



CWDA

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TO: All County Social Service Directors and Fiscal Officers

From: CWDA Staff

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**RE: State Budget Update #8 – Governor Signs Budget Package**

Earlier this afternoon, Governor Schwarzenegger signed the budget package passed yesterday by legislators. In total, the various bills provide \$41.5 billion to close the two-year projected budget gap, including:

- \$14.8 billion in spending cuts and deferred funding across various programs.
- \$12.5 billion in revenue increases.
- \$7.9 billion in assumed federal economic stimulus funds.
- \$5.4 billion in borrowing.

In addition to the above, the Governor vetoed \$957 million from ABX3 1, the *2009-10 Budget Act*. The vetoes do not impact county-administered health and human services programs. Key vetoes from other program areas include:

- An unspecified \$400 million cut from the Department of Corrections. The Governor indicates that he anticipates this level of savings as a result of “various reforms and actions” implemented by the Corrections Secretary.
- A reduction of \$275 million in the Department of Transportation budget to reflect the final agreement to eliminate the proposed 12-cent excise tax increase on gas and diesel fuel.
- Unallocated reductions of at least 10 percent to the budgets of several constitutional officers including the State Controller, the Insurance Commissioner, the Board of Equalization, the Secretary of State, the State Treasurer, the Education Secretary and the Attorney General. The veto message noted that these reductions reflect “the state employee compensation reductions for furloughs, overtime reform, and elimination of two state holidays.” The Lieutenant Governor’s office was cut 62 percent, from \$2.7 million to \$1 million.

In a press conference with reporters, Department of Finance Director Mike Genest indicated that DOF anticipates \$7.9 billion in revenues from federal economic stimulus. This is well below the \$10 billion required to avoid the “trigger cuts,” which include cuts to Medi-Cal, CalWORKs, IHSS and SSI/SSP as reported in Budget Update #6.

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Note that we have not seen any details on the DOF's calculations, and this number is well below the conventional thinking among Democratic legislative staff, CWDA and other organizations on how much the state stands to receive from the stimulus package. We will be working to reconcile the numbers over the coming days to ensure that the forthcoming federal stimulus dollars are being tallied accurately.