



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 #2 – Governor Releases Trailer Bill

Governor Schwarzenegger has released his proposed 2006-07 budget trailer bill language. The budget trailer bills contain statutory changes related to the budget bill. Of particular interest, the trailer bill language includes:

CalWORKs Current-Year Take-back

As you know, the budget proposed an unprecedented current-year funding reduction for CalWORKs in the amount of \$114 million. The Administration originally asserted administrative authority to implement the cut; however, the Administration now proposes trailer bill language to do so. CDSS and the Department of Finance and have clarified to us that absent enactment of trailer bill language they have no authority to deny any Single Allocation claim within the original 2005-06 allocation. There appears to be little or no legislative support for the trailer bill language, thus effectively taking this cut off the table.

No Cost-of-Doing-Business Increases

The budget assumes that actual county costs will increase by 4.17 percent from current year to budget year, based on the projected California Necessities Index (CNI) for 2006-07. Social services programs have not received a cost-of-doing-business increase since 2000-01, underfunding county programs by \$568.4 million (\$383.3 million State GF). However, the budget proposes to further withhold increases in county costs at the FY 2005-06 level, for a projected savings of \$42.4 million total funds (\$21.2 million General Fund). The proposed budget trailer bill language would permanently eliminate cost-of-doing-business increases for all county administered social services programs, including Medi-Cal Administration.

We do not believe that trailer bill language is needed in order to suspend cost-of-doing-business increases, since they have been suspended through the budget act for several years due to the budget crisis. Suspending cost-of-doing-business increases in Medi-Cal Administration is inconsistent with the 2003-04 Medi-Cal performance standards proposal.

Medi-Cal Sanctions

The trailer bill language proposes to pass any federal penalty or disallowance related to Medi-Cal from the state to counties. This proposal would shift responsibility of federal penalties to counties even if the program was underfunded or if counties met the current state performance standards.