

**Director's Log, Kris Calvin, MA, AAP-CA CEO
July 24, 2008**

On behalf of your AAP-CA Chapters, State Advocacy Chair Marc Lerner, MD and District Chair Myles Abbott, MD

URGENT: BUDGET PRESSURES MOUNT

Budget Impasse: State Wages Temporarily Cut?

INCREASED PRESSURE TO GET A BUDGET

State lawmakers remain in an impasse over the budget, with Democrats insisting that up to half of the state's \$16 billion dollar -plus deficit be made up through increased taxes, and the Republicans saying no. They are officially in recess until August 4th, but the Senate has been called back next Tuesday, July 28th, for a vote on the conference committee budget.

As cash reserves dwindle without a budget, the Governor has indicated that he will temporarily place state workers on federal minimum wage of \$6.55 per hour until the budget is signed. They would be paid back in full their regular salaries at that time.

State Controller John Chiang has indicated that he will ignore the Governor's order if signed, making full payments. Chiang has indicated he believes there is cash available. Further, some assert that state "IOU's" have been ruled illegal.

CALL PEDIATRICIANS TO ADVOCACY

As pressure mounts to complete a budget, it is a critical time for pediatricians to join the many groups conveying their budget priorities to their legislators. While it may feel like tilting at windmills, legislators and their staff track the calls they get, and in the end it DOES matter where constituents are on each issue.

Our talking points are simple:

- Urge your legislator to protect children's health services in the budget!
- Children can not learn when they are sick or in pain--health care services ARE CRITICAL and support a good education.

2 TOP PRIORITY budget items of concern

1. Support the Conference Committee budget item to roll-back Medi-Cal physician reimbursement cuts.
2. Oppose the Conference Committee budget item to institute semi-annual reporting for Medi-Cal families. The increase in cost to get the reports and the increased use of emergency room care when children lose their services will offset any savings. Further, barriers to completing these added reports (including language and transportation) will increase the number of uninsured children in California by over 30%.

In addition,

- Oppose any cuts to poison control center funding
- Oppose increases to Healthy Families premiums.

At this time in the budget cycle, calls to the legislators' offices are best. Faxes and emails are also effective. Urge pediatricians to be brief and to the point, but to get the message sent.

To find their legislator's contact information they can go to www.leginfo.ca.gov.

Thanks,
Kris

Article from the Bee:

**Governor set to slash state workers' pay
Employees would get money back when budget's settled**

By Kevin Yamamura and Jon Ortiz - kyamamura@sacbee.com

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Gov. Arnold Schwarzenegger plans to sign an executive order next week intended to temporarily reduce pay for 200,000 state workers to the federal minimum wage of \$6.55 per hour to preserve cash until lawmakers reach a budget deal, according to a draft copy of the order obtained by The Bee.

The governor's order also would terminate about 22,000 retired annuitants, temporary workers and seasonal employees, as well as impose a hard freeze that blocks the hiring of roughly 1,700 new employees per month.

Administration officials said the Republican governor expects to take the action Monday, when the budget will be four weeks late as Democrats and Republicans continue to spar over how to resolve a \$15.2 billion shortfall.

"The administration is looking into many different options to preserve cash to ensure we have enough to cover our costs," said Matt David, Schwarzenegger's communications director.

But a spokeswoman for Democratic state Controller John Chiang, who pays the state's bills, said he would ignore the governor's order and continue paying full salary, likely forcing a court battle.

"He will pay state workers the salaries that they have earned, and that's full salary," Deputy Controller Hallye Jordan said of Chiang.

The order would take effect for the August pay period and envisions that state workers would receive their back pay in full when a budget is signed. State workers who get paid once at the end of the month still will receive their July paychecks next week.

The move would save roughly \$1 billion in cash per month, depending on how many employees are exempt under federal law because they work in health and safety fields, according to Schwarzenegger officials. Each state department head will be responsible for determining which employees are exempt under federal law.

Available cash in dispute

Word of Schwarzenegger's pending order had circulated through the vast state Corrections and Rehabilitation offices on S Street by the time workers headed home Wednesday afternoon. Several gathered at the nearby 16th Street light-rail station, shaking their heads.

Corrections employee Vicki Rhodes said the governor is "crazy" to think about cutting workers' wages and predicted that the strategy could backfire.

"I guess people will start working on Monday like they're making \$6.55 an hour," she said.

Janis Rose, another corrections worker, said Schwarzenegger is posturing and ultimately won't be able to legally cut her pay. "It's utterly ridiculous," she said. "He's acting? and not very well."

The governor believes that without a budget the state could run out of money by mid-September because of a soft economy and low reserves, officials said. Given the state's low credit rating, borrowing from Wall Street without a budget could cost the state hundreds of millions of dollars in interest.

But Chiang, in a statement, questioned Schwarzenegger's calculation. He said he believes the state still has enough cash to make it through September without cutting salaries.

Democrats and state employee groups immediately denounced the governor's plan as a political ploy designed to pressure lawmakers into passing a budget.

"The governor is turning the budget crisis into a budget catastrophe," said Yvonne Walker, president of Service Employees International Union Local 1000, which represents 94,000 state workers. "If it's political pressure by the governor, shame on him, because he is causing harm to the workers who run the state of California. We're not game pieces. We're real people with real lives."

Parties jockey for position

Democrats and Republicans remain sharply divided over how to bridge a \$15.2 billion gap in the \$101 billion general fund. Democrats have proposed a series of tax increases, largely on the wealthy, while Republicans want program cuts and a promise of long-term budget reform that would make spending reductions easier in bad years.

Both houses of the Legislature adjourned until Aug. 4, but on Wednesday the Senate summoned its members for a vote next Tuesday.

Senate Republican leader Dave Cogdill of Modesto and Assembly Republican leader Mike Villines of Clovis issued a joint statement Wednesday: "Republicans understand the urgency of getting the budget done as soon as possible, which is our main focus right now. We are working very hard to avoid drastic measures like the one that is being proposed."

Assemblyman Dave Jones, D-Sacramento, and Sen. Darrell Steinberg, D-Sacramento, criticized the governor's plan and blamed Republicans for the standoff.

"I have no idea why this would be proposed, but I think it unfairly puts at risk the ability of people who work for the state to pay their bills and pay their rent and pay their mortgages and otherwise maintain their families," Jones said.

Schwarzenegger's order says his action complies with a 2003 ruling by the California Supreme Court that deemed federal labor laws require the state to pay most workers "either federal minimum wage or, for those employees that work overtime, their full salaries" when the state has no budget. The order would require state agencies to stop authorizing overtime for most employees.

The state would pay only the federal minimum wage, which is \$1.45 per hour lower than California's minimum wage of \$8 per hour. The governor believes the 2003 court decision, *White v. Davis*, allows the state to pay the federal wage and meet its legal obligations by issuing back pay once the budget is signed.

Walker said SEIU lawyers are reviewing the draft executive order and the 2003 case.

Credit unions offer help

More than 75,000 state employees work in Sacramento County alone, according to the Controller's Office.

Terry Halleck, president and chief executive of Golden 1, said the credit union likely will float loans to members if the governor cuts their pay. The Sacramento-based firm, founded by California state workers 75 years ago, has a history of offering such deals to direct-deposit members during budget delays.

Golden 1 is the nation's sixth-largest credit union, with \$6 billion in assets. About 100,000 of its 686,000 members? roughly 15 percent? are employed by the state.

"Certainly, as a credit union started by state workers, we would immediately give consideration to what we could do to help our members," Halleck said in a cell phone interview.

While the Golden 1 has branded itself as the dominant state worker credit union, others have similar loan programs.

Sacramento-based Schools Financial Credit Union, for example, started a "budget impasse" loan program July 1 that made zero-interest loans available to members crunched by the budget delay. It also offers loan payment extensions for state employee members who have lost income.

Court decisions over the years have given the state authority to pay many bills, including employee salaries, without a budget. The state began withholding pay and \$162-a-day per diem July 1 for lawmakers, though they recover all money once the budget is signed.

Under the order, employees of the California Public Utilities Commission, University of California, California State University, California community colleges and legislative and judicial branches are exempt because they are not under the governor's direct authority, though Schwarzenegger encourages such employers to impose similar measures on their own.

1992 IOUs declared illegal

The state has not imposed a comparable across-the-board pay cut since it paid 93,000 workers with IOUs in 1992, a practice later deemed illegal by a federal judge.

That year, the budget impasse lasted a then-record 64 days, as California was deep in a recession and Democrats and Republicans fought over spending cuts and taxes.

The IOUs became an embarrassing milestone for California, as they marked the first time since the Great Depression that the state paid bills in scrip.

Banks initially cashed the IOUs for employees when the state began issuing them that summer. But as the budget stalemate persisted, some banks refused to accept them, sparking legal action against the state by public employees.

In 1995, U.S. District Judge Garland E. Burrell Jr. found that the IOUs violated the federal Fair Labor Standards Act. The state reached a settlement in 1996 in which it granted state workers as many as seven additional days of paid leave.