Our hopes for some sort of budget debate today were dashed when the Senate announced this morning that they would recess today’s session until tomorrow morning at 9:00 a.m. The delay is to give time for a staff analysis and legislative counsel language for the Senate Republican Caucus budget package. The Senate Republicans have released a plan that makes about $843 million in reductions in the 2007-08 budget year and about $693 million in reductions in 2008-09. Not surprisingly, many of the proposed reductions fall directly to counties. We’ve outlined the reductions with local government impacts below.

It is not clear that the Senate Republican Caucus has united behind this plan, so we expect this new proposal to have significant challenges to meet the approval of the Senate with a 2/3 vote. In fact, Senator Perata has informed Senator Ackerman that he plans to allow the Senate to take up their resubmission of the conference committee report; however, unless 15 Republican Senators vote ‘aye’, the Senate will no longer consider other measures that contain the Senate Republican Caucus plan.

Check out the Senate Republican Caucus press packet on their budget proposal.

**WHAT YOU SHOULD DO:**

We continue to urge a swift resolution to the budget standoff, as reductions that shift costs to counties or subject counties to federal penalties and sanctions could result in serious hardship at the local level. CSAC is very concerned about the reductions proposed by the Senate Republicans, as many of the proposed reductions place the most vulnerable Californians at risk. Counties are particularly concerned about children receiving CalWORKs support, people in need of drug treatment, and abused and neglected senior citizens. We know that these people will continue to require local services; in many cases, those services have greater financial and social consequences in the long run. Counties are used to doing more with less, but many of the proposed reductions will have direct impacts to services provided at the local level.

**WHAT’S BEEN HAPPENING:**

This table outlines the local government-related reductions contained in the budget package released today by the Senate Republican Caucus. We’ve done our best to provide some greater detail where appropriate. Again, the total reduction package for 2007-08 is about $842.4 million.
<table>
<thead>
<tr>
<th><strong>Senate Republican Budget</strong></th>
<th><strong>2007-08 Savings</strong></th>
<th><strong>2008-09 Savings</strong></th>
<th><strong>Notes</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Implement CalWORKs Reform Package</td>
<td>$300.0</td>
<td>$300.0</td>
<td>Would implement Governor’s January Budget proposal to eliminate safety net funding for children of time-limited adults and child-only cases, and create “full-family” sanctions.</td>
</tr>
<tr>
<td>Defer Implementation of SB 437, Self-Certification of Income</td>
<td>$15.3</td>
<td>$16.1</td>
<td>SB 437 requires the Department of Health Services to implement a process for self-certification of assets and income for various eligibility categories within the Medi-Cal and Healthy Families program.</td>
</tr>
<tr>
<td>PTA transfer to offset transportation related debt service</td>
<td>$100.0</td>
<td>$0.0</td>
<td>To the extent counties benefit and/or operate transit services, they would be directly impacted. Further, the significant cuts facing transit may potentially affect STIP projects as well.</td>
</tr>
<tr>
<td>Reduce County Single Allocation funding</td>
<td>$45.0</td>
<td>$45.0</td>
<td>Single Allocation funding is used by counties to support CalWORKs employment services, child care, and program administration.</td>
</tr>
<tr>
<td>Expand San Diego County’s Project 100 statewide to investigate welfare fraud</td>
<td>$35.0</td>
<td>$35.0</td>
<td>Pilot program requires home visits to CalWORKs recipients to verify eligibility. Riverside, San Bernardino and Orange Counties have achieved comparable outcomes without using the Project 100 model.</td>
</tr>
<tr>
<td>Proposition 36 Reduction</td>
<td>$120.0</td>
<td>$120.0</td>
<td>This cut would zero out state funding for Proposition 36.</td>
</tr>
<tr>
<td>Drug Courts Increase Funding</td>
<td>-$60.0</td>
<td>-$60.0</td>
<td>The $60 million augmentation to drug courts presumably is diverted from the savings generated by the Proposition 36 cut.</td>
</tr>
<tr>
<td>Implement Semi-Annual Reporting within CalWORKs</td>
<td>-$12.0</td>
<td>$72.0</td>
<td>Would implement semi-annual reporting for CalWORKs recipients, who are required to report income, household composition, and other changes that could affect their eligibility for CalWORKs grants and Food Stamps.</td>
</tr>
<tr>
<td>Actuarially sound rates for Medi-Cal managed care</td>
<td>$53.1</td>
<td>$0.0</td>
<td>The Senate Republicans perceive a savings for Medi-Cal managed care plans due to the implementation of a new Medi-Cal managed care rate methodology.</td>
</tr>
<tr>
<td>Implement Federal Deficit Reduction Act for Minor Consent</td>
<td>$18.9</td>
<td>$19.8</td>
<td>Federal Act requires youth seeking minor-consent services through Medi-Cal to provide documentation of citizenship. The Senate Republicans score the implementation of this requirement as a $18.9 million savings in 2007-08, as they reason that implementation will draw down that amount in federal matching funds.</td>
</tr>
<tr>
<td>Contain County Medi-Cal Administration Salaries</td>
<td>$18.4</td>
<td>$18.4</td>
<td>Reduces cost-of-doing-business funding for Medi-Cal on the theory that counties can freeze salaries for one year to achieve savings.</td>
</tr>
</tbody>
</table>
The Senate Republican Caucus budget proposal includes trailer bill language to remedy two concerns. The first is clean-up to infrastructure bond implementation. The budget package approved by the Assembly includes $250 million for the purpose of reducing air pollution associated with transport of goods. The Senate Republicans would like railroads to be eligible for this funding.

Second, the Senate Republican caucus proposes to delete $1 million in funding to the Department of Justice. The funds would be used by the Attorney General to file lawsuits against counties and cities for failing to address greenhouse gasses in their general plans and CEQA reviews. The proposal would also explicitly prohibit lawsuits of this type, whether they originated with the Attorney General or outside interest groups, until after the Air Resources Board adopts regulations in 2012 pursuant to last year’s landmark greenhouse gas reduction bill, AB 32.

We have also provided additional explanations on the Health and Human Services items on the list:

**CalWORKs**

The Senate Republicans want to implement the Governor’s January budget proposal to reform the CalWORKS program for a 2007-08 budget year savings of $300 million. The proposal would eliminate cash assistance for children if their parents do not meet CalWORKS requirements for more than 90 days (“full-family” sanction), eliminate “safety net” cash assistance for certain children after their parents reach the state’s 60-month time limit, and institute a 60-month time limit on child-only cases. The California Budget Project estimates that, if enacted, the Senate Republicans’ proposal will affect 192,000 children statewide.
Single Allocation Funding

The Senate Republicans also propose to reduce county single allocation funding by $45 million. Such funding is used by counties to support CalWORKs employment services, child care, and program administration, and is provided by the state in the form of a block grant.

Defer Implementation of SB 437

The Senate Republicans propose to defer implementation of SB 437 (Escutia, Chapter 328, Statutes of 2006) for a savings of $15.3 million General Fund in 2007-08. The intent of SB 437 is to expand health care coverage to all children in California by 2010 by streamlining enrollment activities, including requiring the Department of Health Services to implement a process for self-certification of assets and income for various eligibility categories.

Expand San Diego’s Project 100% project to investigate welfare fraud

The Senate Republicans propose to expand San Diego County’s 100% program, which mandates home visits for CalWORKs recipients by investigators with the District Attorney’s office. The Senate Republicans estimate that a similar statewide program will net the state $35 million in General Fund savings in 2007-08. Any proposal to require counties to conduct home visits represents a costly approach to fraud prevention. Currently, counties may implement a variety of fraud prevention programs at their discretion that achieve similar outcomes.

Implement Semi-Annual CalWORKs reporting

The Senate Republicans propose to implement semi-annual reporting for CalWORKs recipients, who are required to report income, household composition, and other changes that could affect eligibility for CalWORKs grants and Food Stamps. The Senate Republican caucus estimates that semi-annual report will initially cost the state $12 million General Fund in 2007-08, but will save the state $72 million in 2008-09 due to streamlining and reduced administration costs.

Actuarially Sound Rates for Medi-Cal

The Senate Republican Caucus proposes to eliminate $53.1 million General Fund in 2007-08 from Medi-Cal managed care funding because they perceive a savings for managed care plans due to the implementation of a new Medi-Cal managed care rate methodology.

Implement Deficit Reduction Act for minor consent

The Senate Republicans propose to implement the federal Deficit Reduction Act of 2005 requiring youth seeking minor-consent services through Medi-Cal to provide documentation of citizenship. The Senate Republicans score the implementation of this requirement as a $18.9 million savings in 2007-08, as they reason that implementation will draw down that amount in federal matching funds.

Elimination of Cost-of-Doing-Business Funding for County Medi-Cal Salaries

The Senate Republicans propose to eliminate the cost-of-doing-business increase for 2007-08 by $18.4 million General Fund. The Republican Caucus insists that this cut can be implemented by freezing county salaries for a single year, which, due to collective bargaining agreements within most counties, will result in a cost shift.

Suspend County Medi-Cal Outreach program

Senate Republicans have proposed to suspend the County Medi-Cal outreach program in fiscal year 2007-08 for a savings of $15.1 million General Fund.
Eliminate County Equipment Replacement

The Senate Republican Caucus has also proposed cutting $9.4 million in funding for counties to replace hardware and equipment used for eligibility screening and administration. The Caucus has indicated that “given the need to fund existing programs, counties should not be focusing on replacing existing equipment.”

Elimination of State Funding for Prop. 36

The Senate Republicans propose to eliminate the state’s $120 million share of cost for Proposition 36 mandates. This includes Proposition 36 services and the Offender Treatment Program (OTP). Counties would still be required to provide the services, however, and this proposal represents a direct cost shift to counties.

Adult Protective Services

The Senate Republican Caucus wants to eliminate the $12 million augmentation contained in the Assembly budget for rising caseloads in Adult Protective Services.

WHAT’S GOING TO HAPPEN NEXT:

The Senate will reconvene tomorrow, Thursday, July 25, at 9:00 a.m. to consider the Senate Republican budget proposal. We’ll continue to monitor activities and report out as soon as more information is available.

Stay tuned for the next Budget Action Bulletin!

If you would like to receive the Budget Action Bulletin electronically, please e-mail Jean Hurst, CSAC Legislative Representative, at jhurst@counties.org. We’re happy to accommodate you!