

# Budget Action Bulletin No. 10

*2008-09 Proposed State Budget*

Week of August 31, 2008

## Via Electronic Mail

DATE: September 2, 2008

TO: CSAC Board of Directors  
County Administrative Officers  
CSAC Corporate Associates

FROM: Paul McIntosh, Executive Director  
Jim Wiltshire, Deputy Director

RE: **Budget Action Bulletin #10**

Alas, there is still no state budget in place on day 64 of the 2008-09 fiscal year. The Legislature has, however, broken the record for the latest budget enactment in history, besting the good old days of 2003, when the Legislature approved a budget on August 31 and Governor Gray Davis signed it into law on September 5.

As of today, the Senate President pro Tempore Don Perata has pledged to call the Senate into session every day until the Senate Republicans produce a budget proposal in bill form. The proposal is outlined in the attached document. According to a press release from the Senate Republican Caucus, their plan includes an additional \$1.6 billion in program reductions, restoration of Medi-Cal rates, and funding for Citizen Options for Public Safety (COPS) and Juvenile Justice Crime Prevention Programs, among other items. **Importantly, it does not include any borrowing from Propositions 1A or 42.** It does propose securitizing lottery receipts to fund education to the Governor's proposed level without a change to lottery operations. The proposal also contains a budget reform plan, including a hard spending cap, mid-year reduction authority, and a 2/3-vote requirement for withdrawing funds from the rainy day fund. The economic stimulus package includes flexible workweeks, regulatory relief, expansion of health care options for workers, and "public private partnerships," among others. Senate Republicans have indicated that they will have a proposal ready for debate by week's end.

While we appreciate that the proposal does not include borrowing from Propositions 1A or 42 to close the budget gap, CSAC has grave concerns about the proposed program reductions, which include considerable cuts to county administered state health and human services programs. These reductions, for the most part, were rejected by the Budget Conference Committee after considerable debate and are outlined below.

We are mindful that this historic budget delay is having profound impacts on counties, cities, schools, hospitals and clinics, and our partners in the non-profit community. We must continue to be diligent in reiterating to the Legislature that borrowing to resolve the state's budget crisis is an inappropriate solution that only digs the state further into its fiscal hole. We are ready for a state budget, but it must take a balanced approach to resolving the structural deficit and avoid the costly borrowing of local government revenues from Propositions 1A and 42.

## WHAT'S BEEN HAPPENING:

### HEALTH AND HUMAN SERVICES

The vast majority of additional cuts proposed by the Assembly and Senate Republican Caucuses are in the areas of health and human services – just over 90 percent of the \$1.6 billion in additional cuts. Those reductions include nearly all of the program cuts and proposed policy changes in health and human services programs from the January Budget, May Revision, Legislative Analyst Office (LAO) analysis, and the lower funding amount from the Budget Conference Committee. CSAC opposed nearly all of these proposals in budget committee and subcommittee hearings. Many of the cut proposals would shift costs to counties and would further strain the ability of counties to continue to deliver a continuum of services to low-income and vulnerable Californians.

Below is a list of the proposed cuts. For further analysis of the impacts on counties, please visit the CSAC web site section, "Budget Resources."

#### Medi-Cal

County Administration: \$41.2 million (\$20.6 million General Fund (GF)) cut beyond the August Revision for a total cut of \$147.2 million (\$73.6 million GF).

Citizenship Verification (Deficit Reduction Act): \$6 million reduction to counties based on LAO Budget Analysis assumption that counties will complete activities sooner than anticipated. It should be noted that the LAO analysis is based on data prior to the implementation of citizenship verification activities.

Quarterly Status Reports: \$35.4 million (\$17.7 million GF) savings by requiring parents and children to re-establish Medi-Cal eligibility quarterly rather than on a semi-annual basis as included in the August Revision. This proposal would eliminate an additional 30,226 children from coverage.

Newly Qualified Immigrants: \$86.6 million savings by reducing benefits from full-scope to limited-scope Medi-Cal for newly qualified immigrants in the country for less than five years and undocumented immigrants living under the color of law.

1931 (b) Program: \$62.4 million (\$31.2 million GF) savings by reducing eligibility for new applicants from 100 percent of the Federal Poverty Level (FPL) to 61 percent of FPL. Also proposes to reinstitute the 100-hour rules, which limits eligibility to those working 100 hours or less per month.

Undocumented Immigrants: \$84 million (\$42 million GF) savings by requiring undocumented immigrants receiving limited-scope Medi-Cal to reapply on a monthly basis except for pre-natal, long-term care, or breast and cervical cancer services. 11,400 immigrants would lose coverage under this proposal.

#### CalWORKs

Pay for Performance: Eliminate remaining \$10 million Pay for Performance funding based on the rationale that the funding is insufficient to provide an incentive to improve performance. Proposal would result in a total reduction of \$40 million.

CalWORKs Grants: Reduce grants by five percent for savings of \$108.2 million.

Self Sufficiency Review: \$59.7 million savings by implementing the May Revision proposal to require a face-to-face review every six months for all CalWORKs families not meeting federal work participation requirements. Failure to comply would result in being cut off aid.

Earned Income Disregard: \$15 million savings by implementing the LAO proposal to modify the existing earned income disregard to allow participants meeting the federal work participation requirements to keep the first \$300 in earned income and 50 percent of additional earnings. Participants not meeting federal work participation requirements would keep 50 percent of all earnings.

Graduated Full-Family Sanctions: \$18.6 million savings by imposing a 50 percent grant reduction after an accumulated total of six months of noncompliance, and a full-family sanction after a second accumulated six months of noncompliance.

Child-only Time limit: Impose a 60-month time limit for child-only cases (children of undocumented parents, drug felons, or fleeing felons) for savings of \$176.9 million.

Safety-Net Cases: Eliminate safety-net benefits for timed-out families not meeting work participation requirements for savings of \$185.6 million.

State Oversight/Peer Review: \$0.7 million augmentation to fund six state positions to conduct oversight and peer review activities with counties.

CalWORKs Child Care: \$19.4 million savings by reducing the childcare reimbursement rate from 85 percent to 75 percent of the Regional Market Rate.

### **Child Welfare Services**

CWS Cut: \$129.6 million (\$83.7 million GF) cut for a 15.9 percent reduction.

Cap Social Worker Cost: \$5.1 million savings by implementing LAO proposal to cap fully loaded social worker cost at \$155,000. This proposal would impact seven counties with fully loaded social worker costs above the proposed cap.

Foster Care Specialized Care Increment: \$1 million savings by implementing the LAO proposal to cap the maximum specialized care increment at \$1,000. This proposal would impact seven counties that currently have a rate structure that authorizes specialized care increments that may exceed \$1,000.

Adoption Grants: \$2 million savings by implementing the LAO proposal to limit eligibility to the adoptions program.

**Adult Protective Services.** 10 percent reduction to the program for an \$11.4 million (\$6.1 million GF) cut.

**Food Stamps Administration.** Additional \$14 million (\$5.8 million GF) reduction (beyond August Revision) for a total cut of \$34.9 million (\$14.4 million GF).

### **In-Home Supportive Services**

IHSS Eligibility: Additional \$4.9 million GF reduction (beyond August Revision) resulting in a total cut of \$10.2 million GF.

Wages/Benefits for IHSS workers: \$186.6 million cost shift to counties by reducing state participation in wages and benefits from \$12.10 per hour to \$8.60 per hour.

Domestic and Related Services: \$159.5 million (\$52.5 million GF) savings by eliminating domestic and related services for IHSS consumers with a functional index below four, eliminating an average 21.6 hours per month for 83,000 consumers.

Share of Cost Buy-out: \$27.7 million GF savings by eliminating the buy-out of the difference between the Medi-Cal and IHSS share of cost for IHSS consumers with a functional index below four.

**SSI/SSP**. Reduces grant for aged, blind, and disabled couples from 131 percent to 125 percent of the Federal Poverty Level for savings of \$69.5 million per the LAO Budget Analysis recommendation.

**CAPI (Cash Assistance Program for Immigrants)**. \$111.2 million GF savings by eliminating benefits for all of the 11,093 aged, blind, and disabled immigrants served by the program. Note that the savings are based on an August 1, 2008 implementation date so savings would not fully materialize.

### **Mental Health**

Community Treatment Facilities (CTF): \$750,000 savings by eliminating the supplemental rate for Community Treatment Facilities (CTF). CTFs were created by the Legislature as community placements of last resort for the most seriously emotionally disturbed youth who have not succeeded in any other category of residential program. A supplemental rate was established to provide a reimbursement level sufficient to encourage providers to establish CTF programs.

Managed Care: Reduce Mental Health Managed Care by an additional \$18.45 million GF. This is the difference between the cuts already adopted and what the Governor proposed in January.

Early Periodic Screening Diagnosis and Treatment (EPSDT): Reduce EPSDT by an additional \$12.15 million GF. This is the difference between the cuts already adopted and what the Governor proposed in January. It includes a five percent rate reduction.

**California Children's Services (CCS)**. \$2.68 million in savings associated with reducing the CCS case management by 10 percent.

**Proposition 36 and the Offender Treatment Program**. \$12 million reduction (combined 10 percent reduction in funding to the overall funding – \$120 million) for both programs. The \$12 million reduction was restored by the Legislature.

## **WHAT'S GOING TO HAPPEN NEXT:**

CSAC will keep you apprised of any changes and updates as budget talks continue.

**Stay tuned for the next Budget Action Bulletin!**

**If you would like to receive the Budget Action Bulletin electronically, please e-mail Faith Conley, CSAC Legislative Analyst, at [fconley@counties.org](mailto:fconley@counties.org).**