



## Where is the Fairness in this Budget?

**MID YEAR CUTS.** Halfway into the current fiscal year, the state is facing additional money woes. The FY 2002–03 budget that was enacted August 31 (61 days late) has created a projected deficit of \$6 billion.<sup>1</sup> In addition, fiscal forecasters are estimating that the next three years will also be plagued with fiscal deficits – the budget shortfall for FY 2003–04 is expected to be more than \$21 billion.

Herb Wesson (D-Culver City), the Speaker of the Assembly, remarked that firing all California Highway Patrol officers and public university professors and releasing all prisoners would not be enough to close the money gap.

To begin closing the deficits in both years, the Governor on Friday December 6, 2002 released proposals to reduce state spending by \$10 billion.<sup>2</sup>

The Governor has convened the new Legislature into an emergency special session that begins December 9 to deal with the budget shortfall. Davis is asking that political differences be set aside in order to work together and develop a joint solution to the problem at hand. He also said, “no program will be held harmless.”

Last year, the budget was held up in the Assembly for two months by a handful of Republicans. The budget requires a 2/3 vote from the Legislature, which meant that all Assembly Democrats and 4 Republicans had to vote for the budget.

This year, Democrats lost two seats in the Assembly and one in the Senate, reducing the Democratic advantage in those houses to 48-32 and 25-15, respectively. This year, 6 Republican votes will be required in the Assembly and 2 Republican votes in the Senate (last year the Senate only needed one Republican vote to pass the budget). Passing a budget and getting 2/3 of both houses to agree on the specifics of solving the budget dilemma will be

difficult. Unfortunately, the Governor has said that he will close the budget gap with no revenue proposals. Indeed, 85% of the budget gap is closed with the elimination or reduction of program services.

Current year GF spending reductions total \$3.4 billion. These reductions would result in an additional savings of \$6.8 billion in FY 2003–04. Table One shows the breakdown of the \$10 billion proposal.

Table One – Closing the Gap (Dollars in Millions)

	2002–03	2003–04	Total	% of Budget Solution
Program Cuts	2,038.1	6,619.9	8,658.0	84.9
Fund Shifts	657.5	158.1	815.6	8.0
Transfers/Revenues	658.6	14.1	699.7	6.9
Loans/Borrowing	25.4	--	25.4	0.2
	3,406.6	6,792.1	10,198.7	100%

This leaves the hard work of raising the issue of revenue proposals to Democrats since Republicans maintain a “no new taxes” position. By not raising the issue of revenues, tough decisions loom in the horizon since all of the funny money gimmicks, creative accounting and “smoke and mirror” proposals to reduce the deficit have been used.

The Legislature should also consider rescinding tax expenditures that have been enacted in the past years. In the last four years, \$5.7 billion in tax breaks have been doled out. We all need to be a part of the solution to ensure that the budget is not balanced on the backs of children.

The following summarizes the Governor's proposals as they pertain to children. All proposals have to be passed by the Legislature. It is not too late to contact your state representative and tell her/him that

- ❖ a balanced budget solution means half cuts, half revenues, and that
- ❖ children's services are already severely underfunded and can't survive with the additional proposed cuts.

<sup>1</sup> The current fiscal year is from July 1, 2002 to June 30, 2003.

<sup>2</sup> The document can be obtained at:

[www.dof.ca.gov/HTML/BUD\\_DOCS/Bud\\_link.htm](http://www.dof.ca.gov/HTML/BUD_DOCS/Bud_link.htm)

### Early Care and Education

Child Development Policy Advisory Committee – proposes to eliminate the program for GF savings of \$367,000 in 2003–04. In the past, CDPAC has been instrumental in serving as a place where stakeholders can voice their concerns regarding the Governor's child care proposals.

CalWORKs Stage 3 child care – eliminates child care subsidies for former CalWORKs families who are presently receiving a subsidy and left assistance two years ago. It is not clear what – if any – child care services they will remain eligible for after losing their Stage 3 child care. DOF indicates that no new families will be eligible for Stage 3 and current Stage 3 families will drop off. Tim Gage, the DOF director, called Stage 3 a "quasi-entitlement for former CalWORKs recipients. Savings are estimated at \$98.8 million plus an additional savings of \$10 million based on "revised estimates," making total savings for this proposal \$108.8 million.

Reversion of Prior-Year Savings – proposes additional reversions of Prop 98 savings from prior years to the Prop 98 Reversion Account to capture savings, otherwise not reverted until later. In child development, these are Section 8278 carryover (FY 2001–02 contract savings) (\$79 million), CalWORKs child care carryover (\$17.7 million of 2001–02 unliquidated balances in stages 2 and 3), Child Care Facilities Revolving Fund (\$22 million), and Child Care savings (\$6.8 million).

### K–12 Education

Healthy Start – the current budget eliminated all but \$2 million of the total \$37 million Healthy Start program budget; the governor proposes to eliminate the remaining \$2 million. Services provided 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.

K–14 local assistance program – across-the-board reductions of 3.66%, for a total of \$1.078 billion. The reduction reduces total Prop 98 appropriations to the current estimate of the required minimum Prop 98 guaranteed funding level.

K–12 appropriations are reduced by \$1.51 billion, a 3.6% reduction, of total K–12 revenues, and CA Community

College programs are reduced by \$135 million, a 2.8% reduction of total revenues.

### Higher Ed

Cal State Universities – an unallocated \$59.6 million reduction

University of California – reduction of \$74.3 million from student services, outreach, public service programs and the K–12 Internet Initiative Program

### Health Care

Eliminate Adult Medi-Cal Optional Benefits – effective April 2003, the Governor proposes to eliminate dental services, medical supplies, podiatry, acupuncture, chiropractic services, psychology, independent rehabilitation centers, and occupational therapy for adults above age 21 and not in long-term care, for a savings of \$63.3 million.

Reinstate the Quarterly Status Reports (QSR) – the QSR elimination in the 2000 budget act allowed an additional 218,000 to 247,000 adults to retain their health care coverage.<sup>3</sup> The Governor's proposal to reinstate the QSR saves money by affirmatively preventing eligible people from retaining Medi-Cal coverage by requiring them to file burdensome paperwork every three months. The QSR would be reinstated April 2003 for \$10 million in savings.

Rescind the 1931(b) Medi-Cal Eligibility Expansion – rolls back the expansion of the 1931 (b). Two-parent families with an income between 61% and 100% of the federal poverty level (FPL) would be ineligible to apply or retain their coverage. A family of three would have to make under \$10,000 to be eligible.

Medi-Cal Provider Rate Cuts – reduces all Medi-Cal provider rates by 10% effective April 2003 for \$90.4 million GF savings.

Outreach and Media – reduces funds for media contracts that have not been invoiced (\$1.7 million GF savings), and eliminates training for certified application assistants and the toll-free help line.

<sup>3</sup> Children in Medi-Cal have continuous coverage.

Early Mental Health – eliminates all early mental health services counted toward Prop. 98 resulting in savings of \$549,000 in 2002–03 and \$15 million in 2003–04.

Social Services

CalWORKs COLA – eliminates the scheduled 3.7% increase in CalWORKs benefits, which for a family of three in Region 1 would raise the maximum payment from \$679 to \$704.

SSI/SSP COLA's –suspends the scheduled SSP increase for June 1, and the January 2004 COLAs. It is not clear whether the mention of the January 2004 COLA is intended to mean that the total SSI/SSP benefit would be frozen, or if the 2004 suspension is intended to apply only to the SSP.

Foster Care

Foster Parent Training Fund – eliminates funding from child support collections for foster parent training programs within the CCC to generate revenues.

Residential Care Facilities – removes annual inspection requirement to only prioritized inspection of high-risk facilities for adoption agencies, community treatment facilities, foster family and small family homes, groups homes, foster family agencies, transitional housing placement agencies and residential care facilities.

Community Day Schools – \$10 million reverted to GF from savings for 5<sup>th</sup> through 8<sup>th</sup> hours of additional class time for students not mandatorily expelled.

Foster Grandparent Program– the Governor proposes to eliminate the program which provides tax-free stipends to participating grandparents, for a savings of \$219,000 in the current year.

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CCC	California Community College
DOF	Department of Finance
FY	Fiscal Year
GF	General Fund

If you are interested in strategizing with other child advocates on legislative and budget issues, please consider joining the Children's Roundtable. The Children's Roundtable is a coalition of 200+ child advocates and organizations that meets monthly in Sacramento to push forward a child-friendly agenda.