county employee work crews. As previously stated, this process can add anywhere from 20-50% to the overall cost of a project, and anywhere from two months to a year in additional time because of the required steps to complete the bid process.

Some rural counties also have unique weather conditions that result in short construction seasons – only four to five months long. As such, the delays caused by putting all minor projects out to bid could push maintenance and rehabilitation work off an entire construction season. The longer maintenance work is put off, the worse the road conditions become, and the more costly these projects are to the public. These extra costs and delays are not economical or prudent, and are presently avoided by using county forces to complete the work.

In addition, the new exemption for maintenance and emergency work in Section 20395 (f) creates ambiguity regarding what constitutes maintenance work over new construction or reconstruction as well as what is meant by emergency work.

Lastly, a restriction on the type of work county workforces can perform is ultimately a restriction on the amount of work available to these employees. This has significant negative consequences. Counties must be able to provide year-round opportunities to their workers in order to keep a large enough workforce available to respond to emergencies and protect public health and safety. AB 1409 would restrict our ability to perform work above \$25,000, which is an extremely low threshold. A single culvert replacement can exceed this amount. The lines between new construction and maintenance are not definitive. Should county work crews no longer be able to execute new projects and remain severely limited in the ability to conduct routine maintenance, this measure would result in many highly skilled, full-time, union county employees in either losing their jobs or being forced to look for other steady work. If counties are unable to staff a workforce year round, this also results in increased exposure and risk to the traveling public, as well as an increased liability for counties that are unable to respond to matters of public health and safety. Because counties are liable for responding to local emergencies and maintaining the local transportation system, CSAC believes that decisions regarding the most cost-effective and expedient manner in which to complete projects should remain with the counties and our highly accountable, elected local boards of supervisors.

CSAC still maintains that there are not enough contractors in remote areas of our counties in order to take over the construction and maintenance activities of county road crews. Additionally, while we do agree that the depressed economy and burst in the housing market has negatively affected private contractors, allowing them to bid on smaller construction projects as of late, there is no reason to believe that the contractors will remain in these areas or bid on minor projects once the economy turns around. The statutory changes proposed by AB 1409, however, will remain in affect into the foreseeable future. The Legislature should not place into law a long-term change to respond to this short-term problem.

It is a well-known and widely-agreed upon fact that transportation needs far exceed revenues available. A recent statewide needs assessment of the local system (a joint venture of CSAC, the League of California Cities, and the County Engineers Association of California) revealed that there is a \$71.4 billion shortfall over the next ten-years for the local system alone. Counties do not have the resources to do what is currently needed even with using in-house staff, much less contracting some or all of it. Given the State budget situation and sagging economy, we should be encouraging more efficient and effective uses for valuable transportation funds, not adding costly requirements that will result in fewer transportation projects at higher costs, more lay-offs, increased backlogs and deferred maintenance, and ultimately a less safe transportation network for the constituents we all serve.

CSAC believes that adoption of this bill would result in additional costs to the taxpayers and is in essence anti-economic stimulus. Accordingly, we are opposed to AB 1409.

AB 1409 awaits action on the Assembly Floor. CSAC urges individual counties to also oppose this measure.

May22,2009

Washington,D.C.,Report

For more information, contact Joe Krahn, Waterman and Associates, 202/898-1444, or e-mail jk@wafed.com.

Energy-related issues dominated congressional activity on Capitol Hill the week of May 17 as Congress rushed to move key pieces of legislation prior to the week-long Memorial Day recess. The holiday break is scheduled to begin May 22, with lawmakers returning to Washington on June 1.

After weeks of negotiating, several reluctant House Democrats finally got behind a comprehensive energy measure that would cap greenhouse gases that have been associated with global warming. Among other provisions, the bill aims to reduce greenhouse gas emissions 17% below current levels by 2020.

The bill, H.R. 2454, was introduced by the chairman of the House Energy and Commerce Committee, Henry Waxman, (D-CA). The committee approved May 21 the contentious measure after four days of deliberation. Initially, it appeared that the panel would slog through a number of Republican-offered amendments, but GOP members of the committee backed off once it became apparent that the bill was likely to receive approval.

House leadership has not scheduled the measure for floor action, though the chamber's majority leader said earlier in the week that it could be brought up in June or July. Before the bill is debated on the House floor; however, eight other panels must consider the package. Given the controversy surrounding the legislation, moving the measure through eight committees could delay full House consideration until the fall.

On the other side of the Capitol, the Senate Energy and Natural Resources Committee is grappling with a less ambitious energy bill than its House counterpart. Nevertheless, developing a consensus among key Democratic senators has proven to be a difficult task for committee leaders.

The Senate committee's renewable energy draft legislation would create a renewable electricity standard (RES), mandating that 15% of the nation's power come from renewable sources by 2021. In an important committee vote, the panel rejected May 21 an amendment by Senator Jeff Sessions (R-AL) that would have stripped the RES title from the bill.

In other energy-related news, the White House announced May 19 that an agreement has been struck with the federal government, the State of California, and the auto industry to establish a national standard for fuel economy based on the California model. The state had been pursuing a waiver that would allow for more stringent standards than the federal government's, but the Bush administration rejected the state's request. The waiver request now becomes moot because Washington has adopted the California requirements as the national standard.

The agreement would require the automotive industry to meet an average fuel economy standard of 35.5 miles a gallon by

2016. The current standard is 27.5 miles per gallon.

In other developments, Congress overwhelmingly approved the week of May 18 legislation (H.R. 627) that would limit credit card companies' ability to increase interest rates and charge fees. President Obama is expected to sign the sweeping credit card bill by Memorial Day.

On the appropriations front, the Senate cleared May 19 a \$91.3 billion 2009 supplemental appropriations bill that would fund ongoing military operations in Iraq and Afghanistan. The supplemental spending measure would also provide funds for the pandemic flu threat as well as for disaster assistance.

Senate leaders scrambled to complete action on the supplemental appropriations bill by the end of the week, teeing up the legislation for a conference with the House after the Memorial Day recess. The House approved its \$96.7 billion version of the funding measure on May 14.

In other news, Treasury Secretary Timothy Geithner testified before a House Appropriations subcommittee May 21 and did not commit one way or another to helping California out of its financial crunch. The Treasury head instead noted the administration's comprehensive efforts to heal the ailing economy.

Secretary Geithner further noted that the Troubled Assets Relief Program is not the vehicle to assist state and local governments, stating that the program is reserved for financial companies. The secretary suggested that Congress might provide a solution, and that state fiscal responsibility is a major key to addressing current budgetary deficits.

With regard to health care reform, the Senate Finance Committee continues to conduct hearings and closed-door, bipartisan discussions on various health system coverage and financing options. Joined by the Senate Health, Education, Labor and Pensions Committee, Senate leadership still intends to mark up a yet-to-be introduced bill in mid-June. Public statements by Senate Finance Committee Chairman Max Baucus (D-MT) and Ranking Member Chuck Grassley (R-IA) indicate that while there was goodwill during the day-long closed door meeting this week, there are still many disagreements on key coverage and financing issues.

The House process remains a partisan process, with only Democrats meeting to discuss outlines of a health care reform bill. Unlike the Senate, the House has not even released discussion papers outlining various options to consider. House leadership and the committee chairs of Ways and Means, Energy and Commerce, and Education and Labor will likely coordinate their respective markups so that one bill may be crafted for floor action.

Democratic leadership on both sides of Capitol Hill continues to pledge that their respective bills would be adopted on the floor before the August recess. Under that very ambitious timetable, the bills would then be reconciled for final action and signature by the president this fall.

In other developments, CSAC, along with 15 other state associations of counties, recently sent a letter to congressional appropriators urging that the State Criminal Alien Assistance Program (SCAAP) be funded at the fully authorized level of \$950 million. The program, which is currently funded at \$400 million – and which was zeroed out in the Obama Administration's fiscal year 2010 budget proposal – reimburses states and localities for a portion of the costs associated with incarcerating undocumented criminal aliens.

It should be noted that several other SCAAP letters were recently sent to key members of the House and Senate Appropriations Committees, including a letter signed by 34 members of the California congressional delegation. The letter was spearheaded by Representatives Michael Honda (D-CA), Adam Schiff (D-CA), and Jerry Lewis (R-CA). Representative Linda Sánchez (D-CA), another key leader on SCAAP, also recently championed a letter to congressional appropriators; the letter was signed by a number of members of Congress from California and other states.

Finally, CSAC's Washington representatives recently participated in a meeting convened by the National Association of Counties with representatives from the National League of Cities, the U.S. Conference of Mayors, the National Governors' Association, and the American Federation of State, County and Municipal Employees to discuss key governmental health system reform issues and to identify areas for mutual advocacy.

May 22, 2009

Calendar of Events

Check the CSAC [calendar](#) for upcoming events.

May 22, 2009

Ask Our Advocates

For further information about CSAC legislation, contact our [Legislative Staff](#).

May22,2009

LegislativeTracking

Follow CSAC legislation [online](#).

May22,2009

PDFVersion

View and print a complete copy of this publication.

PublishedbyCSAC