

BUDGET PAIN

BY KEVIN YAMAMURA kyamamura@sacbee.com

California has gone nearly two months without a state budget as Republicans and Democrats struggle to find agreement.

That has meant varying degrees of pain for residents who rely on state dollars. Courts have ruled that the state must make certain payments, such as those to K-12 schools and welfare-to-work recipients. Without a budget, however, the state has no legal authority to pay other bills.

By the end of August, California will have left unpaid \$3.3 billion, nearly one-tenth of the state's bills, according to Controller John Chiang.

Because state budget delays have become so common, some recipients have found ways to survive – at least for a while.

Here's a list of major recipients already feeling the effects of the state budget delay because of payments withheld in July and August.

LOCAL HEALTH PROVIDERS

PAYMENTS WITHHELD UP TO \$449 MILLION

More than 1,000 health centers and community clinics that serve Medi-Cal patients stopped receiving payments last week. The state was able to pay them from a \$2 billion stopgap fund in previous weeks, but that money has run dry. Some health providers are able to borrow funds on their own, but the California Primary Care Association says others may have to close if the budget delay continues.

CAL GRANTS

PAYMENTS WITHHELD \$260 MILLION

The University of California and California State University systems front Cal Grant money to their low-income students, but most community colleges and some for-profit schools do not. Students there may have to resort to outside borrowing or rely more on other forms of aid they receive until the budget is passed and the grants come in.

CAPITOL STAFF AND APPOINTEES

PAYMENTS WITHHELD \$21 MILLION

Legislators, statewide elected officials, legislative aides and gubernatorial appointees have had their pay withheld since the fiscal year began. Many are able to obtain

short-term loans from local banks such as the Golden 1 Credit Union.

STATE VENDORS

PAYMENTS WITHHELD \$1.08 BILLION

Local vendors include the Sacramento Municipal Utility District, which typically receives \$30 million to \$36 million each year, and Superior Produce, which does about

\$4 million in annual state business by supplying state prisons. Many vendors have experience weathering state budget delays through borrowing or arrangements with their own business associates, but they face more difficulty the longer the budget delay drags on. Vendors receive interest on late payments once the budget is enacted.

COMMUNITY COLLEGES

PAYMENTS WITHHELD \$539 MILLION

Schools are relying largely on borrowing to survive the summer. Scott Lay, president of the Community College League of California, said that schools would face greater financial difficulty in September and may have to consider cutbacks.

STATE EMPLOYEES

PAYMENTS WITHHELD \$137 MILLION

The California Supreme Court ruled last week that Gov. Arnold Schwarzenegger can impose three furlough days this month on state workers. Unless courts deem the governor's action illegal and order the state to pay for lost wages, state employees will not recover furlough wages.