June 10, 2015

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

FROM: Matt Cate, CSAC Executive Director
      DeAnn Baker, CSAC Director of Legislative Affairs

RE: Conference Committee Passes Compromise Budget

The Budget Conference Committee met yesterday from mid-afternoon until well into the night to finish its work. The result is a budget plan that assumes higher revenue than the Governor’s estimates and that represents a compromise between the Democrats in the Senate and the Assembly. The plan now moves to the floors of both houses for a vote before the June 15 constitutional deadline for passing a budget. The budget votes will likely not take place until Monday afternoon.

While adopting the higher revenue estimates gives the Legislature more room to fund its priorities—including increased access to child care subsidies and an increase to the maximum family grants for welfare recipients—it also guarantees more money for K-14 education and the rainy day fund, as per Proposition 98 and last year’s Proposition 2.

The Department of Finance representative at yesterday’s hearing repeatedly expressed concern over the amount of ongoing spending commitments that the Legislature was adding, reminding members of the boom and bust cycles of the recent past. Her concerns raise questions about how extensively the Governor will exercise his “blue pencil” authority to strike out and reduce individual budget items. Last year the Governor all but ignored his authority, just one year after vetoing tens of millions of dollars of spending from the budget.
Below is a summary of the conference committee’s actions of greatest interest to counties. For any questions about these or other budget issues, please contact CSAC staff and we will do our best to assist you.

**Medi-Cal County Administration Funding**

Prior to the Conference Committee, both the Senate and Assembly Budget Subcommittees approved the Governor’s May Revision proposal to include $150 million for county Medi-Cal administration duties as well as an additional $31 million General Fund to bring the total proposed Medi-Cal County Administration funding for 2015-16 to about $245 million (all funds).

The additional $31 million in funding utilizes unused current-year funding associated with CalFresh caseload. In addition, the Conference Committee adopted budget bill language allowing the Department of Finance to augment county eligibility funding during the budget year if additional costs are identified. See CSAC’s Medi-Cal County Administration Funding support letter.

**Earned Income Tax Credit**

The Conference Committee adopted the Governor’s proposal to implement a $380 million state Earned Income Tax Credit (EITC) to assist working Californians at the lowest rungs of the economic ladder. The committee also included language indicating the Legislature’s intent to increase the allocation amount in the future. The Governor estimates that this new tax credit will assist two million residents/825,000 families.

The credit will slide up or down based on the number of dependents in a household. Those with less than $6,580 in income with no dependents and up to $13,870 with three or more dependents will qualify and may receive between $460 and $2,653 annually.

CSAC supports the Governor’s EITC proposal. See CSAC’s EITC support letter.

**Child Care**

The Conference Committee released their compromise child care package which costs $392 million in the budget year with an annualized cost of $563 million in future years. The Legislative Women’s Caucus has prioritized child care this year with an original ask of up to $600 million. Though this package falls short of $600 million, it does increase
both child care slots and reimbursement rates in addition to expanding child care eligibility.

The child care package includes:

<table>
<thead>
<tr>
<th>Item</th>
<th>General Fund Non-Prop 98</th>
<th>Prop 98</th>
</tr>
</thead>
<tbody>
<tr>
<td>SLOTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5,000 full day slots</td>
<td>$7 million</td>
<td>$6 million</td>
</tr>
<tr>
<td>10,000 part day slots</td>
<td>$0 million</td>
<td>$4 million</td>
</tr>
<tr>
<td>12,000 alternative payment slots</td>
<td>$100 million</td>
<td>$0</td>
</tr>
<tr>
<td>RATES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.5% increase to Standard Reimbursement Rates</td>
<td>$50 million</td>
<td>$46 million</td>
</tr>
<tr>
<td>10% increase to part-day State Preschool Standard</td>
<td>$0</td>
<td>$66 million</td>
</tr>
<tr>
<td>Reimbursement Rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase to Regional Market Rate to 70th percentile of</td>
<td>$62 million</td>
<td>$0</td>
</tr>
<tr>
<td>2014 survey</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase Licensed Exempt Percentage to 70% starting</td>
<td>$2 million</td>
<td>$0</td>
</tr>
<tr>
<td>1/1/2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTHER</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase eligibility to 80% of 2015 State Median Income</td>
<td>$25 million</td>
<td>$0</td>
</tr>
<tr>
<td>Quality Rating and Improvement System for toddlers</td>
<td>$0</td>
<td>$25 million</td>
</tr>
<tr>
<td>Consumer Education Database</td>
<td>$300,000</td>
<td>$0</td>
</tr>
</tbody>
</table>

There was a brief discussion regarding collective bargaining for child care workers. Details should be included in the trailer bill language and we will update counties as the entire picture emerges.

**HEALTH CARE FOR IMMIGRANTS**

The Conference Committee adopted the Senate’s proposal—$40 million in the budget year—with placeholder budget bill language specifying that only children would be covered and not adults. The Department of Finance estimates that this proposal would cost $65 million in the budget year, annualized to $130 million in subsequent years. The Legislative Analyst’s Office estimated a cost of $35-60 million in the budget year.
This proposal effectively funds Senator Ricardo Lara’s SB 4, which would extend full scope Medi-Cal to undocumented children. It also proposed allowing undocumented adults access to Covered California, but that portion of the bill is not included in the Conference Committee’s actions. The Governor has not indicated support for SB 4.

**In-Home Supportive Services**

The Conference Committee adopted a compromise that would restore the seven percent cuts in service hours for 2015-16 beginning July 1, 2015 using General Fund dollars. This would cost $228 million General Fund ($268 million total, including federal funding). For the out years, the Conference Committee designated the managed care organization (MCO) tax as the funding source.

**Foster Care Package**

The Conference Committee adopted a compromise and approved a $35 million General Fund foster care package for 2015-16. The foster care package includes:

- $25 million for relative and foster parent recruitment, retention and support, with trailer bill placeholder language. CSAC supported this proposal.
- $7 million for “Bringing Families Home” housing supports and services for child welfare involved families.
- $3 million for new federal mandates under the Strengthening Families Act, which the Governor originally proposed diverting from the county Commercial Sexual Exploitation of Children funding stream ($20 million in 2015-16). The $20 million is intended for local services to victims of child sex trafficking and CSAC is pleased with the Conference Committee action to preserve this local funding.

**CalWORKs Housing Support Program**

The Conference Committee adopted a $30 million General Fund augmentation for the CalWORKs Housing Support Program, which CSAC supported. Applications from counties in 2014-15 exceeded $54 million. The $30 million augmentation, in addition to the $20 million already included in the Governor’s May Revision would expand the program to $50 million total and allow more counties to participate in reducing homelessness.

**Adult Dental Benefits**

The Conference Committee adopted the Senate’s version, which restores full adult Medi-Cal dental benefits starting on January 1, 2016.
**AB 97 Medi-Cal Provider Payment Restorations**

The Conference Committee adopted a compromise to eliminate the provider payment reductions for fee-for-service dental providers starting July 1, 2015 ($15 million) and all other providers as of April 1, 2016 ($20.6 million). Also included in the compromise was forgiveness for the distinct-part nursing home facilities retroactive recoupments ($12 million).

**Maximum Family Grant**

The Conference Committee adopted a compromise to repeal the ‘Maximum Family Grant’ rule on a prospective basis beginning January 1, 2016. It would cost $105 million in 2015-16 and $210 million in the out years, and is the main policy component of Senator Holly Mitchell’s SB 23. The Governor has not indicated support for SB 23.

**Drought**

The conference committee approved the Governor’s May Revision proposal to spend $1.9 billion from Proposition 1 for various water-related programs. The committee also approved compromise budget trailer bill language that addresses drought enforcement, monitoring and reporting, penalties, water system consolidation, and accountability.

CSAC has joined with a coalition of local government organizations in opposing the language that would authorize the State Water Resources Control Board (SWRCB) to mandate the consolidation of public water systems. A broad, new state authority for mandating consolidations could lead to significant unintended consequences and should undergo significant policy review, not be done through a budget trailer bill.

The local government organizations have also expressed a commitment to work with the Legislature and the Administration on measures to help reduce the technical, financial, and legal barriers to consolidations where they are appropriate.

**Amnesty Program**

Though this issue was not in conference committee, CSAC has worked closely with the Administration and Legislature on the trailer bill language. The new language should include authorization for counties to recoup their costs for implementing the amnesty program and will require the Judicial Council to consult with the CSAC on development of the guidelines. The program will start October 1, 2015.
**Suspension of Elections Mandates**

The Conference Committee adopted the Assembly version, upholding the suspension of eight elections mandates for a total of $76 million in General Fund savings with Democrats supporting and Republicans opposing the action. The motion included supplemental bill language that would provide for a survey and report on how many counties are continuing to carry out the election mandates despite the suspension. Vice Chair Weber stated she had concerns for trying to provide “freedom on the cheap” but ultimately voted to suspend the mandates.

**Cap and Trade**

The Conference Committee was unable to reach an agreement on allocations for cap and trade revenue. As a result, the Legislature and the Governor will negotiate trailer bill language for those dollars over the summer.

Again, for any questions about current budget issues, please contact CSAC staff and we will do our best to assist you.

---

**Stay tuned for the next Budget Action Bulletin!**

If you would like to receive the Budget Action Bulletin electronically, please e-mail Stanicia Boatner, CSAC Senior Legislative Assistant, at sboatner@counties.org.