



COUNTY WELFARE DIRECTORS ASSOCIATION OF CALIFORNIA
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CWDA

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To: All County Social Service Directors and Fiscal Officers

From: CWDA Staff

Pages: 2

RE: State Budget Update #3 – Budget Committee Action on Mid-year Cuts

The Senate and Assembly Budget Committee's have approved a \$4 billion mid-year cut package. The Senate Budget Committee approved the bills on a party line vote with all Democrats voting "aye" and Republicans abstaining. The Assembly Budget Committee approved all the bills unanimously with the exception of closing the yacht sales tax loophole which was approved on a 20-6 vote. The package of bills now moves to the respective Senate and Assembly floors. The package contains a combination of current and budget year reductions, payment deferrals, and borrowing including selling the remaining \$3.3 billion in Economic Recovery Bonds, reducing Proposition 98 by \$400 million in the current year and deferring the June 2008 Proposition 98 payment to July 2008, reducing Medi-Cal provider rates by 10% for savings of \$33.4 million current year and \$558.2 million in the budget year, delaying the filling of 60 new judgeships, closing a sales tax loophole for yachts for savings of \$5 million in the current year and \$21 million in the budget year, and reducing funds to Corrections by \$53.6 million current year and \$102.7 million budget year.

If approved by the Legislature and Governor, the actions would reduce the current year deficit from \$3 billion to a \$1 billion reserve and would reduce the budget year deficit from \$11 billion to \$7 billion. The following is a summary of the actions taken. The cuts are expected to be voted on by the full Senate and Assembly tomorrow and would take effect immediately with a two-thirds majority vote or in 90 days on a majority vote.

Special Session Bills:

2007-08 Budget Act amendments – SB 3X 1 and AB 3X 3
Education Trailer Bill – SB 3X 2 and AB 3X 4
Health Trailer Bill – SB 3X 3 and AB 3X 5
Human Services Trailer Bill – SB 3X 4 and AB 3X 6
Transportation Trailer Bill – SB 3X 5 and AB 3X 7
General Government Trailer Bill – SB 3X 6 and AB 3X 8
Yacht Sales Tax Loophole Trailer Bill – SB 3X 8 and AB 3X 10

Delayed Payments – Delays the July and August advanced payments for human services programs and the August quarterly payment for Medi-Cal for cash flow savings of \$978.5 million. Trailer bill language requires the advance payments to be resumed beginning September 1, 2008 and that the July and August payments for human services programs shall be made by September 30, 2008. There is no trailer bill language requiring a date certain payment for the delayed Medi-Cal advances. There is no language exempting counties unable to float the delayed payments. However, there are continued discussions about the possibility of a clean-up bill that would provide exceptions to small counties with populations less than 40,000 and include uncodified language requiring the delayed Medi-Cal payment to be paid in September. The delayed payments will not impact the receipt of federal funds.

Pay for Performance – Eliminates the entire \$40 million in the current year to provide incentive funds to counties that meet Pay for Performance outcomes in the current year.

ISAWS Migration Delay – Delays implementation of the migration from ISAWS to C-IV by four months for current year savings of \$3.5 million.

Welfare Policy Research Project (WPRP) – Eliminates \$1.4 million in the current year for two CalWORKS studies, one on home visits and the other on subsidized employment for CalWORKS clients.

CalWORKs COLA – Delays implementation of the 2008-09 statutory COLA from July 1, 2008 to October 1, 2008 for budget year savings of \$41.5 million.

June 2008 State SSI/SSP COLA – Delays implementation of the COLA from June 1, 2008 to October 1, 2008 for current year savings of \$23.3 million and budget year savings of \$67.8 million.

CWS/CMS Project – \$3 million current year savings due to lower than anticipated maintenance and operations costs.