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To: Honorable Members
Senate Budget and Fiscal Review Committee

From: Kelly Brooks, Legislative Representative
California State Association of Counties

Frank J. Mecca, Executive Director
County Welfare Directors Association of California

Re: Budget Cuts to Human Services and Other Programs - Criteria

The California State Association of Counties and County Welfare Directors Association of California recognize that another difficult budget year looms for your committee. Already, many harmful cuts and service reductions have been made to health and human services programs. Given that there are no "low-impact" options left before you, CSAC and CWDA urge the committee to evaluate any new cut proposals against a series of four criteria, outlined below.

- 1. What would be the impact on job creation and retention?** Clearly, concern over the economic crisis dominates most discussions about the budget at this time. Any proposed cuts should be evaluated as to their impact on unemployment rates, economically distressed families and children and the economy as a whole. This criterion is especially important given the Governor's State of the State message regarding jobs.
- 2. Would the cut return funding to the federal government?** The state's ability to draw down the maximum amount of available federal funding is a centerpiece of the Governor's budget messages. It is a concern that the state's credibility with the federal government could be called into question when large amounts of available federal money are sent back or go unclaimed. For this reason, any cut proposals should be evaluated against this message. Weighing the degree of lost federal funding against the level of state General Fund savings achieved could help illustrate potentially counterproductive cuts.

3. **Would this cut increase costs in another area of the budget?** Many programs serve a preventative role by reducing costs in another area of the budget – such as corrections, hospitalization and long-term care, and housing. When evaluating potential cuts to one program, it is important to consider the likely increased costs in these other sectors as an offset to any savings estimate.
4. **Would the cut shift costs to other levels of government?** The Governor's budget includes a number of proposals that would permanently shift new populations to counties for services and eligibility. Other proposals shift costs to counties, through new or higher shares of cost for programs. Understanding these shifts and how they rely on or impact savings estimates elsewhere in the budget is critical to evaluating each proposal.

Applying these criteria to some of the special-session proposals before you now is illustrative of the importance of fully evaluating such proposed cuts.

CalWORKs

The Governor proposes a 15.7 percent grant cut for CalWORKs recipients, which would lower the maximum monthly grant for a family of three from \$694 to \$585. Approximately 8,400 families on CalWORKs would lose eligibility as a result of this reduction.

Applying the criteria to this cut, we see several impacts. First, with respect to the economy, cutting monthly grant levels for families and children would have a negative effect on the local and state economies. The proposal is slated to save \$48.1 million in the current year and \$604 million in the budget year – funds that would be taken directly out of the economy. A 2009 study by Beacon Economics found that CalWORKs spending has an average multiplier effect in the economy of \$1.47 for every \$1 spent, so the actual harm to the economy would be even greater. Further, eliminating eligibility for 8,400 families means that these parents would not be eligible for welfare-to-work services that help them find and retain employment.

The proposal also would result in a return of substantial funds to the federal government. Under ARRA, states were made eligible for billions of dollars in TANF Emergency Contingency Funds at an enhanced matching rate of 80 cents to every 20 cents spent by the state. So, the state would really save only a fraction compared to the amount of money it will turn back to the federal government for this proposal, especially if the Emergency Contingency Fund is extended beyond the current October 1, 2010 expiration date.

Finally, the proposal would result in a shift of costs to both counties (for their General Assistance programs) and to other systems.

The Governor also proposes to reduce child care reimbursement rates for CalWORKs and other state subsidized child care families. The specific reduction would vary by provider and region, but could be close to a 30 percent reduction for some providers. Child care is a fundamental work support – critical for working families to get a job and stay employed. Reducing the availability of child care for CalWORKs families negatively

impacts the stability of their employment, and could increase CalWORKs grant costs if parents have to reduce their work hours or stop working to care for their children. In addition, the rate reduction would result in lost jobs for child care providers, who often are low-wage workers supporting families themselves.

In-Home Supportive Services

In the special session, the Governor's budget proposes an 87 percent reduction in eligibility for IHSS by dramatically scaling back services to individuals with functional index scores of 4 or higher. This would affect more than 400,000 individuals in the current year, and 429,000 in the budget year.

Eliminating IHSS services for more than 400,000 people would eliminate hundreds of thousands of jobs and have a negative effect on the economy – resulting in an estimated 2 percentage point increase in the state unemployment rate. The individuals receiving IHSS are low-income and could not afford to pay out-of-pocket for the services provided through the program. This would have the effect of shifting care to other sectors of the government including the developmental disability system, aging programs, long-term care and emergency rooms. Because the IHSS program is predominantly funded by the federal Medicaid program, reducing these services also would return an estimated \$1.7 billion annually to the federal government if fully implemented.

In addition, the proposal to reduce wages to minimum wage may shift costs to counties. There is no proposed change to the statutory collective bargaining mandate. Counties would be responsible for the full cost of wages above minimum wage if they continue to pay wages at current levels. This is a direct cost shift to counties.

Cash Assistance and Food Stamps for Legal Immigrants

The Governor's budget proposes elimination of the Cash Assistance Program for Immigrants (CAPI), the California Food Assistance Program (CFAP), and the Recent Noncitizen Entrants (RNE) component of the CalWORKs program, all programs that provide aid to low-income recent legal immigrants who are otherwise eligible for federal SSI, Food Stamp, or TANF benefits.

From an economic perspective, CFAP elimination would take \$59 million in benefits annually out of the economy, a total economic hit of more than \$100 million once the multiplier effect of Food Stamp benefits, \$1.84 for every \$1 spent according to the USDA, is taken into account. The elimination of CAPI would remove another \$107 million annually from the economy. Elimination of CalWORKs RNE would result in the state losing up to \$35 million in federal ARRA Emergency Contingency Funds for this program.

Eliminating these programs also results in a direct cost shifts to counties. Many CAPI and RNE recipients would be eligible for county General Assistance programs.

County Sharing Ratios

A number of the special-session proposals would result in projected Realignment fund savings to counties. The Governor's budget proposes to recapture \$505.5 million of these savings in 2010-11 and redirect these dollars to cover General Fund obligations in the child welfare, foster care and adoption assistance programs. The proposal would essentially result in a double-hit to safety net programs, which already are funded \$1 billion total funds (\$600 million General Fund) below what is needed for counties to actually deliver these services on an annual basis, not including direct cuts to these programs over the past decade. The Administration's trailer bill language offers no protection to counties – individually or collectively – if the savings fail to materialize; counties would still be obligated to pay for an increased share of children's programs.

In addition, the base realignment funding that counties use to cover their current shares of cost has dropped for a second year in a row, leaving a shortfall of \$564 million and is projected to drop again in 2010-11. This is on top of \$275 million in realignment growth funding owed to the counties. Any savings that might accrue to the counties from the Governor's proposals will be needed just to fund counties' current obligations for social services programs.

We appreciate the opportunity to offer these criteria and hope they provide a framework for considering the multitude of proposals and options that are before you. Counties know you face a daunting challenge and counties continue to stand ready to provide our perspective as front-line practitioners as you commence this difficult work.

Please do not hesitate to contact our organizations if we can be of assistance.