

Governor's January Budget 2010-11

The Governor's budget is the opening salvo with a shot across the bow of the California Legislature. Drastic cuts to health and human services are proposed as part of a scheme that relies on expenditure reductions (\$8.5 billion), additional federal funds (\$6.9 billion), use of alternative funding sources (\$3.9 billion), and fund shifts and other revenue (\$0.6 billion) to close the projected \$19.9 billion budget gap comprised of a current year shortfall of \$6.6 billion, a budget year shortfall of \$12.3 billion, and a reserve of \$1 billion. The governor has declared a "fiscal emergency" due to the sizable budget gap and called a Proposition 58 special session. Under Proposition 58, the legislature has 45 days to propose legislation to address the fiscal emergency. If after 45 days (February 22) a bill is not produced, they may not act on any other bill. During this period both houses hold special session budget committee hearings to consider solutions to the fiscal emergency. In this special session the Legislature will have to figure out how to preserve those programs that serve the most vulnerable among us: women, children, the aged, the disabled, minorities, the poor and recently arrived legal immigrants. These are the same type of programs slated for drastic reductions or complete elimination last year and they are yet again on the chopping block.

Although the Governor promised in his State of the State that education funding would increase, his proposal to eliminate the gas sales tax and increase the gas excise tax will have the effect of lowering the Prop 98 minimum guarantee as well as removing money from local governments' public transportation funding coffers. What follows is an analysis of the health and human services cuts that will affect Latinos as well as some of the funding shifts that will affect local services upon which Latinos rely.

Proposed Deep Cuts to Health and Human Services

The cuts to Health and Human Services will fall under one of the following scenarios: First, baseline cuts that will occur if the State is able to procure additional federal funding or cuts that will occur despite the influx of federal dollars. Second the cuts that will occur when a

“trigger” is pulled if such funding is not procured. The sources of federal funding that the Governor assumes are:

- *An extension of ARRA funding through 2010-11 which includes funds for:*
 - *Medi-Cal Program (\$1.2 billion);*
 - *CalWORKs Program (\$538 million);*
 - *Developmental and Regional Centers (\$162.7 million);*
 - *Early and Periodic Screening, Diagnosis, and Treatment and Mental Health Managed Care (\$86.5 million);*
 - *In-Home Supportive Services Program (\$49.8 million);*
 - *Adoption Assistance Program and Foster Care Program (\$26.8 million);*
 - *Early Start Program (\$32.9 million); and*
 - *Child Support Program (\$20.8 million).*
 - *Additionally the Governor assumes further modifications in the Federal-State Relationship:*
 - *Permanently increase the federal government’s share of Medi-Cal Program costs from 50 percent to 57 percent, for savings of \$1.8 billion in 2010-11.*
 - *Increase federal funding for special education by \$1.0 billion in 2010-11.*
 - *Increase federal funding by \$879.7 million in 2010-11 to fully fund the cost of incarcerating undocumented immigrants in California state prisons.*
 - *Reimburse California for services to people with disabilities that were provided through Medi-Cal rather than through the federal Medicare Program for savings of \$700 million in 2010-11.*
 - *Allow California to pay less toward Medicare Part D prescription drug coverage in 2010-11 by:*
 - *Applying the higher ARRA federal cost-sharing ratio to Medicare Part D drug coverage for savings of \$250 million, and*
 - *Revising the formula that determines how much California pays to the federal government to help finance the cost of the Medicare Part D prescription drug benefit for annual savings of \$75 million.*
 - *Revise the federal funding formula for the Foster Care Program for savings of \$7.5 million in 2009-10 and \$86.9 million in 2010-11.*
- (Source: California Budget Project)*

In the absence of the Governor's assumed Federal funding, more drastic cuts to health and human services programs will occur when the trigger is pulled. Each of the following sections will look at baseline programmatic cuts as well as the trigger cuts.

Medi-Cal

Baseline

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. The Governor proposes a number of reductions to the Medi-Cal Program for total cuts of \$1.1 billion in 2009-10 and 2010-11. This includes limits on Medi-Cal services and requires increased copayments, premiums or a combination of the two, for \$750 million in cuts. Certain Medi-Cal benefits such as chiropractic, psychology, podiatry, acupuncture, speech therapy and audiology will be eliminated. Cuts to these benefits for adults over 21 were made last year and are the subject of a current lawsuit (Gray Panthers of San Francisco, et al. v. Arnold Schwarzenegger, et al) which was filed in Federal Court in May 2009. Consequently, cuts to these benefits could affect children under 21 and adults in nursing homes. The Governor proposes the rescission of a 2007 family plan rate increase. On the table as well are increased anti-fraud activities, all of which add up to a cut of an additional \$28.7 million. The proposed elimination of The Adult Day Health Care Program will effectively disenroll 45,000 current beneficiaries and will result in a cut of \$104 million.

Trigger

The remaining optional benefits which include hearing aids, physical therapy, occupational therapy, orthotics, independent rehabilitation facilities, outpatient heroin detox, medical supplies, prosthetics, and durable medical equipment would be eliminated, and eligibility would be rolled back to the extent allowed under federal law for an additional \$532 million in cuts. Those benefits that would result in a net cost, such as pharmacy, would not be cut. Medi-Cal eligibility standards would be reduced to federal minimums, resulting in approximately 575,000 people losing access to Medi-Cal services. Additionally, 1.6 million people would lose access to family planning services through elimination of the Family Planning Access, Care, and Treatment Program and approximately 9,000 people would not be able to access breast and cervical cancer treatment due to elimination of the Breast and Cervical Cancer Treatment Program. All of these cuts hit Latino women the hardest by

effectively removing any access to family planning services. As well, their ability to participate in cancer screenings increases the probability that cervical and breast cancer could see a disproportionately higher rate among Latinas in the future. Latina women already suffer the highest rate of invasive cervical cancer in California of any subgroup.

Healthy Families

Baseline

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. The proposed budget for 2010-11 includes a \$99.3 million in General Fund reduction to the Healthy Families Program which is equal to approximately 44% of the total program cost. This reduction would require the implementation of benefit changes, such as premium increases, a \$14 per child increase in monthly program premiums would be imposed on those beneficiaries between 151-200% FPL to save \$21.7 million, a reduction in program eligibility from 250 percent to 200 percent of the federal poverty level, and the elimination of vision coverage effective May 1, 2010. Up to 240,000 children could lose coverage, and would save the state \$10.5 million this year and \$63.9 million in 2010-2011.

Trigger

Total elimination of the Healthy Families Program which would result in the loss of insurance coverage for approximately 900,000 children between the ages of 0-19, 51% of which are Latino, or approximately 460,000 Latino children. Los Angeles County, where Latino children account for 53% of enrollment, could see 120,000 lose coverage. In Madera County in the central valley, Latino children account for 63% of enrollment. As well in Monterey County, where Latinos account for 73% of enrollment, a significant number of children would be left uninsured.

In-Home Support Services

Baseline

IHSS provides in-home assistance to low-income adults, who are over 65 years of age, blind or disabled, and to children who are blind or disabled. IHSS providers perform a range of household tasks and personal care services based on an individual's needs including bathing, dressing, cooking, feeding and supervising recipients according to their needs so that they may remain safely in their homes. Cuts in the amount of \$21.3 million in 2009-10 and \$271.8 million in 2010-11 would result from state support for IHSS wages being reduced to the state minimum wage, which is \$8.00/hour plus up to \$.60 per

hour for health benefits effective June 1, 2010. Additionally, the budget would provide IHSS services only to recipients with a functional index score of 4.00 or higher. This would eliminate services to 87 percent of IHSS recipients, or about 426,733 people, effective June 1, 2010 which amount to cuts of \$56.6 million in 2009-10 and \$650.8 million in 2010-11.

Trigger

Total elimination of the In-Home Supportive Services Program would result in cuts of \$495 million. Elimination of this program would result in the remaining 63,239 recipients losing IHSS services, with some needing institutional care. This does not anticipate the increased state costs to place disenrolled participants in institutions, nor does it address the loss in jobs due to the decrease in wages and elimination of the program, which would increase enrollment in the Unemployment Insurance Program.

Fund Shifts

Mental Health Services Act

The Mental Health Services Act (Proposition 63) imposes a 1% surtax on incomes exceeding \$1 million to provide increased funding, personnel and other resources to support county mental health programs and monitor progress toward statewide goals for children, transition age youth, adults, older adults and families. Like last year, there is a proposed shift of Proposition 63 funds to back fill approximately \$452.3 million cuts to the Early Periodic Screening, Diagnosis, and Treatment (EPSDT) Program, the child health component of Medicaid and the Managed Care program, subject to voter approval. This is similar to last year's Prop 1E which was soundly defeated.

First 5 Commission

First 5 supports programs for children from birth to age 5, using funds provided by a 50-cent-per-pack state tax on cigarettes imposed by Proposition 10 of 1998. Like last year's Proposition 1D the Governor proposes to shift funds generated by the tobacco tax to support programs administered by the Department of Developmental Services and the Department of Social Services. This would be subject to voter approval, and thus may suffer the same fate as Prop 1D which was defeated. A fund shift of \$550 million would be composed of \$308 million from state and local First 5 reserves and \$242 million from shifting approximately half of First 5's projected 2010-11 tobacco tax revenues to the General Fund and it would continue

to shift about half of First 5's annual revenues to offset state General Fund costs from 2011-12 to 2014-15. This shift would shift money away from local First 5 programs and to state programs which could result in a lack of local services for Latino families.

Proposition 99

This would be a trigger shift resulting in the elimination of many programs upon which Latinos depend. Under the trigger scenario, funds would be shifted from programs funded by Prop 99 to support Medi-Cal programs. On the chopping block would be: Access for Infants and Mothers, a program that provides low-cost health care coverage for pregnant women; Breast Cancer Early Detection: Every Woman Counts, a program that provides breast and cervical cancer screening to low-income women; Asthma Control, a program that coordinates approaches and partnerships to reduce preventable asthma morbidity and mortality; Expanded Access to Primary Care Clinics, a program that provides expanded access to primary and preventive health care to medically underserved areas and populations.

Proposition 42

Simply put, Proposition 42 uses a tax imposed on the sale of gasoline to fund transportation infrastructure. Among the projects to be funded by the sales tax are those that support public transit. The Governor proposes an alteration to the tax on gasoline, where the sales tax would be replaced by an additional \$0.108 per gallon excise tax that would lower General Fund spending by \$1.8 billion. The gasoline sales tax is counted towards the Proposition 98 minimum guarantee. The damage resulting from the re characterization of the tax is twofold; First, local transportation authorities lose their source of funding geared toward maintaining rapid transit, two, schools lose out due to the fact that the loss of this revenue equals approximately \$800 million in Prop 98 guarantee funding. This in turn affects Latinos because it reduces the funding to a means of transportation upon which we rely, and it reduces the amount of money guaranteed to be spent on education. It reduces the opportunity not only for our children to get to school, but also the opportunity to have the materials necessary to learn once they get there.

Immigrant Specific Cuts In Health and Human Services

Medi-Cal

The Governor's budget would eliminate full-scope Medi-Cal benefits for Newly Qualified lawful immigrants. The Administration proposes to eliminate complete access to the Medi-Cal program for these individuals, leaving many without access to critical care such as preventative health care and disease management. Many of these individuals are hard working, pay taxes, but have no access to health care. The proposal would take effect on March 1, 2010, and would eliminate health care for approximately 69,000 individuals for a savings of \$118 million.

Cash Assistance Program for Immigrants

The Governor proposes full elimination of the Cash Assistance Program for Immigrants (CAPI), which provides cash assistance to legal immigrants who are aged, blind or disabled. After welfare reform in 1996, recent legal immigrants who entered the U.S. within their first five years of arrival are ineligible to receive federal cash assistance. Eliminating the CAPI program would leave approximately 9,600 of the state's most vulnerable residents without access to cash assistance to pay for basic necessities such as housing, food and medical care. Without access to the CAPI program, many of these individuals will become destitute. If approved by the Legislature, this proposal would become effective on June 1, 2010.

California Food Assistance Program for Immigrants

This proposal would eliminate the California Food Assistance Program (CFAP) for immigrants which provides certain legal immigrants access to food assistance. The cut to this program, which provides assistance to approximately 37,000 individuals including working families and their children, would become effective on June 1, 2010.

California Work Opportunities and Responsibility to Kids

The Governor proposes to eliminate this program which provides cash assistance and employment services to low-income lawful immigrants without a five year waiting period. Immigrants in the CalWORKs program must also meet other eligibility guidelines and those with sponsors are subject to deeming rules (where the income of a sponsor is added to the immigrant's in determining eligibility). This program provides special employment, cultural, and linguistic services for sixty months from the date of entry. The Recent Non-Citizen

Entrants program provides essential assistance to help certain legal immigrants obtain and retain employment and attain economic self sufficiency. This proposal would affect nearly 24,000 legal immigrants.

For additional clarification on immigrant specific cuts, please contact Vanessa Cajina with the California Immigrant Policy Center at (916) 448-6762 or vcajina@caimmigrant.org

Bottom Line

The result of the Governor's proposal is a tearing of the safety net upon which many Latinos rely. Compromises will no doubt need to be made to close the \$19.9 billion budget gap. This becomes all the more apparent given the comments made by Mac Taylor of the Legislative Analyst's Office, who opined that the governor is unlikely to glean all of the Federal funds he seeks, which amounts to \$6.9 billion of the solution. It is more reasonable, he said, to assume that any Federal influx will be around half of that, or \$3 billion. With this is the Governor's refusal to entertain revenue options other than forestalling the implementation of the tax cuts he approved last year. Add the constitutional restraints placed upon the Legislature via the ballot initiative process, and we are left with a patchwork of "solutions" and compromises that perhaps may be best understood by the devotees of Mary Shelly. This appears to be the case as the current roster of special session bills demonstrates as they represent a combination of fund shifts, expenditure reductions, alternative funding schemes and new revenues. LCHC will keep you apprised of further developments.

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