

6-26-09

Dear Colleagues:

The State Senate has just adjourned, marking the end to three days of unproductive legislative floor sessions. For the most part, this week's floor debates in the Senate and Assembly have been dominated by the same partisan speeches witnessed since the beginning of the state's fiscal crisis long ago.

On Wednesday, Democrats in both houses put up for vote the full budget package adopted by the Conference Committee on June 16. The package failed in both houses on largely partisan lines.

While most Democrats voted in favor, a few Democrats voted no or abstained due to concerns over the severity of the budget cuts. Republicans, on the other hand, argued for deeper cuts. (The community college details were identical to those shared in my budget update from June 16.)

Also on Wednesday, in an apparent attempt to motivate the Legislature, State Controller John Chiang announced that, absent enactment of a budget fix, California will experience a cash shortfall in July and be forced to issue IOUs. (I would note that the announcement specified that payments protected under the State Constitution, including payments to community colleges, will be made during the month of July. Payments that may be disrupted by the state's cash shortfall include: "payments to local governments for social services, private contractors, state vendors, income and corporate tax refunds, and payments for State operations including legislative per diem." So the July payments to community colleges will not be effected by the state's cash crunch. While it is possible that Cal Grant allocations may be disrupted, few if any Cal Grants disbursements are scheduled during the month of July.)

On Thursday, the Assembly took up and unanimously passed a set of three bills that would enact the current-year elements of the Conference Committee package. For the community colleges, that package contains \$115 million in funding deferrals and \$85 million in cuts. Following the Assembly's passage of those bills, the Governor issued a statement criticizing the package as "piecemeal" for failing to address the total projected budget shortfall and promised to veto the bills if they arrived on his desk. Shortly thereafter, the bills were voted on in the Senate and failed along partisan lines.

Today, both houses met and debated another set of bills that represented the remainder of the Conference Committee budget plan. All three bills failed in both houses on partisan votes.

So, for now, the state budget process is again at an impasse. Both houses have provided notice that they will meet over the weekend. More updates to follow as the situation develops.

Regards,

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