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CWDA

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To: All County Social Service Directors and Fiscal Officers

From: CWDA Staff

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RE: State Budget Update #20 – 2008-09 Special Session

The Governor has called a Special Session of the Legislature to address the fast-growing shortfall in the 2008-09 budget enacted six weeks ago. In announcing the Special Session, the Governor indicated that what he thought had been a spending problem for the past few years has now become a revenue problem that requires immediate action. The shortfall, estimated at \$3-4 billion a few weeks ago, has now ballooned to \$11.2 billion in the current year and an additional \$13 billion in 2009-10 absent legislative action. Due to the state's struggling economy and the housing and credit crisis, projected General Fund revenues have decreased by \$10.7 billion in 2008-09, and \$13 billion in 2009-10. According to the Department of Finance, the state also has a cash flow problem and could begin to run out of funds in February or March if actions are not taken to address the deficit.

In announcing the Special Session, the Governor submitted a package of proposals aimed at eliminating the current year deficit. The package includes a mix of cuts (\$4.5 billion), revenues (\$4.7 billion), and borrowing (\$1.1 billion). Revenue proposals include a temporary one and a half cent sales tax effective January 1, 2009 that would generate \$3.54 billion in the current year and \$7.32 billion in 2009-10, expanding the sales tax to include some services for revenues of \$357 million in the current year and \$1.16 billion in 2009-10, imposing an oil severance tax of 9.9 percent per barrel for revenues of \$528 million in the current year and \$1.2 billion in 2009-10, raising the alcohol excise tax by five cents per drink for revenues of \$293 million in the current year and \$585 million in 2009-10, and increased the vehicle registration fee by \$12 per vehicle to provide \$150 million in the current year and \$359 million ongoing to fund a Realignment of law enforcement and juvenile justice programs.

Cuts in the Governor's package include \$2.5 billion to Proposition 98, implementing a one-day a month furlough for state workers for savings of \$263 million in the current year and \$451 million in 2009-10, reducing funding to transit agencies by \$230 million, eliminating parolee supervision for low level offenders for savings of \$78.7 million in the current year and \$535.9 million in 2009-10, \$132 million reduction to UC and CSU, reducing payments to Regional Center providers by three percent effective December 1, 2008 for savings of \$34.2 million in the current year and \$59.8 million in 2009-10, reducing public safety funding by \$51.7 million in the current year and \$103.5 million in 2009-10, and eliminating Williamson Act grants for savings of \$35 million.

In addition to the proposals to address the deficit, the Governor has also unveiled measures to stimulate the economy such as easing regulations to fast track infrastructure projects funded through state bonds, providing flexibility to employers regarding the 40-hour work week, overtime, and meal and rest periods, providing tax incentives to the film industry to maintain and increase film production in the state, and adding a 90-day stay on foreclosures to encourage loan modifications and other actions to keep Californians in their homes.

Similar to the January Budget or May Revision, the Governor's proposals require Legislative approval to take effect. Since the current lame-duck Legislature expires November 30, any action in the Special Session must be taken in the next few weeks. Both the Assembly and the Senate are meeting today for an organizational session to begin the Special Session and could hold hearings on the proposals as early as next week. As there is little evidence to suggest that the dynamic of the 2008-09 budget stalemate has changed, and that many of the proposals have previously been rejected by the Legislature, it is not yet clear whether there will be a proposal approved by the Legislature in the next few weeks as the. Republican leaders have indicated strong opposition to taxes while Democratic leaders have indicated that any package must include new revenues. In a press conference yesterday, Senate President pro Tempore Perata indicated support to restore the Vehicle License Fee to the 1998 level and impose an oil severance tax. If there is no action prior to November 30, the Governor could immediately call another special session once the new Legislature is sworn in on December 1.

Specific proposals related to health and human services issues include the following:

CalWORKs

Grant Cut – 10 percent grant cut to all CalWORKs families effective March 1, 2009 for savings of \$93.2 million in the current year and \$279.6 million in 2009-10. This proposal would reduce the maximum monthly grant for a family of three from \$723 to \$651.

Modified Safety Net – Eliminate safety-net benefits for timed-out families not meeting federal work participation requirements effective March 1, 2009, for savings of \$80.7 million in the current year and \$242 million in 2009-10.

60-month Time Limit on Child-only Cases – Impose a 60-month time limit for certain child-only cases (children of undocumented parents, drug felons or fleeing felons) for savings of \$76.8 million in the current year and \$230.3 million in 2009-10.

CalWORKs Self Sufficiency Review – The Governor proposes a face-to-face “Self Sufficiency Review” every six months with a county Welfare-to-Work worker for all CalWORKs families who are not meeting federal work participation requirements. Child-only cases would be included in these reviews, though non-needy caretaker relatives of foster children would not be included. Failure to comply would be treated as non-compliance with an eligibility requirement and would result in being cut off aid. The proposal would be effective March 1, 2009 and would result in \$23.3 million in savings in the current year and \$94.8 million in 2009-10.

Child Care

Stage 2 – The Governor proposes to reduce Stage 2 funding by \$27 million based on lower than anticipated caseload since the budget was enacted. This reduction would result in Stage 2 funding of \$473.2 million, a decrease of \$43.4 million from 2007-08.

In-Home Supportive Services

Domestic and Related Services – Eliminate domestic and related services for IHSS consumers with functional index rankings under 4 (consumers with a functional index score of 1 would not be impacted as they do not currently receive these services). This is estimated to impact 83,000 consumers who would lose an average of 21.6 hours per month. This proposal would save \$23.1 million GF in the current year and \$71.4 million GF in 2009-10.

Share of Cost Buy-Out – The state share-of-cost buyout, whereby the state pays the difference between the Medi-Cal share-of-cost and the IHSS share-of-cost for PCSP and Waiver cases, would be eliminated for IHSS consumers with a functional index score below 4 for savings of \$12.3 million GF in the current year and \$37 million GF in 2009-10.

Provider Wages and Benefits – The Governor proposes to roll back the state's participation in wages and benefits to the state minimum wage of \$8.00 per hour plus 60 cents for health benefits for savings of \$82.9 million GF in the current year and \$248.8 million in 2009-10. The proposal would result in a direct cost shift to counties. Under current law the state participates in wages up to \$11.50 per hour plus 60 cents for health benefits. There is no proposed change to the statutory collective bargaining mandate.

Medi-Cal

1931 (b) Program – Eligibility for parents in 1931(b) would be reduced to 61 percent of the Federal Poverty Level and the 100 hour rule would be reinstated. This would be phased-in with new applicants, not applied to current recipients. The proposal would result in savings of \$17.2 million (\$8.6 million GF) in the current year and \$218 million (\$109 million GF) in 2009-10. The proposal assumes that more than 400,000 adults will lose eligibility, phased in over a three year period. When fully implemented in 2011-12, this change would save the state \$685 million (\$343 million GF).

Undocumented Immigrants – Undocumented immigrants receiving limited-scope benefits would have to reapply on a monthly basis. The savings are in emergency services, as the monthly requirement would not apply to pregnancy, pre-natal, long-term care or breast and cervical cancer services. The proposal would result in estimated General Fund savings of \$15.1 million in the current year and \$73.5 million in 2009-10.

Newly Qualified Immigrants – Benefits for newly qualified immigrants (those who have been in the United State for less than five years and are subject to the five-year bar on benefits) and PRUCOLs would be reduced from full-scope to limited-scope and the same monthly re-application requirements would apply. The proposal would result in estimated General Fund savings of \$29.7 million in the current year and \$144.4 million in 2009-10.

Impose Share of Cost for Aged, Blind, and Disabled Individuals above SSI/SSP Income Ceiling – Eliminate no share-of-cost Medi-Cal for aged, blind, and disabled individuals above SSI/SSP income eligibility ceiling for savings of \$87.6 million (\$43.8 million GF) in the current year, \$407.4 million (\$203.7 million GF) in 2009-10 and \$425.6 million (\$212.8 million GF) annually thereafter. This proposal reinstates the share of cost provisions in effect prior to 2001.

SSI/SSP

The Governor proposes, effective March 1, 2009, to reduce SSI/SSP grants to the federal minimum for savings of \$348.9 million GF in the current year and \$1.1 billion in 2009-10. This

proposal would reduce the grant to aged/disabled individuals from \$870 per month to \$830 and to aged/disabled couples from \$1,524 to \$1,407.

CAPI

The Governor proposes to eliminate the program effective March 1, 2009 for savings of \$37.8 million GF in the current year and \$114.1 million in 2009-10. This proposal would eliminate benefits for more than 11,000 aged, blind, and disabled immigrants.

CFAP

The Governor proposes to eliminate the program effective July 1, 2009 for savings of \$30.3 million in 2009-10.

The full details of the proposal can be accessed through the following link:

http://www.dof.ca.gov/documents/special_session_08-09_web.pdf