

# News Release



*Controller of the State of California - Kathleen Connell*

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*For Immediate Release*

## **AMENDED RELEASE**

### **STATE CONTROLLER KATHLEEN CONNELL TO APPEAL PORTION OF CALIFORNIA COURT OF APPEAL DECISION RESTRICTING PAYMENTS TO SCHOOLS AND STATE EMPLOYEES**

**SACRAMENTO, May 29, 2002** —The California Court of Appeal released its decision today in the *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell, State Controller* (Court of Appeal, Second Appellate District, Division Four) case, which allows State Controller Kathleen Connell to disburse certain payments despite a budget impasse when state and federal law properly authorizes or requires their payment. However, the decision limits the Controller to paying State employees minimum wages and prevents Proposition 98 school payments in the absence of a Budget. The Court ruled that the Controller may make debt service payments and pay judges salaries.

"I am pleased the Court agreed with my position that I have the authority to continue to pay various payments in the absence of a Budget," stated Controller Connell. "However, I am dismayed that the Court held that education payments required by Proposition 98 could not be made in the absence of a budget and that State employees, under this decision, would only be entitled to minimum wage. It appears that under the Court's ruling, school children, State employees and vendors will be held hostage or be used as political pawns in a protracted budget negotiation. Therefore, I intend to appeal that portion of the Appellate Court's decision which restricts these payments."

Perry Kenny, President of the California State Employees Association (CSEA), announced that CSEA will join the State Controller in appealing those portions of the decision, which could affect the payment of State employee wages.

"Our members work hard to keep the State of California running," Kenny said. "CSEA will work with the Controller to prevent our members from having their wages held hostage by yearly state budget debates."

In previous years, State Controller Kathleen Connell had taken the position that State employees should be paid at accrued salary levels despite budget delays and had made payments to the schools. This new ruling impacts 250,000 State employees and will affect their paychecks beginning mid July should a budget not be signed at that time.

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The inability to make a Proposition 98 payment will delay approximately \$3 billion due to be paid to the schools in July.

As background, on June 24, 1998, Howard Jarvis sued State Controller Kathleen Connell in an attempt to prohibit the Controller from issuing payments in the absence of a budget passed by the Legislature and signed by the Governor. On July 9, 1998, the Los Angeles Superior Court issued a Temporary Restraining Order barring the Controller from paying out funds absent a budget or an emergency appropriation, unless the payments were authorized by a continuing appropriation or by federal law. On July 21, 1998, the trial court issued a preliminary injunction barring the Controller from disbursing any funds absent a budget, with the exception of funds properly appropriated prior to July 1, 1998, for expenditure in the 1998-99 fiscal year, funds properly appropriated pursuant to emergency bills, and payments of minimum wages and overtime compensation required under the Fair Labor Standards Act for work performed prior to July 21, 1998. The Controller appealed the Order. On March 21, 2002, the California Court of Appeal heard oral argument and on May 29, 2002, the Appellate Court issued its opinion.

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