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CWDA

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To: All County Social Service Directors and Fiscal Officers

From: CWDA Staff

Pages: 4

RE: State Budget Update #1 – Governor’s 2010-11 Proposed Budget

Governor Schwarzenegger released his proposed 2010-11 budget today. Because today is a furlough day for state employees, no detailed numbers for human services programs and Medi-Cal will be available from the California Department of Social Services (CDSS) or the Department of Health Care Services (DHCS) until Monday, January 11. Therefore, this update only provides a high-level summary of the major health and human services proposals based upon the Governor’s Budget Summary (A-Pages). We will provide you our more detailed Budget Update on the 2010-11 Governor’s Budget on Monday.

OVERALL BUDGET PICTURE

The budget projects a deficit of \$19.9 billion due to continued revenue declines, federal and state court decisions that have reduced or eliminated previously adopted budget solutions, erosion of budget solutions, and growth in population and caseload. This overall deficit is comprised of a current year (2009-10) shortfall of \$6.6 billion, a budget year (2010-11) shortfall of \$12.3 billion, and a budget reserve of \$1 billion. The Governor proposes to cover the deficit with the following solutions: \$8.5 billion in program cuts, \$6.9 billion in increased federal funds, \$3.9 million in alternative funds (including some revenues), and \$572 million in fund shifts and other revenues.

The Governor has also declared a fiscal emergency and called the Legislature into Special Session. The budget proposes solutions for the Special Session that will close \$8.9 billion of the \$19.9 billion budget gap. The Legislature has 45 days to act on the Governor’s Special Session proposals.

HEALTH AND HUMAN SERVICES

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

Federal Fund Assumptions

The Governor’s proposed budget includes the following general assumptions about increased federal funding in health and human services:

- Increase in California’s base FMAP for Medi-Cal – The budget assumes that the federal government will increase California’s base FMAP for Medi-Cal from 50 percent to 57 percent, which is consistent with the federal funding ratios provided to the ten most populous states. This will result in overall savings of \$1.8 billion GF in 2010-11.

- Continuation of ARRA FMAP and Title IV-E ARRA through June 30, 2011 – The budget assumes that the 11.59 percentage point ARRA FMAP increase and the 6.2 percentage point ARRA Title IV-E FMAP increase will continue through June 30, 2011 resulting in overall savings of \$1.5 billion GF and \$26.8 million GF, respectively.
- Continuation of TANF/ECF funding through June 30, 2011 – Although not specifically mentioned in the A-Pages, CDSS staff inform us that this assumption is included in the Governor's proposed 2010-11 budget.

Trigger Reductions and Revenues

The budget identifies spending reductions and extensions of revenue increases that will go into effect in the event that the federal government fails to provide the \$6.9 billion of additional funding proposed in the budget. The complete list of the cuts and revenues is provided on pages 7-8 of the A-Pages. The health and human services trigger cuts include the following:

- Elimination of CalWORKs
- Elimination of the IHSS Program
- Elimination of THP-Plus
- Elimination of the Healthy Families Program
- Reducing Medi-Cal eligibility to the minimum allowed under current federal law and eliminate most remaining optional benefits

Child Welfare Services and Foster Care

Continuation of 2009-10 Veto – The budget continues the \$80 million GF veto in children's services programs. CDSS staff indicate that, like last year, the budget does not specify which particular programs should be cut and by how much.

Changes to State/County Sharing Ratios – The budget proposes GF savings of \$505.5 million in 2010-11 through the redirection of a like amount of county savings resulting from reductions in CalWORKs and IHSS (discussed below) to fund an increased county share in children's programs. We do not yet know what the proposed new sharing ratios are to be.

Redirection of Proposition 10 Funding – Similar to what was proposed in the 2009-10 May Revision, the budget will reflect GF savings of \$550 million through redirection of California Children and Families Act of 1998 (Proposition 10) funds to health and human services programs serving children administered by CDSS and the Department of Developmental Services. We do not yet know the specific breakdown of the redirection and will provide that information to you when we receive more budget detail on Monday.

Expanded Federal Eligibility for Foster Care – The budget assumes that the federal government will provide financial participation to all currently state-only foster care cases resulting in GF savings of \$86.9 million.

CalWORKs

The proposed budget includes GF savings of \$146.1 million as a result of the following CalWORKs changes that would become effective June 1, 2010. (These savings would increase to \$700 million if the federal government does not extend ECF funding for CalWORKs.)

- Reducing monthly grant payments by 15.7 percent (on top of the 4 percent grant cut already enacted in 2009-10)

- Reducing the level at which the State reimburses child care providers (see more of a description below)
- Eliminating grants for Recent Legal Noncitizen Entrants

Child Care

Regional Market Rate Ceilings Reduction to 75th Percentile – The budget proposes to reduce reimbursement rate limits in voucher-based programs from the 85th percentile of the market to the 75th percentile, based on the 2005 regional market rate survey, effective July 1, 2010 for GF savings of \$77.1 million. This proposal will also reduce the reimbursement rate limits for licensed exempt providers from 90 percent of the ceilings for licensed family child care homes to 70 percent.

Unallocated Reduction to Funding for CalWORKs Stage 3 Child Care — The budget proposes to cut \$122.9 million from CalWORKs Stage 3 Child Care to achieve additional ongoing Proposition 98 General Fund savings. It is the intent of the Administration to provide child care services to California’s neediest families, CalWORKs and non-CalWORKs working poor families alike. Therefore, the Administration intends to explore options in the coming months to achieve these goals and to develop such reform proposals for action this year.

In-Home Supportive Services

The proposed budget includes \$77.9 million GF savings in 2009-10 and \$872.6 million GF savings in 2010-11 as a result of the following IHSS changes that would become effective June 1, 2010. These proposals assume that the State prevails in pending litigation on similar reductions previously enacted.

- Limiting the provision of services to consumers with a functional index of 4.0 or greater, which will result in an estimated 427,000 individuals (87 percent) being cut from the program
- Reducing state participation in the wages of IHSS workers to the state minimum wage of \$8.00 per hour, plus \$0.60 per hour for health benefits

Centralized Eligibility

The Governor asserts that centralizing eligibility and enrollment for the Medi-Cal, CalWORKs, and Food Stamps programs will save \$1 billion (\$500 million GF) annually by 2012-13.

SSI/SSP

The proposed budget includes \$21.8 million GF savings in 2009-10 and \$285.1 million GF in 2010-11 as a result of the following SSI/SSP changes that would become effective June 1, 2010:

- Reducing SSI/SSP grants for individuals by \$15 per month (from \$845 to \$830) to the federal minimum
- Eliminating CAPI

Food Stamps

Elimination of CFAP – The budget proposes to eliminate CFAP effective June 1, 2010 for GF savings of \$3.8 million in 2009-10 and \$56.2 million in 2010-11.

Funding for SAWS Consortia Food Stamp Projects – The budget includes funding for the proposed SAWS modernization projects. Food Stamp ARRA funds will be used for normal administrative costs, freeing up funds for projects in each consortium.

Adult Protective Services

There are no changes to APS in the Governor's proposed 2010-11 budget.

Medi-Cal Administration and Program

Administration – While there is no information provided in the A-Pages on funding for county Medi-Cal administration, we have been informed by DHCS staff that overall administration funding is generally flat in 2010-11 compared to 2009-10, that the 2009-10 veto is continued in 2010-11, and that no cost of doing business adjustment is proposed for 2010-11.

Elimination of Full-Scope Medi-Cal for Certain Immigrants – The budget proposes to eliminate full-scope Medi-Cal for adult Newly Qualified Immigrants, except pregnant women, immigrants Permanently Residing Under the Color of Law, and Amnesty Immigrants who are not defined as eligible Qualified Immigrants under federal law effective June 1, 2010 resulting in \$118 million GF savings in 2010-11.

Current Efforts to Control Long-Term Medi-Cal Costs – The Governor estimates that program restructuring efforts currently under development to utilize managed care or other specialized delivery systems of care for vulnerable populations will result in estimated annual savings of \$800 million (\$400 million GF) by 2010-13.

Healthy Families Program

Reduction to Healthy Families Program Eligibility – The budget proposes to reduce program eligibility from 250 percent to 200 percent of the federal poverty level effective May 1, 2010 resulting in GF savings of \$10.5 million in 2009-10 and \$63.9 million in 2010-11.

Reduction to Benefits and Increases to Premiums – The budget proposes to eliminate vision coverage and increase monthly premiums for families with incomes from 151 percent to 200 percent of the federal poverty level by \$14 per child or \$42 maximum increase per family with three or more children beginning July 1, 2010-11 for GF savings of \$21.7 million.

The complete summary of the Governor's proposed 2010-11 budget released today by the Department of Finance can be found at the following link. The health and human services portion is contained on pages 33-43.

<http://www.ebudget.ca.gov/pdf/BudgetSummary/FullBudgetSummary.pdf>