



March 27, 2009

It's Official: State Fails to Meet Federal Funds "Trigger" Level

Today, State Treasurer Bill Lockyer and Department of Finance Director Mike Genest concurred that California would not receive \$10 billion in federal funds to avoid \$1.8 billion in higher taxes and \$948 million in program cuts. The final estimate of \$8.2 billion in federal funds expected by the Department of Finance is posted on its Web site [here](#). The State Treasurer's letter to the Governor and legislative leadership outlining his decision is posted on his Web site [here](#).

This conclusion means that the so-called "trigger cuts" will take effect, as will the full personal income tax rate increase of 0.25%. The cuts include:

- **Medi-Cal:** Eliminate optional benefits for adults, including dental. The elimination of dental benefits to adults will likely impact dental services to children as fewer providers agree to be Medi-Cal providers. This will go into effect July 1, 2009.
- **Public Hospitals:** \$54 million to public hospitals (county owned and UC hospitals) via a 10 percent rate cut. This will go into effect July 1, 2009.
- **In-Home Supportive Services (IHSS):** \$78 million to reduce state participation in wages to \$9.50 an hour and to impose a share of cost on certain new program users. This will go into effect July 1, 2009.
- **CalWORKs:** Four percent grant cut (approximately \$30/month from a family of three) for a savings of \$146.9 million. The grant cut means the state will forfeit approximately \$120 million in TANF funds available from the federal stimulus. This will go into effect July 1, 2009.
- **Supplemental Security Income (SSI/SSP):** 2.3 percent grant cut (\$20/month cut to an individual; \$35/month cut to couples) for a \$267.8 million savings. This will go into effect July 1, 2009.
- **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.

Treasurer Lockyer goes on state that he urges the Legislature to reconsider the adult dental elimination and the reduction in IHSS wages. He cites the concern that these two cuts will "produce harmful consequences that outweigh any savings."

The state's structural budget problem persists, with a deficit of \$8 billion now estimated by the Legislative Analyst's Office. There are certain to be additional program cuts on the table in May. In fact, Treasurer Lockyer's letter to the Governor and legislative leaders is very direct in its statement that pulling or not pulling the trigger still leaves the state in dire straits.

Many of the cuts to health and human services will impact counties directly. CSAC is continuing to research the full implications of implementing the reductions and will be providing additional information.

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