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CIPC Update on the Governor's 2007-08 Budget Proposal

Budget Summary

On January 10, 2007, Governor Schwarzenegger released the details of his \$143.4 billion proposed budget for fiscal year 2007-2008. The proposed budget relies heavily on cuts including \$465 million to the California Work Opportunity and Responsibility to Kids (CalWORKs) program and \$14.1 million in cuts to wages and benefits for In-Home Supportive Services (IHSS) workers. The Governor also proposes to borrow \$43.3 billion to pay for prisons, schools and other infrastructure costs, instead of calling for increased taxes or alternative sources of revenue. In a positive development, the Governor proposed moderate increases in spending on health programs to keep up with standard growth in the Healthy Families and Medi-Cal programs. The Governor's proposed budget does not include any costs of the Governor's health care proposal. In other good news, the Governor's proposed budget also adds a cost of living (COLA) increase to current grant levels for SSI/SSP recipients from \$856 to \$892 for individuals, and \$1,502 to \$1,565 for couples which will benefit immigrant seniors and disabled struggling to keep pace with the cost of inflation. Despite these modest increases, the Governor's proposed budget, if implemented, would seriously jeopardize the health and well being of California's poorest children while ironically pledging to cover **all** children under his recently unveiled health insurance proposal.

Health Programs Benefiting Low-Income Californians Get a Slight Boost in the Budget

The Governor's health care proposal is not funded through the proposed state budget. Instead, the Governor states that the funding for the expansion will come from within the health care system through additional federal revenue and mandated contributions from employers, individuals and safety-net hospitals. The Governor's proposed budget includes funding increases to Medi-Cal and Healthy Families, which primarily accounts for increases in enrollment rather than any actual expansion of coverage to new populations.

- ◆ **Medi-Cal** is budgeted at \$37.4 billion, an increase of \$1.9 billion reflecting increases in caseload and cost per eligible person.
- ◆ The **Healthy Families** program which provides health coverage for children who are ineligible for no-cost Medi-Cal is funded at \$1.1 billion, an increase of \$32 million to cover enrollment growth.
- ◆ **Streamline enrollment in Medi-Cal and Healthy Families:** the Governor's proposed budget includes \$16.9M (or \$35.9 million in both state and federal dollars) to implement **SB 437 (Escutia)** which will streamline enrollment for both the Medi-Cal and the Healthy Families programs. In the Medi-Cal program, a pilot program will allow parents to self-

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certify income and assets at time of application and again at annual re-determination. In the Healthy Families program, parents will be able to self-certify income at the annual eligibility review after January 1, 2008. Allowing self-certification of income will reduce barriers to enrollment in these programs for everyone but will be particularly helpful for children of immigrants who are currently eligible but not enrolled.

- ◆ The **Access for Infants and Mother's Program (AIM)** a program that provides low-cost, comprehensive health coverage to uninsured pregnant women with family incomes between 200 and 300 percent of the federal poverty level will also see an 8.8% increase in funding to \$138.7 in 2007-08.
- ◆ **California Discount Prescription Drug Program:** The proposed budget also includes \$8.8 million to implement a new state program which will provide 40%-60% discounts on prescription drugs to uninsured individuals in families with incomes below 300 percent of the federal poverty level (currently \$29,400 for an individual and \$60,000 for a family of four), to individuals who have significant un-reimbursed medical expenses and incomes that fall below the state median family income (currently \$68,310 for a family of four), and to seniors not covered by Medicare. Immigrants currently without health insurance or drug coverage could gain access to more affordable prescription drugs when this program begins. Californians will be able to apply for a discount card to use at pharmacies for an annual fee of \$10.
- ◆ **Women's Health Care:** \$5.6 million is funded to provide Human Papillomavirus Vaccinations (HPV) to Medi-Cal-eligible women ages 19 through 26. This vaccine has been shown to reduce the risk of getting cervical cancer by up to 70 percent and is approved by the Federal Drug Administration (FDA).

Major Cuts to Human Services Programs for Children

The Governor is proposing to cut \$465 million from the California Work Opportunity and Responsibility to Kids (CalWORKs) Program, which provides cash assistance and services to eligible low-income families with children. The Governor proposes to eliminate cash grants for certain children and to deny a cost of living adjustment for the third consecutive year. Children comprise 80% of the CalWORKs caseload and would be most harmed by this specific proposal in the Governor's budget. Democratic leadership has declared the proposal a non-starter.

When the CalWORKs program was established under Governor Wilson, the state decided to provide a safety net for children that would remain available if the parent failed to meet the program's rules, reached the end of the federal time limit, or was ineligible to receive assistance. The Governor's proposal undermines this longstanding safety net by depriving low-income children of the most basic assistance.

Under the proposal:

- ◆ ***Cash grants would be terminated for children whose parents do not meet CalWORKs work requirements after 90 days*** – Under current eligibility rules, counties have the authority to sanction an adult who does not meet work requirements, but must continue to aid children in these families. The proposed new policy of "full family

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sanctions” unfairly punishes children for their parents’ inability to participate in required activities. Research has shown that sanctioned families often need the most assistance to become self-sufficient.¹ Immigrants face many challenges to securing and maintaining employment in the CalWORKs Program, including lack of English proficiency, mental and physical health conditions, and the lack of access to vital work supports and services such as child care, mental health, substance abuse services, job training and transportation.² Punitive policies have not been shown to increase work participation or to move families towards self-sufficiency.³ California needs to develop a more balanced approach to helping families to transition towards self-sufficiency.

- ◆ **“Safety-Net” Cash Assistance for Children would be Restricted After a Parent has Timed Out** – Currently, children whose parents have reached the CalWORKs time limit remain eligible for cash aid regardless of how many hours their parents work, as long as their family continues to meet other CalWORKs eligibility requirements. The Governor’s proposed budget would eliminate cash aid to children whose parents have timed out unless the parents (who are not receiving aid) continue to meet the program’s work requirements. These children may also lose access to Medi-Cal if terminated from CalWORKs.⁴ The Governor’s proposed budget would impose undue hardships on families relying on the state’s safety-net program and jeopardize the health and well-being of children.
- ◆ **Benefits for “Child-Only” Units would be Cut after Five Years** – Currently, California provides cash assistance to children whose parents are not eligible for CalWORKs, and like other children whose parents have timed off, continues to provide benefits to the children after five years. The Governor’s proposed budget would terminate cash assistance for children after five years if the parents or caretakers are ineligible immigrants, drug felons or fleeing felons. This proposal punishes vulnerable children and does nothing to help the state meet the federal work participation rates. Under federal regulations, ineligible immigrant parents are excluded from the calculation of a state’s work participation rate.
- ◆ **CalWORKs grants would be frozen at current levels for the third consecutive year in a row** – The Governor proposes to freeze CalWORKs grant levels for a savings of \$140.3 million dollars. Currently a family of three in a high-cost county receives a maximum grant of \$723 a month or about two-thirds of what a grant for a family of three was worth in 1989-90. Families on CalWORKs have very limited incomes while housing

¹ The California Budget Project: The Governor’s 2007-08 CalWORKs Proposals: Summary and Context, January 9, 2007, citations provided.

² Asian Pacific American Legal Center, Immigrant and Refugee Children Left Behind: A Focus group Study, (February 2002).

³ The California Budget Project: The Governor’s 2007-08 CalWORKs Proposals: Summary and Context, January 9, 2007, citations provided.

⁴ Medi-Cal eligibility for some children is tied to CalWORKs eligibility. Although children ultimately may qualify for Medi-Cal on another basis, the proposal would add administrative burdens and increase the risk that children would lose coverage.

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prices continue to go up. Further cuts to CalWORKs will seriously hamper a family's ability to pay for rent, utilities and basic sustenance.

- ♦ ***CalWORKs and Food Stamps Reporting to go from Quarterly to Semi-Annual Reports*** - In a positive development, the Governor proposes to change the current reporting requirements from quarterly to semi-annually for CalWORKs and Food Stamp recipients – a move that should simplify the process for those recipients.

Seniors and Persons with Disabilities to Receive Increase in Grant Levels for SSI/SSP

The Governor's budget proposal provides \$3.9 billion for the federal Supplemental Security Income (SSI) and State Supplementary Payment (SSP) grants, representing a 9% increase from prior year's funding. The SSI/SSP programs provide monthly cash benefits to aged, blind and disabled Californians, including immigrants. Under this plan, recipients would receive a cost-of-living adjustment increase from \$856 to \$892 for individual grants and from \$1502 to \$1565 for grants to couples beginning January 2008. Since the CAPI grants are pegged to the SSI grants this also means a slight raise in assistance for CAPI recipients.

Funding for the Naturalization Services Program (NSP) Maintained at Current Level

The Governor's budget proposal maintains \$3 million in funding for the Naturalization Services Program (NSP) for 2007-08. NSP is a state funded program that assists legal permanent residents in obtaining citizenship. Services provided by the program include: outreach, intake and assessment, collaboration with and referrals to other organizations, assistance with completing citizenship applications and preparation for citizenship testing and interviews.

Wages and Benefits to Cut for In-Home Supportive Services (IHSS) Workers

The Governor is proposing once again to freeze the state's contribution to IHSS wages and benefits at the current 2006-07 levels for an estimated savings of \$14.1 million in 2007-08. Under this plan, IHSS workers would not receive a negotiated raise from \$11.10 to \$12.10 per hour, and any contracted future increases in wage and benefits would be paid for by counties and the federal government. Immigrants comprise 40% of IHSS caseworkers – IHSS is often their first entry-level job. Cuts in wages to IHSS workers will harm immigrant workers, particularly in urban areas where wages can barely cover the high cost of living. Cuts in wages and benefits will further decrease the number of well-qualified IHSS workers and impede the ability of recipients to retain skilled workers.

More information regarding the 2007-2008 State Budget is available on the California Department of Finance's web site: www.dof.ca.gov. If you have any questions regarding this update, please contact Cary Sanders at (510) 663-8282 ext. 303.

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