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- Please Take Action!  
 Information Bulletin  
 General Background

CDPI INFORMATION BULLETIN  
July 1, 2009

Senators at Loggerheads at the End of the Day (Fiscal Year)

7/1/2009

Last night, as minutes ticked toward the end of the fiscal year, three bills languished on the Senate floor. Senate Pro Tem Darrell Steinberg (D-Sacramento) had put SB 64, SB 74, and SB 80 - the cuts bill, the deferral bill, and a funds shift bill - up for a vote. Each came up short of the necessary 27 votes and were put "on call" while argument, caucuses, negotiation, caucuses, lecture, caucuses, and cajoling took place over some 12 hours. Calls were lifted several times and then replaced because of the lack of movement. At the end, for nearly a half hour, absentees were called and everyone waited to see if any Republicans would switch to support under the pressure of the deadline.

Finally, at 11:55 PM, Steinberg had the calls lifted for the final time and announced that the measures had failed passage. Sternly, he said that the Senate would reconvene at 10 AM today.

But, as of 2 PM today, the Senate hasn't convened. They're still in Caucus. And, we go on.

### **Opportunity Lost?**

In sum, Legislative leaders and the Governor remained at odds over how much spending should be cut to balance the budget. The Chief Executive asked for \$16 billion; the Democrats proposed cuts of \$12 billion. Schwarzenegger also wanted permanent change, such as tax reform, accountability strategies, long-term cost reduction, realignment of state and local government responsibilities, and reform of the initiative process. The Majority leaders said he is insisting on cuts that would devastate the State's safety net for its vulnerable citizens. The Democrats' proposal rejected a pay cut for state workers and a \$2 billion in borrowing from cities and counties that the Governor wanted. Alternatively, they proposed \$2 billion in additional revenues and fees which the Governor rejected.

Yesterday, the Legislature and Governor had the opportunity to trim \$3.3 billion from the FY 2008-09 Proposition 98 Guarantee. Senator Leno, on the Senate floor, said that the cost of inaction was actually \$12 billion, if the costs of financing of IOUs and the sale of down-graded California bonds are added in. *(ED. NOTE: The State Treasurer has calculated that, if our bond rating is downgraded by the credit ratings agencies to a BBB-plus level, it could cost California an additional \$8 billion in credit costs on its public works bonds.)* "These are avoidable new costs," Leno said.

In any event, that option is now toast.

In a related action, the Governor yesterday vetoed two bills sent him on a majority vote, and promised that he would similarly reject any stopgap measure.

### **So, Now What?**

#### **A Deeper Hole and Deeper Cuts**

The *Sacramento Bee* reports that the Governor plans to declare a new state of fiscal

emergency today, launch another special session, and propose additional program cuts to solve the larger deficit problem. According to the Department of Finance, the new deficit number will be roughly \$26.3 billion, about \$2 billion higher than the Governor's May Revise.

Apparently, Schwarzenegger - as a means to save cash - plans to sign an executive order today forcing more than 200,000 state workers to begin taking a third furlough day each month through June 2010 next year. This cuts their pay by roughly an additional 4.6 percent. He also will reinstitute "furlough Fridays" for state workers. Beginning July 10, the state Department of Personnel Administration will direct almost all state offices to be closed the first, second and third Friday of every month through June 2010.

### Here Come IOUs

Unless some last minute, bipartisan action occurs today, the Controller will start issuing IOUs beginning tomorrow. The first batch to go out would consist of 28,742 IOUs, worth a total of \$53.3 million, to taxpayers awaiting refunds.

### Cuts and Compromise

There is a distinct possibility that some movement can be made on managed care for the elderly and disabled, a process of centralizing eligibility determinations for public assistance programs; and containing IHSS fraud. See the last *CDPI Bulletin*.

Details are still fuzzy but the Governor apparently has a new alternative to eliminating CalWORKs entirely. It includes a 6% grant reduction AND major reduction in the Single Allocation.

Senator Steinberg, when outlining the alternative CalWORKs proposal on the Senate floor last night, said that the Governor is asking for \$500 million in reductions "above the Conference Committee's cuts." For all intents and purposes that action eviscerates the welfare-to-work program. The proposal is likely to be dismissed by the Democrats.

Finally, Assembly Budget Chair Noreen Evans (D-Santa Rosa) just said on the floor that the Governor is proposing the suspension of Proposition 98. More on this later.

Paul McIntosh, Executive Director of the California State Association of Counties, said, "Regrettably, the Senate - despite many an impassioned plea - was unable to muster the votes late Tuesday night to pass a short-term budget solution. Therefore, the opportunity to capture \$3 billion in 2008-09 savings disappears, and the state begins the 2009-10 fiscal year with an even larger hole to fill. Counties need to brace themselves for the issuance of IOUs as early as Thursday of this week and, in all likelihood, an additional round of cuts to help close the gap."

### In My Opinion

Last night, with one party pulling the steering wheel to the right and the other

pulling it to the left, the State of California bus drove straight off the cliff. And there is no soft landing!

Political ideologies trumped statesmanship and compromise. Nobody wins here ... not the taxpayer and not the citizen needing services.

Some political analysts say that they saw this coming; it's an end-game years in the making. Others expected a last-minute pull back from the precipice, just like in the movies.

On its face, this would appear to be a victory for those who want smaller government and reform, and a defeat for government services at the state and local level. Not necessarily. The public tends to react negatively to swings too far in either direction. Many have read the results of the May 19th special election as a demand that politicians in Sacramento work together to solve California's problems. There could be repercussions from actions which compound the crisis.

Tim Fitzharris

### **What Was in the Defeated Bills Affecting Child Care and Development?**

In case you are wondering, the Democrats' package reflects the actions of the Budget Conference Committee. Here is what was being proposed in the trailer bills: *(ED. NOTE: The X3 in the bill number refers to the Third Extraordinary session. We are now starting the Fourth Extraordinary session.)*

#### **Child Care (AB 42 X3)**

- Repeals automatic carryover of child funds
- Makes Los Angeles-based CARES program contingent upon funding being appropriated in the Budget Act
- Specifies that subsidized child care providers will be reimbursed at a maximum of the 85th percentile of the 2005 Regional Market Survey
- Maintains the current family fee schedule for child care services
- Clarifies that families receiving CalWORKs cash aid will not be charged a family fee for child care services
- Eliminates the School Age Community Child Care Services (Extended Day or Latchkey) program, effective August 31, 2009, due to an overlap with existing After School services

#### **Community Care Licensing (AB 43 X3)**

Increases by 10% the application and annual fees paid by community care facility, including child care centers, family child care homes, and other facilities. This action results in revenues of \$2.1 million to offset General Fund spending.

#### **CalWORKs (AB 43 X3)**

- Authorizes use of federal TANF Emergency Contingency Fund (ECF) resources for subsidized employment, short-term non-recurring benefits, and basic assistance to families. Under ECF, the federal government

pays 80% of the costs of specified expenditures.

- Exempts, from July 1, 2009 to July 1, 2011, parents or relative caregivers of very young children (*A parent or other relative who has primary responsibility for personally providing care to one child who is from 12 to 23 months of age, inclusive, or two or more children who are under six years of age.*), from welfare-to-work requirements, and allows counties to exempt additional categories of individuals. Stops the 60-month time clock of limitations on supportive services and assistance for individuals exempted pursuant to these changes. Reduces related funding to counties by \$175 million for 2009-10. Exempts counties during those two years from certain data-reporting requirements and the imposition of penalties resulting from failure to meet federal requirements. Additionally, adds months in which a recipient is excused from participation for good cause to conditions that stop the time clock.
- Delays to April 1, 2012 (from April 1, 2010) the date by which the Work Incentive Nutritional Supplement (WINS) program shall be fully implemented. Delays to October 1, 2011 (from April 1, 2010) the date by which the Temporary Assistance Program (TAP) must begin. TAP is intended to provide a non-MOE-funded program for CalWORKs recipients who are exempt from work participation, which would increase the state's caseload reduction credit and improve its ability to comply with federal work participation requirements.

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