For More Information:
Lupe Alonzo-Diaz
Senior Policy Advocate
(916) 444-3875

Children's Advocacy Institute
Money Matters – Volume 2, Issue 2

GOVERNOR'S MAY REVISION TO THE BUDGET

BACKGROUND On May 14, 2002, the Governor introduced a revised budget proposal (the May Revise), which includes more accurate projections of caseloads, enrollment, population and revenues.

The May Revise continues to reflect concerns about declining revenues from the personal income tax on capitol gains and stock options. The expected gap between revenues and expenditures doubled from $12.5 billion to $23.6 billion (through the 2002-03 fiscal year). The Governor expects an additional $9.5 billion in revenue loss, and $1.6 billion in cost pressures from his earlier projections in January.

Although the Governor treats this as a one-time crisis, his proposals accelerate and extend the crisis for low income children and their families. Once again, the budget is balanced on their backs.

The May Revise proposes to address the $23.6 billion gap with program reductions, revenue proposals as well as fund shifting, loans, accelerations, transfers and deferrals. Three major proposals for revenue enhancements include:

- securitizing a larger portion of tobacco settlement funds,[1]
- an increase in the tobacco excise tax from 87 cents to $1.37, and
- a partial rollback of the Vehicle License Fee (VLF).[2]

Table One presents the percent of the solution that is associated with major proposals.

Table One – Addressing the Budget Deficit (in millions)

Proposal	Amount ($)	% of Solution ($)
Program Reductions	7,597	32.1
Tobacco Securitization	4,500	19.0
Loans	1,729	7.3
Fund Shifts	1,327	5.6
Higher VLF Fee	1,276	5.4
Cigarette Tax Increase	475	2.0

Attached is a summary of the May Revise that contains programs related to children's services.

Early Care and Education

Child Care – suspends his earlier proposal to reform the subsidized child care system (eligibility changes, reduction in provider reimbursements, increase in family fees, etc.) and commits to funding at baseline levels, including services for all Stage 3 families, through the budget year. The May Revise notes that he will propose reform measures in January 2003.

Methodologies – there is language aimed at "improving" the system by proposing to change methodologies for determining annual adjustments to eligibility and reimbursement rates; and accountability and fraud detection.

License Exempt – retains $9.8 million to provide outreach, training and incentives to exempt providers to increase the quality of non-licensed care

Education

Leave No Child Behind federal funding – funds a number of programs, previously proposed, with the Leave No Child Behind grant of $738 million. This includes

- Professional development ($315 million)
- Teacher training ($131.1 million)
- K-3 class size reduction ($206.7 million)
- Assessment improvements and data system development ($28.9 million)

Before and After School Care ($75 million total) – Rescinds earlier $45 million proposed increase. Only $4.1 million in new Before and After School Care spending while another $41.2 million comes from the

[1] The May Revise proposes to issue a bond backed by Tobacco Settlement Fund revenues, which advances a portion of future payments. The January budget proposed the securitization of $2.4 billion whereas the May Revise proposes $4.5 billion.
[2] For the owner of an average automobile, an increase in the VLF translates to an $87 increase in the amount paid.

For More Information:
Lupe Alonzo-Diaz
Senior Policy Advocate
(916) 444-3875

federal 21st Century grant which was already guaranteed.

Latch Key Program – rescinds his earlier proposal to sunset the Latch Key Program.

Healthy Start Program – maintains his earlier proposal to zero out the program. Essential services provided by Healthy Start include tutoring, counseling, family support and parent education, prenatal and maternal health care, physical and mental health, education and after-school programs, substance abuse prevention and treatment, youth development and skills building, and community involvement.

Health Care

Child Health and Disability Prevention (CHDP) program – retains programs and includes a proposal to enroll children receiving CHDP through a web-based program. $17.5 million from the tobacco settlement fund for the Expanded Access to Primary Care (EAPC) is eliminated – which was included in the January proposal to assist EAPC clinics with children ineligible for Medi-Cal and Healthy Families.

Medi-Cal ($184.2 million in total savings) – rolls back the expansion of the 1931 (b). No new two-parent families with an income between 66% and 100% of the federal poverty level (FPL) would be eligible to apply. A family of three would have to make under $10,000 to be eligible. About 146,000 parents would no longer be eligible to apply for Medi-Cal.

Express Lane[3] ($51.6 million in total savings) – delays express lane programs that would have enrolled uninsured children receiving food stamps and/or participating in the school lunch program into Medi-Cal/Healthy Families, until July 2005. Under the school lunch program, 21,200 children were expected to enroll and 14,900 parents and children under the food stamp express lane proposal.

Reinstates the Quarterly Status Report ($310.8 million in total savings) – QSRs were eliminated in the 2000 budget act. By eliminating the QSR, it was estimated that an additional 218,000 to 247,000 adults would have retained their health care coverage.[4] Although there are some administrative costs associated with reinstating the QSR, there are savings since adults will drop off Medi-Cal.

Co-payments in Medi-Cal ($61.2 million in revenues) – kept as introduced in the January budget and range from $1 to $3 and $5 for emergency room services.

Medi-Cal eligibility workers ($179.5 million in total savings) – proposes a 20% reduction for county Medi-Cal eligibility workers which results in layoffs of about 1,846 current full time employees (FTEs).

Medi-Cal and Healthy Families media budget ($18.6 million in total savings) – eliminated

Healthy Families – the parental expansion is delayed until July 2003.

Early Periodic Screening, Diagnosis, and Treatment Programs (EPSDT) – requires counties to fund a 10% share-of-cost for growth

Adult and Children's Systems of Care (42.6 million in savings) – eliminated

Foster Care

Foster Care and Adoptions – reduces funding for county administration in the foster care and adoptions programs. 221 full-time employee (FTE) positions in foster care and 126 FTE in Adoptions would be eliminated; these are not vacant positions.

Social Services

County administration ($300 million in savings including foster care and adoptions)– a 20% across the board reduction in the funding for county administrative services is proposed. Table Two shows the number of FTE positions that would be eliminated; none are vacant positions.

Table Two – Estimated Staff Reductions

Program	Staff Reductions
Adoptions	126
Adult Protective Services	57
CalWORKs	863
Child Welfare Services	420
Food Stamps	976
Foster Care	221
In Home Supportive Services	400
Medi-Cal	1846
Total	4,909

[3] AB 59 and SB 493 from last year.
[4] Children in Medi-Cal have continuous coverage.

For More Information:
Lupe Alonzo-Diaz
Senior Policy Advocate
(916) 444-3875

CalWORKs

California Community Colleges (CCCs) – restores $20 of the $58 million for CCCs to provide job placement services, work-study and other education related work experiences. CCCs are expected to provide a 1 to 1 match from their discretionary funds.

Employment Services – $120 million from county performance incentive funds to counties to continue program

Deeming for Senior Parents ($12.1 million in savings) – reinstates an old rule which penalizes grandparents in a family with a minor child and her child. The income of the grandparent would be counted against assistance otherwise paid to the grandchild.

Cost of Living Adjustment (COLA) – no COLA was offered for CalWORKs recipients

Quarterly Status Reports (QSRs) – QSRs are adopted for CalWORKs and food stamp recipients so that their reporting requirements shift from monthly to every 3 months to reduce administrative errors.

California Food Assistance Program/CFAP – funds the food assistance program at $92 million to cover those immigrants that will remain ineligible after a new federal law takes effect

Housing

The Department of Housing and Community Development budget was reduced by $27.9 million. The May Revise suggests that the housing initiative in the November ballot will address some of these cuts. Program reductions include:

- Farmworker Housing ($11.5 million in savings)
- Emergency Housing Assistance Program ($6.0 million)
- Self-Help Housing ($5.6 million)