



FEDERAL ECONOMIC STIMULUS AND TRIGGER CUTS

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The recent California budget agreement includes an additional \$985 million in program cuts along with a \$1.8 billion tax increase. Both would take effect on July 1, 2009. However, those actions can be averted if the state Department of Finance (DOF) and the state Treasurer agree by April 1, 2009 that California will receive at least \$10 billion in federal stimulus funds by July, 2010, which would offset \$10 billion in the State General Fund. The DOF has issued a preliminary analysis that shows the state will not receive the necessary federal stimulus funds, which would then trigger the additional cuts and tax increases this July. The trigger would affect the following programs:

- CalWORKs: Four percent grant cut (approximately \$30/month from a family of three); \$146.9 million. The grant cut means the state will forfeit approximately \$120 million in TANF funds available from the federal stimulus.
- In-Home Supportive Services (IHSS): \$78 million to reduce state participation in wages and impose a share of cost on new program users.
- Supplemental Security Income SSI/SSP: 2.3 percent grant cut (\$20/month cut to an individual; \$35/month cut to couples); \$267.8 million.
- Medi-Cal: Eliminate optional benefits for adults, including dental. The elimination of dental benefits to adults is a de facto elimination of the dental program for children because the provider network will collapse.
- Public Hospitals: \$54 million to public hospitals (county owned and UC hospitals) via a ten percent rate cut.
- University of California: unallocated \$50 million reduction.
- California State University: Unallocated \$50 million reduction.
- Judicial Branch: Unallocated \$100 million reduction to trial courts (one-time).
- Judicial Branch: \$71 million reduction for new judges.

CSAC, along with other stakeholders impacted by the trigger cuts, is concerned by DOF's initial estimate and is working with other affected stakeholders to diligently analyze the DOF estimate and to better understand how the state is anticipating the federal funds will impact state General Fund revenue.

CSAC will continue to keep all counties apprised of further developments as the federal economic stimulus estimates are refined.