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Board of Supervisors Sues State Controller to Prevent Delay of Funds

The Board of Supervisors today directed the County Counsel to join Sacramento, San Diego and other counties in litigation against the California State Controller. The State Controller has announced plans to defer the payment of State funds owed to counties to carry out mandated Federal programs. The payments due to Orange County will total nearly \$200 million between now and September 2009. The County's suit seeks relief from a shortsighted State payment deferral plan, noting that the State Controller is paying "priority obligations" but has stopped critical payments to Counties.

"This lawsuit is intended to protect our County's position," stated Board Chair Supervisor Bates. "The planned seven month deferral by the State Controller creates an untenable cash situation for the County of Orange and other California Counties and it will impact our most vulnerable residents who rely on our services." While the State plans to defer payments due to the County, the County must still run the mandated Federal programs in Social Services and Health Care.

Chair Bates added that "The State must meet its obligation to provide funds for their own mandated programs." The State Legislature has appropriated funds for these mandated programs and the County believes the State Controller has a ministerial duty to issue warrants for monies appropriated by the Legislature.

"The County might be able to sustain one or two months backfilling mandated Federal programs as the result of the Controller's payment deferral," said Frank Kim, County Budget Director. Mr. Kim noted that the County's cash situation will be increasingly tight for the balance of the 2008-2009 fiscal year even without the delays in State payments. "We must meet all of our local budget demands in an increasingly tough environment. The State's reliance on deferring funds for mandated Federal programs adds an unsustainable strain on our fiscal situation."

Added Ingrid Harita, Social Services Director, "We are especially concerned about the Controller's plan to defer funds intended for assistance programs." The County has already made a number of budget reductions to cope with reduced State funding and revenue shortfalls for mandated Federal programs.