

Subject: [SPAM] Child Development Policy Institute Information Bulletin

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CDPI

CHILD DEVELOPMENT POLICY INSTITUTE

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Alert: Take Action!

From: Tim Fitzharris, Ph.D.



Information Bulletin

Legislative Advocate



General Background

Governor Proposes Budget for FY 2007-08

Today, Governor Arnold Schwarzenegger, following the traditional press briefing, released his fourth State Budget proposal. He has proposed a \$143.4 billion plan that would increase government spending on most general programs by just one percent. Schwarzenegger would accomplish that by expanding some programs while cutting others.

"We have record revenues flowing into our treasury, and we are submitting a balanced budget for the coming year. The operating deficit that hung over our heads just a few short years ago is now gone. Our budget proposes ongoing spending that is in line with ongoing revenues, thus eliminating the net operating deficit completely. Moreover, this budget builds on last year's efforts to pre-pay the Economic Recovery Bonds and we now project that the bonds will be fully repaid by August of 2009, 14 years ahead of schedule. This is a remarkable turnaround and we accomplished it all without raising taxes - as a matter of fact, we reduced taxes by reversing the car tax in 2004."

True to last night's State-of-the-State speech, the Governor proposed infrastructure improvements - including new schools, prisons, reservoirs, and roads - as well as other reforms such as prison health care, environmental (carbon-free) clean-up, and universal health coverage.

Universal Health Coverage is Proposed

The new Budget proposes to expand health coverage to nearly all of California's 6.5 million uninsured people. Under the plan, the State would subsidize an estimated 1.2 million poor people who do not currently qualify for state health coverage. They would be able to buy insurance through a state-run pool and would have to make a small contribution toward their

premiums.

All children, regardless of their immigration status, would be covered through an expansion of the state and federal Healthy Families program.

Schwarzenegger is betting that his plan will save \$10 billion a year by cutting health care costs.

He says the savings would offset the new fees he is asking doctors and hospitals to pay - 4 percent of revenue for hospitals and 2 percent for doctors. The cornerstone of the proposal is the "shared responsibility" concept that also would spread the cost among businesses, individuals, insurers and state and local government.

Under the Governor's plan, all Californians would be required to have insurance, although the poorest would be subsidized. Businesses with 10 or more employees would have to offer insurance to their workers, or pay 4 percent of their payroll into a state fund. Smaller businesses would be exempt.

The plan contains elements that are likely to provoke opposition from a wide range of powerful interests, including doctors, hospitals and insurers, as well as employers and unions. But it also contains incentives for each of them. Business groups and Republican legislators are likely to object to the extra costs imposed on businesses.

One controversial element of the plan would have the counties provide health care to the undocumented. It "redirects" \$2 billion in county safety net funding to the program.

The biggest revenue source is an anticipated additional \$5.5 billion in federal funding.

Education

The Governor's 2007-08 Budget fully funds the Proposition 98 guarantee, as well as a number of new education initiatives, while realizing General Fund savings in Proposition 98. The Budget proposes a number of new one-time and ongoing education initiatives. These proposals will address teacher shortages, transparent school site information (internet access), career technical education, support for low-performing schools, increased assistance for students to graduate from high school, and improving student health.

Proposition 98 funding for 2007-08 is proposed at \$56.8 billion, a 3.3 percent increase over the revised estimate for 2006-07. The General Fund comprises approximately 72.5 percent, or \$41.2 billion of total proposed Proposition 98 funding. K-12 Proposition 98 per-pupil expenditures in the Governor's Budget are \$8,569 in 2007-08, up from \$8,293 in 2006-07.

K-12 COLA. The Governor's Budget proposes a \$1.9 billion increase to fund a 4.04% statutory COLA. Adjustments included in that amount are \$1.4 billion for revenue limits, \$133 million for special education, \$62.1 million for child care programs, \$49.6 million for class size reduction, and \$277.9 million for various categorical programs.

Transportation. The biggest "hit" proposed for Education is the shift of \$627 million of

transportation funds out of the Proposition 98 base to the Public Transportation Account. Although the Home-to-School dollars would receive a COLA before the shift, the Education community surely will fight this proposal.

Child Care shift. Speaking of funds shifts, the Budget proposes to increase Proposition 98 funding for CalWORKs Child Care by \$269 million. By using available Proposition 98 funds (freed by the Transportation shift above) in lieu of federal Temporary Assistance for Needy Families (TANF) Block Grant funds for Child Care, this proposal allows a like amount of TANF funding to be redirected to offset non-Proposition 98 General Fund costs in the CalWORKs program. This proposal does not require a reduction to the CalWORKs program, nor does it reduce child care benefits.

Proposition 98 Reversion Account. The Governor's Budget proposes one-time Proposition 98 Reversion Account funding totaling \$185.9 million appropriated as follows:

- \$100 million for school facility emergency repairs, consistent with the Williams settlement agreement.
- \$43.9 million for charter school facilities.
- \$25.7 million for CalWORKs Child Care.
- \$8.8 million for teacher induction programs.
- \$5 million for California High School Exit Exam study guides.
- \$1.5 million to match private funding for the Partnership for Success pilot project.
- \$1 million to make the Program Improvement Management System available statewide.

Social Services

CalWORKs. Speaking of safety net funding (see Health above), the Governor's Budget also proposes to make a major change with regard to CalWORKs assistance. It scores over \$465 million in savings by halting welfare payments to children if their "timed out" parents do not maintain new work participation levels. The limitation will also apply to undocumented alien cases and drug felons (Counties are expected to pick up the slack for these cases.).

Funding for counties (\$230 million for local efforts to engage families and \$40 million pay-for-performance incentives to achieve critical outcomes) remain at last year's funding levels.

Other CalWORKs proposals include: (1) the tightening the full-family sanction, (2) increased funding for training and child care, (3) the continued suspension of a cash aid COLA, and (4) semi-annual (from quarterly) data reporting.

The Administration says that the reforms are in response to more stringent work targets set by Congress in last year's TANF reauthorization. Incentives should exist, officials argued, for counties to achieve the new work participation goals and to avoid federal penalties. Frank Mecca, director of the County Welfare Directors Association, said there is no good information

to suggest that cutting off children makes their parents work more.

CDSS Director Cliff Allenby said in a briefing of advocates that, with these reforms, California should be able to meet the federal 50% rate requirement within two years and avoid federal penalties.

SSI/SSP. The Governor's Budget includes \$216.7 million General Fund to provide the January 2008 Supplemental Security Income/State Supplementary Payment cost-of-living adjustment. This funding will increase monthly grant payment levels for SSI/SSP recipients from \$856 to an estimated \$892 for aged or disabled individuals and from \$1,502 to an estimated \$1,565 for aged or disabled couples.

Community Care Licensing. The Budget proposes additional Licensing improvements, including:

- \$4.3 million (\$4.1 million General Fund) and 55.5 positions to increase from 20 percent to 30 percent the random sample of inspections of licensed care facilities.
- \$1.7 million (\$1.5 million General Fund) and 9.4 positions to implement a Licensing Reform Automation Project to improve limitations and weaknesses of information technology systems supporting the licensing program. This augmentation will provide automated tools to enable licensing staff to conduct more follow-up visits and better focus on the health and safety of clients in care.
- \$550,000 (\$487,000 General Fund) and 6.2 positions to provide follow-up visits when a Temporary Suspension Order, Revocation, or an Exclusion Order has been served to ensure that the facility has ceased operation or that the excluded individuals are no longer at the facility. Proper follow-up will further enhance client protections.

Child Care and Development

Relative to child development, the CDE appropriation increases from \$1,388,623 for FY 2006-07 to \$1,747,026 for FY 2007-08. There are no proposed reforms or funding reductions for Child Care in this Budget. The Budget provides for COLA and Growth but no other increases. Here's what we have so far:

COLA and Growth. Child development programs will receive the same COLA as K-12 (4.04%), at a cost of \$62.1 million. Growth is also provided (0.97%). The following is a breakdown of the funding for both:

<u>Program</u>	<u>Growth Amount</u>	<u>COLA Amount</u>	<u>Total</u>
Alternative Parent	\$2,362	\$9,934	\$255,832

Extended Day (Latchkey)	330	1,387	35,722
General Child Care	7,395	31,099	800,877
Handicapped	18	77	1,987
Local Planning Councils	0	256	6,605
Migrant	373	1,568	40,380
R&R	0	751	19,347
State Preschool	4,061	17,077	439,782
CalSAFE	(219)	2,259	58,173
Child Nutrition	1,000	3,801	97,893

CalWORKs Child Care. CDE CalWORKs child care (Stages 2 and 3) is funded based on caseload projections, subject to May Revision. Stage 2 is funded at \$447,357,000 (up from 425,209,000) and Stage 3, at \$339,486,000 (up from \$270,773,000). The major change is how Stage 2 is funded: TANF funds are withdrawn and Prop 98 dollars are substituted.

Other programs. The following are funded at the current year's levels: Child Care Initiative, Centralized Eligibility Lists, and After School.

Federal Quality Funds (one time). A detailed listing of funded programs under the CCDF 4% quality setaside was not available today but I have been advised that CAREs and most other programs are continued at FY 2006-07 levels.

Miscellaneous. The Child Care Facilities Revolving Fund still has money but, for the second year in a row, no new funds were added. There is a proposed appropriation for three early education classrooms at the CA School for the Deaf in Riverside.

Relative to AB 172 (Gov's Targeted Preschool Initiative), the funding for wraparound appears to be continued in the new Budget but the classroom annual funding does not. (I just may have not located the appropriation in my initial read.)

I will report more of the FY 2007-08 Budget details as they become known. You can peruse the Governor's FY2007-08 Budget proposal on the Department of Finance's Web site at <http://govbud.dof.ca.gov>.

Himmelstein Named Acting Secretary of Education

Governor Schwarzenegger has named Scott Himmelstein as the acting Secretary of Education, following the resignation of Alan Bersin in December. Himmelstein has served as the deputy secretary and the chief of staff for the office of the Secretary of Education for the past 18

months.

"I look forward to partnering with the Governor to ensure that all of California's children receive an excellent education and are prepared for life outside the classroom," said Himmelstein in a press release.

"I applaud Governor Schwarzenegger's selection of Scott Himmelstein as acting Secretary of Education," said State Superintendent of Public Instruction Jack O'Connell. "Scott is a man of high integrity, a passionate advocate for public education, and a thoughtful leader and advisor to the Governor. I have worked closely with Scott for several years on a number of key initiatives, including efforts to encourage federal consideration of California's school improvement model of accountability. Scott has a unique ability to bring differing people together and form consensus. I am looking forward to continuing to work with him to improve student achievement in his new role as Secretary of Education," he said.

O'Connell has scheduled his own State-of-Education address for February 6.

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