

CONTROLLER JOHN CHIANG

STATE OF CALIFORNIA

300 Capitol Mall
Sacramento, CA 95814
916.445.2636
www.controller.ca.gov

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CONTACT: HALLYE JORDAN
916-445-2636

Chiang Warns of Late Budget Impact

SACRAMENTO – In a [letter](#) sent to California lawmakers, State Controller John Chiang today described major payments his office can and cannot make without a State budget in place by the start of the new fiscal year on July 1. The [list](#) is available at <http://www.sco.ca.gov>.

“As the State’s chief fiscal officer, I have the authority to pay for some essential services in the absence of a budget,” Chiang said. “But without a signed budget in place, I am legally prohibited from making necessary payments to school special education programs, community colleges, local governments, and vendors doing business with the State.”

Even without a budget, the State Controller still has the authority to pay for vital services including basic funding for schools, health and welfare programs and other payments required by federal law, constitutional obligations, state employee payroll, continuous legislative appropriations and payments from prior year budget appropriations.

The Controller will continue to make the following payments:

- Federally-mandated services such as Supplemental Security Income/State Supplementary Payment (SSI/SSP), and In-Home Support Services.
- Payroll for state employees covered by the Federal Fair Labor Standards Act.
- Vendor payments for services provided in the fiscal year ending June 30.
- Expenses with ongoing appropriations from the Legislature, including Medi-Cal, CalWORKs, income tax refunds and payments on claims for unclaimed property.
- Debt service and other financial obligations authorized by the State Constitution.

Without a budget in July, the Controller cannot pay:

- School districts for categorical programs such as special education and remedial summer school, community colleges, local governments and other entities not included in the above parameters.
- Vendors for services provided after July 1.
- Salaries and per diem of state elected officials and their appointed staff.

Up to \$2 billion in state and federal funds may be paid to institutional providers of Medi-Cal services and Regional Developmental Service Centers for services provided between July 1 and September 1. That entire amount is expected to be paid in July, leaving no funding available for August should the budget stalemate stretch past July 31.

“A budget impasse that lasts through July will cause bills to stack up and put financial strain on our schools, community colleges and organizations that deliver state services,” Chiang said. “Real people, with mortgage payments to make, employees to pay and families to feed, should not be held hostage by political and philosophical battles that block passage of a sound and timely budget.”