



BUDGET ACTION BULLETIN

CALIFORNIA STATE ASSOCIATION OF COUNTIES

2009-10 State Budget Revision – Governor’s Vetoes Week of July 27, 2009

July 28, 2009

TO: CSAC Board of Directors
County Administrative Officers
CSAC Corporate Associates

FROM: Paul McIntosh, CSAC Executive Director
Jim Wiltshire, CSAC Deputy Executive Director
Jean Kinney Hurst, CSAC Legislative Representative

RE: **Budget Action Bulletin #8**

Governor Arnold Schwarzenegger signed the 2009-10 budget revision this morning, after making significant reductions to health and human services programs, eliminating funding for the Williamson Act, and applying additional funding reductions to numerous other state departments. In his press conference today, the Governor expressed frustration that the Legislature sent him a budget package that eliminated the reserve and then some, creating a plan that was an estimated \$156 million in the red. As a result, he line-item vetoed spending to achieve his goal for a reasonable reserve of \$500 million. In fact, in most instances, the Governor prefaces his veto message with: “In order to create a reasonable reserve...”

Director of Finance Mike Genest briefed the media after the budget signing and indicated that the Governor would be open to discussions with the Legislature focused on reversing some of these reductions. However, he cautioned that the \$500 million reserve was “skimpy” and the budget summary document indicates a 2010-11 budget deficit of \$7 to \$8 billion, with even larger shortfalls projected in the out years. The Department of Finance is scheduled to meet with the Treasurer and Controller tomorrow to discuss the state’s cash situation and should have its cash projections completed in the coming weeks.

The Governor’s action set off a heated exchange among the legislative leaders, with Senate President Pro Tempore Darrell Steinberg vowing to fight the vetoes to health and human services programs. “We question whether the majority of these vetoes are legal,” Steinberg told the press.

This Budget Action Bulletin outlines the Governor’s final actions on the 2009-10 budget revision. For a detailed list of vetoes and a summary of the budget plan, please visit the Department of Finance’s [website](#). Please refer to [Budget Action Bulletin No. 7](#) issued yesterday for a recap of the package approved by the Legislature.

How the \$60 Billion Budget Gap Was Closed

(dollars in millions)

	2009-10 Budget Act enacted in February	Amendments to the 2009-10 Budget Act	Total Solutions
Cuts	\$14,893	\$16,125	\$31,018
Taxes	12,513	-	12,513
Federal Stimulus	8,016	-	8,016
Other	402	8,034	8,436
Total	\$35,824	\$24,159	\$59,983

Solutions Adopted in the Budget Amendments

(dollars in millions)

	2008-09	2009-10	Total	
Expenditure Reductions	\$3,708	\$12,417	\$16,125	67%
Fund Shifts	6	999	1,005	4%
Revenue Increases	-	3,492	3,492	14%
Borrowing	-	2,182	2,182	9%
Other	-	1,355	1,355	6%
Total	\$3,714	\$20,445	\$24,150	100%

WHAT'S BEEN HAPPENING

ADMINISTRATION OF JUSTICE

The Governor's line-item vetoes do not affect any local public safety programs. In the justice area, the only items of interest include his veto of several provisions relating to the budget for California Department of Corrections and Rehabilitation (CDCR). Under the corrections agency budget, the Governor deletes various provisions that would have required additional expenditure reporting and imposed certain expenditure restrictions. The Governor also rejected the Legislature's effort to restrict further expenditures — until certain, specified conditions were met — to remedy the condemned inmate housing at San Quentin; this action will allow the construction project to move forward.

It is also worth noting that in the budget summary document, the Administration provides additional details on the \$785 million reduction to CDCR's budget. The Governor confirms that legislation to be discussed later this summer — likely to include a combination of policy reforms in the areas of parole, custody, and program credit reforms — will help direct the specific means to achieve the needed reductions. The Governor also clarifies that the certain actions taken in the budget, along with authorities vested through the Constitution, permit the implementation of the following reductions without further action on the part of the Legislature:

- **Select commutation and deportation of undocumented persons in state prison** – \$182.1 million in savings;
- **Rehabilitative program reductions** – \$175 million in savings associated with eliminating or scaling back of rehabilitative programs for prison inmates and parolees;
- **Operational savings** – \$147.6 million in a one-time reduction for facility repairs, efficiencies within the state juvenile justice systems; and other operational savings;
- **Contract Medical Rates** – \$50 million associated with a cap (in SBX4 13) on contract reimbursement rates for inmate medical services.

The remaining savings needed — approximately \$631 million, which includes the unallocated \$400 million cut the Governor imposed in February at the time of the initial enactment of the 2009-10 budget — will be achieved through the reforms to be discussed when the Legislature returns in August.

AGRICULTURE AND NATURAL RESOURCES

ELIMINATION OF WILLIAMSON ACT SUBVENTIONS

The Governor used his blue pencil to effectively eliminate the Williamson Act subventions, taking the appropriation from \$27.8 million to \$1,000. His veto cited the need to “provide a prudent reserve in the General Fund.”

STATE PARKS

The Governor made an additional cut of \$14.2 million to the Department of Parks and Recreation. According to the Governor, this reduction — coupled with previous cuts — will reduce State Parks funding by \$22.2 million when fully implemented. The cuts will result in the closure of probably more than 100 parks, which will be identified once the Department has been able to complete a full assessment of its remaining resources.

HEALTH AND HUMAN SERVICES

The Governor made a total of \$656 million in line-item vetoes, \$397.6 million (more than 60 percent) of which were in the health and human services area.

CHILD WELFARE SERVICES

The Governor line-item vetoed a total of \$124 million (\$80 million General Fund) from Child Welfare Services, which is more than the \$70 million cut he had proposed in his May Revision, including:

- \$60.9 million unallocated reduction to county CWS programs. This cut affects 56 counties; Los Angeles and Alameda are not included in this reduction.
- \$19.1 million from Alameda and Los Angeles Counties, which participate in a federal Title IV-E Waiver.

The funds cut by the Governor would fund 755 social workers caring for abused and neglected children. The funding reduction comes without direction about how to implement the cut – all state requirements related to the child welfare system remain in place. Counties are expected to do the same amount of work with significantly less funds, putting children at great risk of harm.

COUNTY ADMINISTRATION OF MEDI-CAL

The Governor vetoed \$120 million (\$60 million General Fund) in funding for county administration of the Medi-Cal. The funding reduction essentially eliminates funding to account for the increased workload due to the uptick in Medi-Cal applications related to the down economy.

IN HOME SUPPORTIVE SERVICES (IHSS)

The Governor line-item vetoed an additional \$37.5 million from the IHSS program, including:

- **Domestic Services for Medically Fragile Recipients.** The Governor vetoed \$28.9 million and included language eliminating domestic and related services for all IHSS recipients. The budget as passed by the Legislature (ABX4 4) had eliminated these services for all but those receiving paramedical services, protective services, and 120 or more overall hours per month; the Governor’s action today eliminates domestic services for these recipients as well.
- **Public Authorities.** The Governor also cut \$8.7 million from IHSS Public Authority Administration, leaving \$10 million General Fund in 2009-10.

HEALTHY FAMILIES PROGRAM (HFP)

The Governor made what he characterized as an “ugly” cut of an additional \$50 million from the state’s Healthy Families Program for a total 2009-10 cut of \$172.6 million.

The budget as passed by the Legislature last week reflected a \$125 million cut; the Governor’s additional \$50 million cut will likely result in longer wait lists and possibly even some current recipients losing insurance. The Managed Risk Medical Insurance Board (MRMIB), which administers the program, had already instituted a waiting list on July 17; MRMIB will meet this Thursday to discuss options, including soliciting funding help from the California Children and Families (First 5) Commission and possibly local county commissions. Please note that the First 5 funds can only be used for children age 0 to 5. Therefore, these funds cannot be used to backfill the full amount of the hit.

The Healthy Families Program provides low-cost health insurance to children aged 0 to 18 whose families’ income falls at or below 250 percent of the Federal Poverty Level. HFP program currently serves 900,000 children statewide and expects to have 400,000 children on the waiting list at the end of this fiscal year.

HIV/AIDS PROGRAMS

The Governor eliminated \$52.1 million from several key programs and services within the Office of AIDS, including:

- Education and Prevention,
- Therapeutic Monitoring
- Counseling and Testing
- Early Intervention,
- Home and Community Based Care
- Housing.

The Governor did leave in place some funding for the AIDS Drug Assistance Program to help low-income individuals access drug therapies. However, these eliminations will affect all program participants and may threaten federal matching funds for core surveillance activities and the state's ability to meet federal reporting requirements.

PUBLIC HEALTH

In addition, the Governor vetoed \$16.3 million from the Domestic Violence Program; \$9.0 million from the Adolescent Family Life Program; and \$3.0 million from the Black Infant Health Program.

COMMUNITY CLINICS

The Governor cut \$25 million from the Primary and Rural Health Program, which all but eliminates General Fund support of community clinics. The Governor states that these clinics are still eligible for certain federal, state, nonprofit, and local funding.

AGING

The Governor cut funding by \$6 million for various aging programs. The cuts include elimination of funding for the Linkages program. This program provides comprehensive care management to allow frail seniors to remain in their homes.

In addition, the Governor also eliminated funding for other Community Based Services programs, including the Brown Bag program (monthly donated food to seniors), Senior Companions, caregiver respite care, and Alzheimer's Day Care Resource Centers. The Governor stated that these were non-mandated programs and that they cannot be continued due to the state's severe budget constraints.

SMOKING PREVENTION

The Governor deleted the one-time augmentation of \$6.8 million in Proposition 99 funds for the tobacco control program contained in the budget package. This one-time augmentation had been proposed by the Administration, but in his veto message, the Governor stated that tobacco tax revenues have declined to levels insufficient to support these efforts. The money would have been used to fund anti-tobacco media campaigns and competitive grants to local entities.

OTHER HHS CUTS

DEVELOPMENTAL SERVICES

The Governor reduced funding for Regional Center Purchase of Service by \$50 million for services to children up to age 5. The Governor states that services are “eligible for funding for the California Children and Families Commission. I am directing the Secretary for the Health and Human Services Agency, the Department of Developmental Services, and the Department of Finance to immediately request funds from the Commission for this purpose. I do not intend to pursue separate legislation changing eligibility or services for these children for purposes of achieving these savings. I urge the Commission to provide supplemental funding for the growth in these services.”

CAREGIVER RESOURCE CENTERS

The Governor cut another \$4 million in funding for the Caregiver Resource Centers, beyond the Legislature’s reduction.

WHAT’S GOING TO HAPPEN NEXT

Hold your breath ... we will certainly keep counties advised about post-budget discussions and impending decisions about the state’s cash management plan.

STAY TUNED FOR THE NEXT BUDGET ACTION BULLETIN!

If you would like to receive the Budget Action Bulletin electronically, please e-mail Amanda Yang, CSAC Legislative Assistant, at ayang@counties.org. We’re happy to accommodate you!