



California Dialysis Council

1904 Naomi Place • Prescott, AZ 86303 • Prescott, AZ 86303 • Phone: 928-717-1156 • Fax: 928-441-3857

**CALIFORNIA
DIALYSIS
COUNCIL**

**NEWS
UPDATE**

Budget Update - Review of Actions to Date - Future Outlook

2009 Actions on Budget and Fiscal Matters

California began the 2009-10 fiscal year on July 1st with a budget already in place. That budget was adopted in February, but is now seriously out of balance. In June, the Legislature took a series of votes on bills to revise the 2009-09 and 2009-10 spending plans in order to help close the budget gap that has emerged since the February budget agreement was signed into law. However, the Legislature was unable to achieve the two-thirds vote needed to pass the full package of bills. An alternative three-bill package that was expected to temporarily remedy the state's cash-flow problems and postpone the need for the State Controller to issue registered warrants – also known as IOUs – passed out of the Assembly on a bipartisan basis. However, this package failed to achieve the required two-thirds vote in the Senate. In addition, the Governor vetoed a separate alternative “majority-vote” package. Since the Governor and the Legislature were unable to enact revisions to the 2008-09 spending plan by the end of the fiscal year, key “solutions” for closing the budget gap that were proposed by the Governor in May or by the Budget Conference Committee in June can no longer be implemented. This exacerbates the problem.

On July 1, the Governor declared a fiscal emergency and called a special session of the Legislature. In addition, he released a letter outlining \$4.882 billion in “new solutions” to partially address the \$5.313 billion in “lost solutions” and additional state costs that resulted primarily from policymakers’ failure to enact key budget revisions by the end of the 2008-09 fiscal year.

As state policymakers searched for a solution to the state budget crisis, Controller John Chiang began issuing IOUs on July 2 due to a “severe cash deficit” estimated at nearly \$3 billion in July and at least \$3.5 billion in August. IOUs will be issued for a number of payments, including those to businesses, local governments, and taxpayers receiving income tax refunds. In contrast, the state Constitution, federal law, and court orders require the Controller to issue regular or “normal” warrants for education, debt service, state payroll, the California Public Employees’ Retirement System, the California State Teachers’ Retirement System, the In-Home Supportive Services Program and Medi-Cal providers. IOUs will be repaid with an annual interest of 3.75% on or before October 2, 2009 if the state has sufficient cash available.

The Future—Uncharted Waters!

At this point, where we go next is unclear. The Governor apparently proposed a suspension of Proposition 98 at a Big Five meeting last Sunday—in addition to additional cuts, creation of a new retirement tier for new State employees and implementation of severe anti-fraud efforts within the In

Home Supportive Services Program. All of these ideas fell flat with the Democrats. Karen Bass is boycotting the Big Five meetings! As far as we can tell, no progress is being made.

Looks like a long, hot summer!

Michael J. Arnold
marnold@mjarnold.com
Arnold and Associates
1127 11th St., Ste. 820
Sacramento, CA 95814
(916) 446-2646

).