



County of Los Angeles CHIEF EXECUTIVE OFFICE

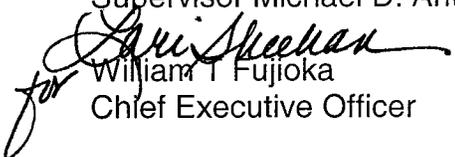
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WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
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MARK RIDLEY-THOMAS
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

December 29, 2008

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: 
William T. Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

State Budget Update - Proposition 58 Special Session

On December 19, 2008, the Governor declared a fiscal emergency pursuant to Proposition 58 of 2004 and called the Legislature into the second Special Session in the month. The declaration of the fiscal emergency follows what the Governor called the failure of the Legislature to pass acceptable legislation to address the State Budget shortfall estimated at \$41.8 billion through June 30, 2010. The Governor indicated that he would veto the legislation passed by a majority-vote on December 18, 2008; however, according to the Sacramento advocates, the 16-bill package has not been sent to the Governor while negotiations continue with the majority legislative leadership. Once the Governor receives the bills, he will have 12 days to act on the legislation.

Under Proposition 58, the Legislature has 45 days to pass and send legislation to the Governor addressing the State's Budget crisis. If the Legislature fails to act within 45 days, it cannot adjourn or act on any other bills until the State's fiscal emergency is resolved. According to the State Controller, the State Treasurer and the California Department of Finance (DOF), the State is expected to run out of cash in February 2009. Copies of the Governor's proclamations are attached.

Although the FY 2009-10 Proposed State Budget is expected to be released on Friday, January 9, 2009, the Governor and Democratic leaders continued negotiations over the

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weekend hoping to address the current year budget shortfall. According to newspaper accounts, legislators could be called back to Sacramento before the end of this week if an agreement is reached.

Pursuit of County Position on a Budget Item

Over the past two fiscal years, the California Health and Human Services Agency Office of Systems Integration (OSI) and the County Department of Public Social Services (DPSS) have been engaged in planning and procurement activities for a system to replace the Los Angeles Eligibility Automation Determination Evaluation and Reporting (LEADER) system. This effort, which has received \$4.5 million in appropriations over the last two years, is known as the LEADER Replacement System (LRS) Project. The LRS project began in July 2005.

The current LEADER system began development in 1995 using proprietary computer software and hardware technology exclusively for use in Los Angeles County. As the LEADER system ages and degrades, it is more likely that service interruptions will occur and that costs will increase to keep the system in operation. The County relies on LEADER to support over 12,000 users and to calculate and track over \$3 billion in annual benefits for an estimated 2.2 million CalWORKS, Medi-Cal, General Relief and Food Stamp beneficiaries. The LRS Project will provide the most effective long-term solution to eliminate the inherent and growing risk of operating LEADER. In addition, the LRS Project will significantly reduce current inefficiencies by consolidating and enhancing separate automated systems for the Greater Avenues for Independence and the General Relief Opportunity for Work Programs, as well as five County Department of Children and Family Services' automated systems.

As reported in our December 17, 2008 Sacramento Update, Senate Budget and Fiscal Review Subcommittee No. 3 heard a proposal presented by the Legislative Analyst's Office (LAO) to delay LRS for two years to achieve an estimated \$14.6 million in State General Fund savings. At this hearing, DOF expressed concerns that the LAO proposal would derail the development of the LRS project, and requested further discussions with the LAO to consider a six-month delay instead of two years indicating that this action would achieve the same level of State General Fund savings. Currently, DOF is participating in discussions among the LAO, OSI, and DPSS about the best way to possibly delay the implementation of LRS for a short period of time without harming the project.

As the Legislature considers various funding reductions and alternatives in this difficult fiscal climate, the LRS Project represents a strategic long-term automation investment which will safeguard the integrity of benefits and services provided to Los Angeles County's most vulnerable, low-income children and families. Furthermore, the LRS will help eliminate the long-term risk of the type of system failures that could precipitate

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more frequent and longer lasting system and service interruptions, more costly fixes, and potential Federal penalties.

Therefore, consistent with Board-approved policies to support funding for ongoing procurement, development and maintenance activities for LEADER, as well as funding to modify the County's automated systems, **the Sacramento advocates will support efforts to maintain the funding necessary to complete the procurement, design support, development, implementation, and maintenance phases of the LEADER Replacement System, with the minimum possible delay to the current project schedule.**

We will continue to keep you advised.

WTF:GK:ML
MR:VE:lm

Attachment

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants



Office of the Governor

ARNOLD SCHWARZENEGGER
THE PEOPLE'S GOVERNOR

PROCLAMATION

12/19/2008

Prop 58 Special Session Proclamation 12/19/2008

PROCLAMATION

by the
Governor of the State of California

WHEREAS on this date, pursuant to Section 10(f) of Article IV of the Constitution of the State of California, I have proclaimed a fiscal emergency; and

WHEREAS on this date, I am submitting to the Legislature proposed legislation to address that fiscal emergency; and

WHEREAS this extraordinary occasion having arisen and now existing, it requires that the Legislature of the State of California be convened in extraordinary session.

NOW, THEREFORE, I, ARNOLD SCHWARZENEGGER, Governor of the State of California, by virtue of the power and authority vested in me by in accordance with Section 10(f) of Article IV of the Constitution of the State of California, do hereby convene the Legislature of the State of California to meet in extraordinary session at Sacramento, California on the 19th day of December 2008, at a time to be determined, to consider and act upon legislation to address the fiscal emergency proclaimed by me this day.



IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 19th day of December, 2008.

ARNOLD SCHWARZENEGGER
Governor of California

ATTEST:
DEBRA BOWEN
Secretary of State



Office of the Governor

ARNOLD SCHWARZENEGGER
THE PEOPLE'S GOVERNOR

PROCLAMATION

12/19/2008

Fiscal Emergency Proclamation 12/19/2008

PROCLAMATION

by the

Governor of the State of California

WHEREAS, due to developments in the worldwide and national financial markets, and continuing weak performance in the California economy, there is an approximately \$15 billion General Fund deficit for the 2008-09 fiscal year, which without effective action, is estimated to grow to a \$42 billion General Fund budget shortfall over the next 18 months; and

WHEREAS on November 6, 2008, due to concerns regarding dramatically declining revenues, I issued a Special Session Proclamation and convened the Legislature of the State of California to meet in extraordinary session to address the fiscal crisis that California faces; and

WHEREAS the Legislature failed during that Special Session to enact any bills to address the State's significant economic problems; and

WHEREAS on December 1, 2008, due to the worsening fiscal crisis, I declared that a fiscal emergency exists and convened the Legislature to meet in extraordinary session to address the fiscal crisis that California faces; and

WHEREAS on December 1, 2008, due to the fiscal emergency and the nationwide economic recession, I also issued a Special Session Proclamation and convened the Legislature of the State of California to meet in extraordinary session to address the economic crisis; and

WHEREAS on December 17, 2008, the California Pooled Money Investment Board took the unprecedented action to halt lending money for an estimated 2,000 infrastructure projects as a result of the cash crisis, including the substantial risk that California will have insufficient cash to meet its obligations starting in February 2009; and

WHEREAS the Legislature has failed to take action in the fiscal emergency extraordinary session to effectively address the unprecedented statewide fiscal crisis; and

WHEREAS immediate and comprehensive action is needed to address the revenue shortfall facing the State of California; and

WHEREAS within months the State will not be able to meet all of its expenses, outside of debt service, without immediate and comprehensive action; and

WHEREAS failure to substantially reduce the deficit carried forward from the current fiscal year into the next fiscal year will likely prevent the State from being able to finance the cashflow shortages of billions of dollars that will occur in July and August, thus making it likely that this fiscal year's deficit will cause the State to miss payroll and other essential services payments at the beginning of 2009; and

WHEREAS, according to the Legislative Analyst, next fiscal year's budget will be even more out of balance than the current year budget and balancing the 2009/2010 budget will be immeasurably more difficult if actions to reduce spending trends and increase revenue trends are not put into place immediately.

NOW, THEREFORE, I, ARNOLD SCHWARZENEGGER, Governor of the State of California, in accordance with Section 10(f) of Article IV of the Constitution of the State of California, **HEREBY DETERMINE** that General Fund revenues for Fiscal Year 2008-09 will decline substantially below the estimate of General Fund revenues upon which the 2008 Budget Act was based.

I, ARNOLD SCHWARZENEGGER, Governor of the State of California, **HEREBY DECLARE** that a fiscal emergency exists.

I, ARNOLD SCHWARZENEGGER, Governor of the State of California, **HEREBY IDENTIFY THE NATURE OF THIS FISCAL EMERGENCY** to be the projected budget imbalance and insufficient cash reserves for Fiscal Year 2008-09 and the projected insufficient cash reserves and potential budgetary and cash deficit in Fiscal Year 2009-10 which are anticipated to result from the dramatically lower than estimated General Fund revenues in Fiscal Year 2008-09.

FURTHER, on this day, as required by Section 10(f) of Article IV of the Constitution of the State of California, I will cause the Legislature to assemble in special session to address this fiscal emergency, and I will submit to the Legislature proposed legislation to address this fiscal emergency.



IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 19th day of December, 2008.

ARNOLD SCHWARZENEGGER
Governor of California

ATTEST:
DEBRA BOWEN
Secretary of State