

# News Release



*Controller of the State of California - Kathleen Connell*

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FOR IMMEDIATE RELEASE

## STATE CONTROLLER KATHLEEN CONNELL ADDRESSES IMPACT OF LINGERING BUDGET DEADLOCK

### Controller Connell Says She Will Continue to Make Payments

**Sacramento, July 24, 2002**—As the State approaches its fifth week into the new fiscal year without a budget, State Controller Kathleen Connell today announced that she will continue to make payments in the absence of a budget for which she has legal authority.

"I am hopeful that the legislative leaders will soon reach some resolution to this situation and that a balanced budget will be passed," stated Controller Connell. "In the meantime, however, I will continue to make all payments for which there is a legal justification. However, in light of the hardship involuntarily imposed on the taxpayers of this State, I believe that it is only fair that I withhold the pay and per diem of the Legislature, the Governor, and other Constitutional Officers pending passage of the Budget Act. Therefore, I have directed my staff to withhold all such payments."

Controller Connell explained that some payments are required to be made under Federal law such as the state employees' payroll for services rendered after July 1, 2002, CalWORKS benefits, In-Home Support Services payments, payment of wages to court employees, and employees of the UC system.

"The *Howard Jarvis* case, with limited exception, does not, and will not impact these payments," explained Controller Connell. "In fact, the *Jarvis* case upheld the criteria used by my office to justify payments in the absence of a budget."

In addition to those payments required to be made by Federal law, Controller Connell stated that the school apportionment will be made at the end of the month as originally scheduled. The Controller's legal staff has determined that there are other constitutional and statutory provisions, notwithstanding the Court's ruling on Proposition 98, which will allow the regular school apportionments to continue to be made. The Controller's Office staff continues to work closely with the Superintendent of Public Instruction's Office to ensure that there is no disruption of payments.

With respect to what payments are not being made, Controller Connell reiterated that most payments required to be made in July are in fact being made out of last year's budget to the extent those payments are legally authorized. However, legislative employees have not been paid and will not receive a check until after the budget is signed.

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“Unfortunately, while these employees continue to work during this budget hiatus, they are not covered by the Fair Labor Standards Act,” stated Controller Connell. “Therefore, as long as there is no budget, they will not be paid.”

Additionally, vendors that provide services to the State after July 1, 2002, will not be paid for those services until after the budget is passed and signed by the Governor. Examples of these vendors are those that provide food services to our correctional facilities and hospitals, as well as suppliers of the State’s office supplies and equipment. Other types of payments that cannot be made are utility and rental payments.

Also, as the end of the month approaches, there will be a slowing in payments made to the providers of Medi-Cal services. Some payments to local governments, such as portions of the highway users tax, will not be made.

Acknowledging that lawmakers are up against exceedingly difficult choices in an attempt to close a record deficit of as much as \$24 billion, the Controller encouraged them to bring this budget impasse to a conclusion as soon as possible.

Controller Connell concluded, “The longer this impasse continues, the number of employees and taxpayers, which will be impacted, will continue to grow.”

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