OFFICE OF THE COUNTY ADMINISTRATOR
CONTRA COSTA COUNTY

TO: Legislation Committee
Supervisor Susan A. Bonilla, Chair
Supervisor Gayle B. Uilkema, Vice Chair

FROM: Lara DeLaney, Legislative Coordinator

DATE: January 25, 2010

SUBJECT: **Agenda Item #3: State Budget Update**

RECOMMENDATION

ACCEPT report on the State Budget and related matters and provide direction, as necessary.

REPORT

State Cash Situation

Last week the State Controller sent a letter to the Governor and Legislative Leadership alerting them that the State's cash situation is still precarious and urged them to address the projected cash shortfall as soon as possible. In his analysis, the Controller indicated that the State will drop below the prudent minimum cash balance on March 30, 2010 and that $2.7 billion in cash solutions are necessary to avoid delayed payments.

A copy of the Controller's letter is Attachment A.

LAO Assesses Governor's Budget Proposal and Releases Reports

Joining a chorus of criticism after the release of the proposed state budget, State Legislative Analyst Mac Taylor told the Legislature that the chances of California receiving the revenue and flexibility the Governor is seeking from the federal government to help address the state's near-$20 billion deficit are "almost non-existent." In presentations to the Assembly and Senate Budget Committees in mid-January, the Legislative Analyst also urged the Legislature to respond quickly to the current budget crisis and to make efforts to reprioritize state services with an eye towards longer-term, as opposed to one-time, reductions.

And so, state budget discussions have begun in earnest in Sacramento.

The Senate Budget and Fiscal Review Committee, chaired by Senator Denise Ducheny, has scheduled twice-weekly meetings of the committee to discuss the Governor's proposals with the goal of preparing budget reductions to consider in the Eighth Extraordinary Session, the emergency special session on the budget. Committee hearings began the week of January 18 with a focus on education on January 19, and transportation and resources on January 21. Health proposals were scheduled for discussion on January 26, and corrections and employee compensation scheduled for January 28. During the first week in February, the committee is scheduled to hear human services issues (Tuesday, February 2), and alternatives to the Governor's Budget Proposals, including revenues, is scheduled for discussion on Thursday, February 4. We anticipate the Assembly to follow suit with a forthcoming schedule of hearings.

In the mean time, the LAO has released a series of reports on proposals in the Governor's Budget, and it is expected to continue to release these reports by issue areas over the next couple of weeks.

- IHSS Report: The LAO provides an analysis of the state costs and benefits of the IHSS program.
- Health: Reviews the Governor's Budget proposals in the health area and provides recommendations for the Legislature.
- Corrections: The LAO reviews the Governor's Prison Population Reduction Proposal in the Proposed Budget and notes some shortcomings including the fact that it places pressure on local governments.
- Prisons vs. Universities: In his January budget, the Governor proposed a constitutional amendment that would require reductions in spending on state corrections, with corresponding increases in spending for public universities. Beginning in 2014–15, the state would be required to dedicate no more than 7 percent of state General Fund spending to corrections and no less than 10 percent to public universities. The LAO contends the Governor's proposal would "unwisely lock up budget flexibility."
- The Governor's Employee Compensation Proposals: The LAO report indicates that employee compensation reductions are necessary due to the magnitude of the budget problem. Nevertheless, some of the administration's proposals would face legal challenges or otherwise may be difficult to implement. Consequently, the LAO recommends that the Legislature focus efforts to reduce compensation costs on pay reduction options.
- Automated Speed Enforcement: As part of the January 2010 special session related to the state's budget shortfall, the administration proposes a new strategy to generate additional state revenues that would be used for the support of the trial courts from penalties imposed on drivers who are caught speeding through the use of automated speed enforcement (ASE) systems. In this brief, the LAO (1) outlines how ASE systems would work, (2) assesses the administration's estimate of new state revenues from this approach, (3) comments on its merit, and (4) offers some strategies for improving upon this proposed budget solution.

These reports are available at: www.lao.ca.gov

CDCR Implements Public Safety Reforms

On January 25, the CDCR launched public safety reforms as required under SBx3 18 which was signed by the Governor. These reforms include the following:

- The creation of a system of summary or non-revocable parole for certain low-risk paroles. These parolees will not be subject to traditional parole supervision upon their release from prison.

- Allowing offenders to earn up to six weeks per year off their sentences by completing certain rehabilitation programs.

- Increasing monetary limits of theft crimes.

- Authorizing the state to annually allocate money into a State Corrections Performance Incentive Fund to be used to improve local probation supervision practices and capacities.

For more information on these changes, see the CDCR's website: www.cdcr.ca.gov.