



COUNTY WELFARE DIRECTORS ASSOCIATION OF CALIFORNIA
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CWDA

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To: All County Social Service Directors and Fiscal Officers

From: CWDA Staff

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RE: State Budget Update #15 – Legislature Adopts State Budget

The Legislature took action today to adopt a revised budget for 2009-10 and a host of trailer bills to implement its provisions. As we have been reporting to you over the past few weeks, the budget is bleak. There are deep cuts and, in some cases, major policy changes to health and human services programs, education, and local government.

The revised budget agreed to by Legislative leadership and the Governor originally contained \$24.1 billion in budgetary solutions to cover a \$23 billion deficit and provide for a \$921 million reserve. However, the Assembly ultimately refused to enact one of the budget trailer bills that would have shifted \$1.1 billion in Highway User Tax Account (HUTA) funding to cover transportation-related general obligation bond payments (instead of using General Fund for those payments). Failure of that bill results in a revised 2009-10 budget that covers the \$23 billion deficit, but does not contain a reserve. The \$23 billion is comprised of the following:

- **Program Cuts – \$15.3 billion.** These include significant reductions to health and human services programs.
- **Revenue Acceleration and Fees – \$4.0 billion.** These include the Governor's proposals to accelerate Personal Income Tax withholdings and Corporate Estimated Payments, and to sell a portion of the State compensation Insurance Fund's book of business.
- **Fund Shifts – \$.4 billion.** These include the shift of Highway User Tax Account (HUTA) funds and savings from offshore oil drilling.
- **Borrowing – \$2.1 billion.** This includes primarily the \$2.0 billion being borrowed from local governments through the suspension of Proposition 1A (2004).
- **Other One-Time Savings – \$1.2 billion.** This includes the deferral of the June 30, 2010 state employee paycheck to July 1, 2010.

Health and Human Services Budget Actions

Attached is the latest version of the Issues Tracking Matrix, which provides more detail on the reductions and other changes to programs of interest to county human services agencies. In general, the budget enacted by the Legislature reflects the budget deal struck by the Governor and the Legislative leadership as we reported to you earlier this week. However, negotiations

between the Administration and legislative staff on the details of how to implement many of the budget changes continued until the last minute and language was still being drafted early this morning. Furthermore, in many instances, individuals with no expertise in our programs were doing the negotiating. The result is that this year, even more than others, the budget changes are complicated and conflicting and compound the challenges already posed by the funding cuts.

Trailer Bills

The following are the trailer bills that impact health and human services programs:

1. Human Services – ABX4 4
2. Health – ABX4 5
(http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_0001-0050/abx4_5_bill_20090723_amended_sen_v98.pdf)
3. Medi-Cal Managed Care – ABX4 6
http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_0001-0050/abx4_6_bill_20090723_amended_sen_v98.pdf
4. Centralized Eligibility – ABX4 7
http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_0001-0050/abx4_7_bill_20090723_amended_sen_v98.pdf
5. CalWORKs Policy and COLA Changes – ABX4 8
6. IHSS Fraud – ABX4 19

As of this writing, copies of ABX4 4, ABX4 8, and ABX4 19 were not available on line. We expect them to be posted within the next day at: <http://www.leginfo.ca.gov/bilinfo.html>.

As you review the trailer bills, you will no doubt find language that does not make sense, has significant operational flaws, and results in fiscal problems. We have identified many of these issues already ourselves. Rest assured that over the coming days and weeks we will be working with the appropriate CWDA committees to analyze the legal, operational, and fiscal aspects, and will work within the Association to come up with a strategy for how to move forward.

Next Steps

We expect that the Governor will sign all the various budget and trailer bills within the next two to three days. With the failure of the HUTA shift in the Assembly, the Governor has stated that he will exercise his line-item veto authority to reduce program funding to restore the lost reserve. However, we have heard that there is a Legislative interpretation that the Governor may not have line-item veto authority because this is a revision to the 2009-10 budget enacted in February, and therefore not a traditional budget bill. We will update you (and the Issues Tracking Matrix) with the gubernatorial actions on the budget when they are taken and on the legal issues around the Governor's line-item veto authority as they evolve. As always, feel free to call or email if you have questions.