

Statement by Secretary Kim Belshe Regarding
The Proposed Budget for Fiscal Year 2010-11
January 8, 2010

Today, Governor Schwarzenegger put forward new estimates and proposed new solutions to bring California's budget back into balance for fiscal year 2010-11. These proposals reflect the Governor's priorities for the state: no new taxes; full funding of education's Prop 98 guarantee; better alignment of prisons and health and human services (HHS) spending with other states; and greater federal program flexibility and more equitable federal funding.

The January proposal outlines two scenarios for our state. Under either scenario, the \$20 billion shortfall will have very direct and serious implications for state spending broadly and for health and human services programs in particular.

In Health and Human Services, the Governor's budget proposes program reductions that total \$2.9 billion, alternative funding sources that total \$1.8 billion, and additional federal reimbursements associated with monies owed the state and continued ARRA funding that total \$5.0 billion. The Governor's budget also includes a contingency plan of \$3.5 billion in additional HHS spending reductions that will take effect in the event the federal government fails to provide additional federal funding that is assumed in the budget.

The additional \$3.5 billion in HHS program reductions that would be triggered do not require federal approval.

The Governor's budget for HHS generally falls into three categories:

- 1) **Program reductions.** These proposals target significant GF cost drivers within HHS and represent \$2.9 billion of the \$8.5 billion in expenditure reductions proposed by the Governor. Many of these reduction proposals have been proposed by the Governor previously; many of these proposals work to better align California's safety net of health and human services with those of other states.
 - **Medi-Cal** – The Governor's proposals call for cost containment strategies employed by many other states (including limits on services and utilization controls, increased cost sharing, other programmatic changes); elimination of the optional Adult Day Health Center Medi-Cal benefit; enhanced anti-fraud efforts; and Family Planning services rate rollback (\$957 million in GF savings).
 - **In-Home Supportive Services (IHSS) program** – The Governor's proposals call for deeper services reductions for recipients with Functional Index scores below 4.0 as well as greater reductions in state participation in wages to the minimum wage (\$1 billion in GF savings).

- **Developmental services** – The budget proposes additional reductions by extending the 3% provider payment reductions, expansion of consumer services associated with the 1915(i) Medicaid State Plan, additional savings associated with the proposal already developed by the stakeholder process, and additional program reforms to be developed by the stakeholder process (\$200 million in GF savings).
 - **CalWORKs** –The budget proposes to reduce grants to \$585/month, a 15.7% reduction from today’s highest grant. With this reduction, California’s CalWORKs grant level would be reduced to the average grant amount of the ten high-cost states. (While the Governor’s Budget reflects a \$130 million General Fund savings associated with this reduction, absent the impact of the TANF Emergency Contingency Fund, this grant reduction would result in approximately \$590 million in savings.)
 - **SSI/SSP** – The budget proposes to reduce SSI/P grants to individuals by \$15 a month, the minimum level allowable under federal law (\$192 million in GF savings).
 - **Healthy Families Program** – The Governor’s budget proposes to roll back eligibility to 200% of the federal poverty level; increase premiums and eliminate vision care (\$96 million).
 - **State-only programs for legal immigrants** – Cash assistance (CAPI), food assistance (CFAP), and public aid (recent noncitizen entrants program); and Medi-Cal coverage for adult newly qualified immigrants (\$315 million in GF savings).
- 2) **Alternative funding.** These proposals target other funding sources to support base HHS programs and represent \$1.8 billion of the \$3.9 billion proposed by the budget in alternative funding.
- Proposition 10 - a redirection of 50% of state and county Prop 10 revenues and a one time sweep of state and county reserves; requires voter approval (\$550 million).
 - Proposition 63 – a redirection of reserves to support community mental health services; requires voter approval (\$452 million).
 - Redirection of county savings – redirection of a portion of savings resulting from reductions to IHSS and CalWORKs to fund an increased county share of children’s programs within the Department of Social Services (\$505 million).
- 3) **Federal funding.** These proposals target federal program flexibilities and federal monies owed California as well as an extension of federal stimulus funds (\$5.0 billion of the \$6.9 billion assumed in the Governor’s budget). These federal requests levels of support that are reflective of federal monies owed and support that is more comparable to other states.
- Federal reimbursements for monies owed California – Reimbursement for Medicare costs borne by the Medi-Cal program; recalculation of the state’s contribution towards Medicare Part D drug coverage; and, application of the

enhanced federal Medicaid matching under federal stimulus to the state's Part D prescription drug payments (\$1 billion).

- Increase state Federal Medical Assistance Program (FMAP) formula to address inequities – Modification of California's FMAP from 50% to 57%, a rate that better reflects the large number of low-income individuals in California and that is consistent with the FMAP provided to the ten most populous states and the nationwide average (\$1.8 billion).
- Extend enhanced FMAP for Medi-Cal and other HHS programs, including CalWORKs, Title IV-E, Child Support, and Early Start, through June 30, 2011(\$2.1 billion).
- Expand federal eligibility for foster care to all currently state-only foster care cases (\$94 million).

The Governor is committed to working in partnership with the Legislature, stakeholders and the California delegation to secure the federal program flexibility and federal monies owed California. The Governor has made fair federal funding a priority and has a record of success in securing monies owed the state.

At the same time, the Governor's budget proposes a contingency plan that calls for deeper program reductions in General Fund supported programs if the federal flexibility and reimbursements proposed in the budget are not secured (\$3.5 billion of \$4.5 billion in additional "trigger" reductions).

- Eliminate CalWORKs
- Eliminate IHSS
- Reduce Medi-Cal eligibility to federal minimums and eliminate most remaining optional benefits, including the state's family planning program, FPACT
- Eliminate the Healthy Families Program
- Eliminate Prop. 99 funding for health programs (AIM, MRMIP, EAPC)
- Redirect balance of Prop. 63 funds
- Eliminate Transitional Housing for Foster Youth Plus Program

As the Governor noted, the Legislature will likely have different priorities and solutions for closing our state's budget gap. Reasonable people can disagree about the choices to be made, but there can be no disagreement regarding the gravity of the budget crisis and urgency for action.

And, there can be no disagreement about the importance of the federal government being a fuller partner with the state relative to providing California with greater program flexibility to manage programs within available state resources and reimbursing California for federal monies owed.

The Governor's proposed budget begins the initial phase of budget deliberations; it does not end it. We look forward to learning of additional ideas or strategies that others can bring forward.