



California Budget Project
Email Update
November 25, 2003

GOVERNOR RELEASES PROPOSED MID-YEAR REDUCTIONS

On Monday, November 24, the new administration released proposed mid-year budget reductions totaling \$1.9 billion in the current year and \$1.9 billion in the upcoming budget year. Health, Social Services, Transportation, and Local Government programs are targeted for reductions. The \$3.8 billion in proposed General Fund reductions are distributed as follows:

- \$933 million in Transportation (24.6 percent of the total proposed reductions);
- \$720 million in Health (19.0 percent of the total proposed reductions);
- \$632 million in Social Services, Child Support, and other human service programs (16.7 percent of the total proposed reductions);
- \$250 million in Developmental Services (6.6 percent of the total proposed reductions);
- \$493 million in reductions to counties and cities (13.0 percent of the total proposed reductions); and
- \$319 million in higher education (8.4 percent of the total proposed reductions).

Specific proposed reductions include:

- Capping enrollment in a range of health and social service programs at January 1, 2004 levels. Covered programs would include Healthy Families, the California Food Assistance Program, and the Cash Assistance Program for Immigrants, Regional Centers, the AIDS Drug Assistance Program, State Hospitals, Rehabilitation programs, the Genetically Handicapped Persons Program, and the California Children's Services State-only program. Legal immigrant enrollment in Medi-Cal, Healthy Families, and CalWORKs would also be capped at January 1, 2004 levels (\$34.3 million in 2003-04 and \$78.1 million in 2004-05).
- An additional 10 percent reduction in Medi-Cal provider reimbursement rates (\$151.8 million in 2003-04 and \$443.0 million in 2004-05). The 2003-04 budget agreement reduced provider reimbursement rates by 5 percent.
- A 5 percent cut in CalWORKs cash assistance payments and elimination of the statutory CalWORKs COLA that became effective October 1, 2003, as a result of the reduction in the Vehicle License Fee (VLF) rate.
- Use of federal Temporary Assistance for Needy Families (TANF) dollars to pay for In-Home Supportive Services, Foster Care, Child Welfare Services, and Developmental Services (\$41.1 million in 2003-04 and \$119.5 million in 2004-05).
- Elimination of "non-core" Regional Center services (\$69.0 million 2003-04 and \$181.0 million in 2004-05).
- Elimination of the Wage Adjustment Rate Program, which provides supplemental payments to certain long-term care facilities for salaries, wages, or benefits for caregivers (\$46 million

in 2003-04 and \$2.5 million in 2004-05).

- Eliminating the “residual” In-Home Supportive Services program. Ending this program would result in 74,200 elderly, blind, and disabled persons losing homecare services (\$63.2 million in 2003-04 and \$322.2 million in 2004-05).
- Eliminating the Transitional Food Stamp program and rescinding changes made to food stamp vehicle and application rules enacted by AB 231 of 2003 (\$1.5 million in 2003-04 and \$4.3 million in 2004-05).
- Treating \$475 million in backfill payments to counties and cities for the reduction in the Vehicle License Fee (VLF) rate as a loan payable in 2006-07. The 2003-04 budget agreement already treated \$825 million of the reimbursement as a loan. The Governor rescinded the increase in the VLF rate retroactive to October 1, 2003 and has voiced support for resuming the state’s backfill payments to local governments, but has not said how the backfill should be paid for. Appropriation of backfill payments requires legislative action.
- Eliminating support for outreach programs to encourage enrollment at the University of California and California State University systems (\$52.0 million in 2003-04 and \$156.1 million in 2004-05).

The Governor’s proposals are available on line at www.dof.ca.gov/HTML/Budgt03-04/Current_yr_reduc.pdf.

OTHER BUDGET RELATED PROPOSALS

Last week, Governor Schwarzenegger asked the Legislature to place a \$15 billion “fiscal recovery” bond on the March 2004 ballot coupled with a revision to the state’s existing spending cap. The \$15 billion bond would replace the \$10.7 billion bond proposed as part of the 2003-04 budget agreement. The \$10.7 billion bond, as enacted, would not require voter approval.

The proposed revisions to the state’s spending cap would limit future General Fund spending to 2004-05 levels adjusted for inflation and population growth. This change would severely limit the state’s ability to restore spending reductions made during the budget crisis. The same measure would grant the Governor sweeping constitutional authority to “revise existing laws” in order to balance the budget. A detailed analysis will be posted on the CBP website once final details are available.