



Budget Update: Special Session Woes

On Monday the Governor officially called the Proposition 58 special session that has been the subject of discussion in recent weeks as a result of the recent LAO report that estimated a \$6.1 billion shortfall for the current fiscal year and an estimated \$25.5 billion shortfall by June 30, 2012. Under Proposition 58, the Governor has the authority to declare a fiscal emergency and call a Special Session of the Legislature if it is determined that the state budget is out of balance. The Governor's proposal assumes \$9.9 billion in "solutions" through expenditure reductions, alternative funding and fund shifts. Part of the "solutions" package includes all too familiar cuts to health and human services programs that have high rates of Latino participation.

Specific Health and Human Services Proposals

Medi-Cal is California's version of Medicaid which is a public health insurance program serving low-income families, seniors, persons with disabilities, children in foster care, pregnant women, and certain low-income adults. Approximately 50 % of the participants are Latino. Specific cuts include elimination of the full scope Medi-Cal for Newly Qualified Immigrants and Adult Day Health Center Benefit, which helps to keep elderly and disabled persons out of elimination of certain over the counter drug benefits, annual limits on hearing aids, durable medical equipment, urological supplies and wound care supplies. The application of a limit of 6 prescriptions a month (excluding life saving medications) and 10 clinic or physician visits a year. Proposed as well is an increase in copays for physician/dental/ pharmacy, emergency room visits and hospital stays.

Healthy Families Program provides low cost health, dental and vision coverage to children up to age 19 in working families with incomes between 100 percent and 250 percent of the federal poverty level. Healthy families has an almost 60% Latino participation rate. The Governor proposed a cut of the vision benefit which would result in an anticipated expenditure decrease of \$2.4 million in 2010-11 and \$11.3 million in 2011-12. As well, premium increases for families between 150 to 250 FPL from \$16 to \$30, with a family maximum for 3 or more children from \$48 to \$90, for a projected savings of \$6.2 million 2010-11 and \$25 million in 2011-12. A savings of \$6.8 million in 2010-11 will be affected by an increase in co payments for emergency room visits which will go from \$15 to \$50 and the addition of a \$100 per day \$200 maximum hospital inpatient services co pay.

CalWORKS provides cash assistance and employment services to low-income lawful immigrants without a five year waiting period. Ultimately, the Governor proposes to cut the entire program by July1, 2011, for an expenditure reduction of \$1.4 billion. This would be an addition to the "savings" of \$159.5 million in 2010-11 and \$646.3 million in 2011-12 gleaned from cutting the Recent Noncitizen Entrants program and decreasing the amount the state reimburses for CalWORKS child care providers.

CAPI and CFAP. The Governor proposes to eliminate the Cash Assistance Program for Immigrants (CAPI), which was created as a state only program after the federal government eliminated assistance for legal immigrants within their first five years of arrival into the U.S. CAPI provides a cash grant to approximately 11,000 legal immigrants who are aged, blind or disabled. In addition, the Administration proposes to eliminate the California Food Assistance Program CFAP which provides Food Stamps for legal immigrants. CFAP serves low income immigrants between the ages of 18-65. Approximately 30,000 persons would lose their food assistance.

The Familiarity Continues

According to the San Francisco Chronicle, Assembly Speaker John Perez called the Governor's latest package of deep cuts a "rehash of proposals we have already considered and rejected." Many of these proposals were presented in the 2009-10 Governor's Budget and then again in the 2010-11 Governor's Budget. Each time the legislature rejected these egregious cuts to health and human services programs that provide low income people of color and lawfully present immigrants with life sustaining services. The severe cuts to health and human services that have occurred over the last five years have not resulted in a balanced budget. If anything, they have increased the burden placed on county and community based programs and services that are themselves stretched taught by the current economic climate. The legislature has voiced a preference to wait and work with Governor Elect Brown on resolving the budget deficit.

However . . .

Brown convened a budget forum open to the Legislature, government officials and the news media on December 8 to discuss the tough choices California will have to make to address the state's \$25.4 billion budget deficit over the next year and a half. Its intent was not to propose solutions, but, "to make sure everyone understands the specifics and scope of the problem." said Sterling Clifford, Brown's spokesman. The Bee reported Thursday that we should not become too comfortable with the \$25.5 billion LAO estimate. This is due to two factors: First, a San Francisco Superior Court Judge is expected to render a decision regarding the sale of state properties proposed by the Governor, which was anticipated to yield \$1.2 billion toward the deficit. Two, Congress may act on the estate tax, due to revert to 2001 law, which was expected to help fill \$2.7 billion of the budget shortfall. If the state properties cannot be sold, and if the estate tax does not revert to 2001 law, the budget deficit could be as much as \$29 billion.

In the final analysis, these proposed draconian cuts may prove to be largely irrelevant. On Thursday, the budget committees of both the Assembly and Senate met to consider the Governor's solutions package. The hearings were relatively short and the legislators seem to have given no indication that they would be taking any actions with regard to the solutions package. This would be consistent with the buzz around the Capitol indicating that the Legislature had a preference to work with Governor Elect Brown on addressing the current \$25 (or \$29) billion budget gap. Brown took actions toward a smooth transition by retaining Ana Matosantos as Director of the Department of Finance. With all of this activity, it appears that the budget problem will be addressed by the incoming rather than the outgoing Executive. We will see in the coming months how Jerry Brown's approach affects the outcome of this crisis which so far has indicated a pragmatic approach. Pragmatic or not, however, there will have to be changes and it will be interesting to see how Brown's solutions will differ from Schwarzenegger's. We will see.

CMS

Sources:

<http://blogs.sacbee.com/capitolalertlatest/2010/12/schwarzenegger-plan-relies-on.html>

<http://gov.ca.gov/press-release/16664/>

http://www.dof.ca.gov/budget/historical/2010-11/documents/2010-11_SS_Budget_WEB.pdf

<http://www.sfgate.com/cgi-bin/article.cgi?file=/c/a/2010/12/07/MNN41GMMRJ.DTL>

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2010/12/03/MN3T1GL7CB.DTL&feed=rss.bayarea>

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2010/12/02/MN3T1GL7CB.DTL#ixzz17TCi4oYP>

<http://blogs.sacbee.com/capitolalertlatest/2010/12/caution-state-budget-potholes.html>

<http://blogs.sacbee.com/capitolalertlatest/2010/12/budget-hearings.html>