

Budget Update: March 4, 2011

The Budget Conference Committee, the two-house Conference Committee charged with addressing the state's budget gap, began meeting on February 23, and it has been weighing the various budget proposals that have been mulled over in both houses over the last several weeks. Major conference issues included the proposed cuts to Adult Day Health Centers (ADHC) and In Home support Services (IHSS). Alternatives to complete elimination of ADHC were discussed and reflect recommendations made in the Senate. No actions were taken and this issue remains OPEN.

Alternatives to complete elimination of ADHC were discussed and are similar to recommendations made in the Assembly. No actions were taken and this issue remains OPEN.

-\$21.2 million: By reforms to the ADHC stockholder process. Create stakeholder process with DHCS to identify chronically non-compliant ADHC facilities and implement a new ADHC Medical Necessity and Documentation Self-Audit tool for a 10 percent reduction in beneficiaries based on tighter eligibility criteria. Some field testing has already been completed.

-\$1.7 million: Streamline administration by moving ADHC unit from Department of Aging to DHCS.

-\$1.2 million: Consolidate licensing and certification at DHCS and replace GF with federal funds.

-\$400,000: Eliminate reimbursement for "carry-over" days. This eliminates the ability for beneficiaries to make-up absences during the last week of one month into the first week of the next month.

-\$3.7 million: Mandate 10 non-billable "holidays" for all ADHC entities.

The Conference committee discussed cuts to IHSS.

-\$486.1 million: as a result of the following IHSS proposals: (1) applying an across-the-board reduction to service hours; (2) eliminating domestic and related services for certain recipients; (3) eliminating services for recipients without physician certification; and, (4) eliminating state funding for IHSS advisory committees.

Many of the Governor's Proposals are Being Considered

Unfortunately, both Houses seem resigned to making many of the other cuts put forth in the Governor's budget proposal. This includes many of the cuts to Medi-Cal, with the exception of the hard-cap on physician and clinic visits, medical supplies, equipment, and prescriptions. As well the increases in co-pays for Medi-Cal and Healthy Families, SSI/SSP grant reductions remain under consideration. Others include:

CalWORKs:

- **Assembly:** Approved Governor's proposal to cut CalWORKs from 60-months to 48-months for adults. Approved five percent grant cut. Approved cuts in funding of the Single Allocation for child care, welfare-to-work, and administration costs. Approved the LAO's alternative proposals to simplify the earned income disregard to include 50 percent of all relevant earnings and to expand the state's participation in the subsidized employment program created by AB 98 and Adopt reductions of: 1) \$20 million in the CalLearn Program, 2) \$5 million for substance and mental health services for CalWORKs recipients, 3) \$5 million across the SAWS automation systems.
- **Senate:** Approved the Governor's proposal to reduce the time-limit for adults to receive assistance from 60 months to 48 months, but rejects the Governor's proposal to apply a 48-month time limit to safety net and child-only cases – for savings of \$171 million. Increased the Governor's cut to the county single allocation from \$377 million to \$476 million.

The Conference Committee continues to meet this week to address these and other issues. The upside of this is that nothing has been decided therefore these approaches need to be acted upon by the Committee before they are adopted.

Revenue

The Governor thus far has avoided the heavy handedness of his predecessor and seems to have adopted a wait and see approach. At issue: what the cuts would look like without the revenue package proposed in his budget. By way of review; his proposal was roughly half cuts and half revenue to address the current \$25.4 billion budget deficit. That is, approximately \$12.5 billion in expenditure reductions, and \$14 billion in revenue solutions as the result of temporary tax extensions, adjusting the single sales factor and elimination of enterprise zones. Approximately \$11.2 billion of this are the temporary tax extensions, which require approval by ballot measure. The Administration released a draft bill Monday to place tax hike extensions on the ballot and shift services to local government. The Democrats need three in the Assembly and two in the Senate to get the supermajority required to get the tax revenue package to the voters. Governor Brown has called for the special election to take place by June 10. There have been murmurs in the building coalescing around a way of calling the election without a two-thirds vote. Although nothing concrete has been put forth in the way of how this would be done. Against this backdrop the Conference Committee continued to meet this week moving toward a final vote on the budget which members of the Assembly have said will take place by today, March 4th.

Additional revenue proposals have been put forward by members of the Assembly as well. Assembly Member William Monning has reintroduced a tax on sugar sweetened beverages as AB 669. As you may recall two similar bills were introduced last year by Senator Dean Florez, SB 1210, and former Assembly Member Joe Coto, AB 2100. As well, Assembly Member Warren Furutani has reintroduced last year's AB 1836 (Furutani), the 'temporary tax increase on the highest income earners' bill, as AB 1239.

Sources:

2011-12 Governor's Budget Summary, January 10, 2011

Assembly Committee on Budget: *Actions Taken, Subcommittee Reports*, February 18, 2011

Budget Conference Committee: *Major Issues: 2011-12 Budget*, February 23, 2011

California Budget Project: *Back to the Future: the Social and Economic Impact of the Governor's Proposed 2011-12 Budget*, Presentation, February, 2011

Senate Committee on Budget and Fiscal Review: *Quick Summary*, February 18, 2011.

Myers, John, *Budget Drama Marches Into March*, February 28, 2011 at <http://blogs.kqed.org/capitalnotes/2011/02/28/budget-drama-marches-into-march/>
<http://blogs.sacbee.com/capitolalert/latest/2011/03/brown-administration-releases.html#ixzz1FU6LzcaG>