

DENNIS HOLLINGSWORTH
Vice Chair

California State Senate

STAFF DIRECTOR
DANIEL ALVAREZ

ELAINE ALQUIST
DAVE COGDILL
ROBERT DUTTON
CHRISTINE KEHOE
ALAN LOWENTHAL
MIKE MACHADO
BOB MARGETT
ALEX PADILLA
JACK SCOTT
JOE SIMITIAN
DARRELL STEINBERG
MARK WYLAND

COMMITTEE
ON
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL
SACRAMENTO, CA 95814

CONSULTANTS
BRIAN ANNIS
KEELY MARTIN BOSLER
KIM CONNOR
EILEEN CUBANSKI
BRYAN EHLERS
AMY SUPINGER
DIANE VAN MAREN
SEIJA VIRTANEN

COMMITTEE ASSISTANTS
GLENDA HIGGINS
ROSE MORRIS

(916) 651-4103
FAX (916) 323-8386

SENATOR
DENISE MORENO DUCHENY
CHAIR



Agenda
January 22, 2008
Room 4203
1 p.m.

Proposals Related to Cash Flow

State Level Implications Panel Discussion:

- State Controller's Office – Mr. Michael Carter, Chief Operating Officer
- Department of Finance – Ms. Veronica Chung-Ng, Program Budget Manager
- Legislative Analyst's Office – Ms. Liz Hill, Legislative Analyst

Implications of Delays in Medi-Cal Discussion

- Department of Health Care Services – Mr. Toby Douglas, Deputy Director, Medi-Cal Program

Local Level Implications Panel Discussion:

- California State Association of Counties (CSAC) – Mr. Rod Dole, Controller/Treasurer, Sonoma County
- California Association of School Business Officers (CASBO) – Mr. Bill McGuire, Associate Superintendent of the Clovis Unified School District
- California Welfare Directors Association – Mr. Frank Mecca, Executive Director
- California Mental Health Directors Association – Ms. Patricia Ryan, Executive Director

Background.

According to the Department of Finance (DOF), when the 2007-08 Budget was enacted, the cash flow projected for the state estimated the fiscal year would end with a healthy cash balance of \$11.6 billion after fully repaying \$7 billion of Revenue Anticipation Notes issued in November 2007. The \$11.6 billion would be more than sufficient to fund July and August 2008 cash needs. However, since enacting the budget, the budget reserve has deteriorated significantly because of lower-than-expected revenues and higher expenditures. The current year reserve is now projected to have deteriorated from \$4.1 billion to a negative \$3.3 billion, absent corrective actions. The deterioration in the budget reserve has also resulted in a projected cash shortage in March, July, and August 2008 unless swift and significant cash management solutions are put in place.

The Constitution makes payment of Debt Service on General Obligation Bonds one of the States's two highest fiscal priorities (second only to payments to local school districts). According to DOF, without prompt action, the state would face a potential cash flow crisis in March, July, or August. Therefore, the Governor's Budget proposes cash management solutions totaling \$8.7 billion.

The major cash management solutions proposed are:

- \$3.313 billion -- Sell Economic Recovery Bonds by the end of February 2008. Proposition 57 authorizes the sale of these bonds. Therefore, no Legislative action is needed to achieve this cash flow solution in time to avoid a problem in March.
- \$1.300 billion -- A two-month delay in disbursement of deferred apportionments for K-12 schools and community colleges.
- \$814 million -- A two-month delay in disbursements for programs in the Department of Social Services.
- \$584 million -- Split the STRS Supplemental Benefit Maintenance Account payment and delay the payment from July to November and April.

- \$500 million -- one-to-five-month delay in gas tax disbursements for local streets and roads, increasing borrowable resources.
 - \$454 million -- A delay of the four weekly checkwrites for Medi-Cal Fee-For Service institutional providers in August until September.
 - \$400 million -- A delay of \$400 million in advances to regional centers who purchase services for individuals with disabilities.
 - \$400 million -- Reduction in 2007-08 Proposition 98 overappropriation.
 - \$232 million -- A one-month delay in the payments made to health care plans participating in the Medi-Cal Managed Care Program payment and a delay in payment for the Delta Dental Plan contract.
 - \$200 million -- A two-month delay of the Mental Health Managed Care Program advance made to County Mental Health Plans.
 - \$165 million -- A delay in the disbursement for Medi-Cal Fee-For-Service checkwrite from June to July.
 - \$164 million -- A one-to-two-month delay in making first quarterly payment to counties for Medi-Cal program eligibility processing and related administration.
 - \$92 million -- A two-month delay in the quarterly advance to County Mental Health Plans for the Early and Periodic Screening, Diagnosis, and Treatment Program.
 - \$113 million -- Other issues, including: \$75 million for Non-Proposition 98 mandates (elimination of estimated claim payments), \$30 million for Parks deferred maintenance, \$5 million for current year reinstatement of 1 year offshore holding period for exemption on use tax on yachts and planes, and another \$3 million of the same issue that will help July/August 2008 cashflow.
-