



# 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 - #9**

As you may have seen in the press, yesterday the Department of Finance (DOF) released an analysis that found that the state will not receive enough federal stimulus money to avoid the additional cuts and taxes that would be “triggered” pursuant to the recently enacted budget agreement. Recall that the budget agreement included a list of cuts and taxes that would be triggered if the Department of Finance, in consultation with the State Treasurer, determines that the state will not receive at least \$10 billion in federal stimulus revenue by July 1, 2010 to offset General Fund costs. This determination is to be made by April 1.

DOF has NOT released the back-up analysis supporting their conclusions. Treasurer Lockyer has not made a judgment on the validity of the DOF estimate, and is currently working on analysis. Several advocates recently who recently met with staff from the Treasurer’s Office indicated that the Treasurer has many questions about and issues with the DOF methodology. Lockyer’s spokesperson said of the DOF estimate, “That’s not the final analysis.”

There will be a budget hearing on March 17 where the issue will be discussed more fully. Representatives from DOF, the Treasurer, the Controller, and the LAO will testify. State Legislative Analyst Mac Taylor will provide his analysis but is unlikely to present his own estimate, because the trailer bill language about the trigger is vague and leaves room for interpretation. Several groups are also analyzing the DOF analysis, including the California Budget Project.

Long story short: There is a lot more that will happen on this issue over the next several weeks – and perhaps longer. It is too early to draw any conclusions as to whether the triggered cuts and revenues will occur. Stay tuned.