



# LOS ANGELES COUNTY COMMISSION ON HIV

STATE  
BUDGET CUTS  
BRIEF #6  
Update: July 8, 2009

## “IOUs” Not Expected to Impact Public Assistance or Disability Payments

### California Issues IOUs

On July 2, 2009, the California State Controller began issuing “registered warrants,” or “IOUs,” in lieu of payments to certain vendors, contractors and tax return recipients. The Controller’s office was required to begin issuing IOUs due to the failure of lawmakers to reach a budget agreement prior to the July 1<sup>st</sup> start of the 2009/2010 fiscal year.

There has been some confusion regarding which vendors and beneficiaries will receive IOUs. Some of the confusion results because the State is required by law to make certain payments, even when IOUs are in use. There is additional confusion because some programs are only partially funded by State dollars, such as Supplemental Security Income (SSI). The following highlights how IOUs will impact major health and disability programs.

### Impact of IOUs on Disability and Public Assistance Programs

#### State Disability Insurance (SDI):

SDI beneficiaries can expect to receive their normal payments (IOUs will not be issued for SDI) because SDI benefits are paid from a special protected fund that is separate from the State’s General Fund.

#### Unemployment Insurance (UI):

Similar to SDI benefits, UI beneficiaries will receive their regular payments (IOUs for UI payments will not be issued).

#### Social Security Benefits:

Social Security Disability Insurance (SSDI) and Social Security retirement benefits are not impacted by California’s budget issues because these benefits are funded with federal dollars only.

In California, Supplemental Security Income (SSI) is paid with a combination of state and federal funds. Although the Controller has the authority to issue IOUs for the state’s portion of the SSI payment, the Social Security Administration notified California that it will cover the State’s portion of the SSI payments for July and August. For now, SSI recipients will receive their regular benefits, and not IOUs.

#### CalWORKS:

Like SSI, the cash assistance portion of CalWORKS is paid with a combination of state and federal funds, and the Controller has the authority to issue IOUs to CalWORKS participants. Several welfare advocacy groups have reported that most counties are expecting to continue making payments to CalWORKS payments at this time. As a result, CalWORKS recipients are not expected to be issued IOUs currently.

POLICY BRIEF

**In-Home Support Service:**

In-Home Support Service (IHSS) providers will continue to receive their normal payments, and will not be issued IOUs. California's Constitution requires that providers are paid even when IOUs are being issued.

**Medi-Cal:**

Similar to IHSS, California's Constitution requires the Controller to issue regular payments to Medi-Cal providers allow providers to be paid with IOUs.

Although payments to Medi-Cal providers will not be disrupted, it is important to note that there have been some recent changes to other areas of adult Medi-Cal coverage. Specifically, several benefits were eliminated from the package of covered Medi-Cal services. Effective July 1, 2009, Medi-Cal will no longer pay for the following services: dental care, optician/optometry services, speech therapy, chiropractic services, audiology services, acupuncture, podiatry, incontinence supplies and certain psychological services. These changes only apply to people 21+, not pregnant, and who are living independently (not in skilled nursing facilities).

**Financial Institutions May Honor IOUs**

While it is clear that most disability and public assistance programs will not be issued IOUs, recipients of state tax returns and some vendors will be issued payment in the form of an IOUs. Several major financial institutions including Bank of America, Wells Fargo and Chase have agreed to honor the IOUs as if they were actual payments. Banks are offering this assistance through Friday, July 10, 2009.

**What Happens Next?**

On July 1<sup>st</sup>, 2009, the Governor responded to the current budget situation by calling a fiscal State of Emergency. On the same day he also ordered a Special Session of the Legislature. By calling a Special Session, the Legislature now has 45 days to send a budget plan to the Governor. If the Legislature fails to move a budget package forward within the 45 day period, they are prohibited from taking up other legislative measures until a budget is sent forward.

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