

**MALDEF**

CALIFORNIA BUDGET BRIEF

MALDEF Public Policy Department**January 16, 2004**

Governor Schwarzenegger's First Budget Proposal: How Does It Affect Our Latino Community?

On January 9, 2004, Governor Schwarzenegger proposed his administration's first budget. Remarkably, it was very similar to former-Governor Davis' approach to resolving our state's fiscal crisis, and included a mix of questionable new revenues and a variety of program cuts and more borrowing from our future. Missing from this new budget proposal was any mention of increasing taxes on the most affluent families—those making more than \$250,000 per year. The end result is a budget that would slash education, health, and social services, yet still result in a budget deficit of about \$6 billion in the following fiscal year.

The State Legislature will soon begin to consider the Governor's proposed budget. A revised budget proposal will be made by the Governor in May, and the State Legislature will draft the final budget in May, June, and possibly into the summer until it can pass a budget with the required two-thirds vote.

A major element of the final budget will be the \$15 billion deficit bond that will go to the voters on March 2nd (Proposition 57). If this bond measure is not approved by the voters, the budget deficit will increase, creating further pressure for more budget cuts and/or to raise taxes.

This brief highlights the impact of the Governor's proposed budget on the Latino community.

Health Care

Despite the high rate of uninsured Latinos in the State who go without needed medical care, the Governor proposes various cuts to health care programs that are vital to Latino children and families.

Reduction to Healthy Families: The Governor proposes to reduce spending by capping enrollment of eligible children and families into Healthy Families at 732,000. This program provides low-cost, comprehensive health insurance to low-income children and their families. Latinos currently make up 60.4% of children enrolled in Healthy Families. Yet even with these high rates of participation, 66.5% of uninsured children who are eligible for Healthy Families are Latino. Latino children are overwhelmingly under-subscribed to Healthy Families. In California, this reduction is expected to create a waiting list of 110,000 children—children who would be predominantly Latino. Failing to give children access to health insurance will only exacerbate the poor health status of many Latino children and force families to turn to emergency rooms for care.

Detrimental Revisions to Healthy Families: Under the Governor's proposal some families will be denied vision and dental insurance unless they pay higher premiums. Latinos are the largest subscribers to Healthy

Families and changes in premiums would fall on their shoulders, those least able to afford it. This change would only heighten health disparities and force families to pay more out-of-pocket costs for health care. The tiered benefit package will create arbitrary distinctions among working families who desperately need full coverage for their health services. The State should promote equitable standards of care rather than heighten disparities.

Reduction to Children's Medical Services

(CMS): The Governor's proposal would cut \$40 million from the programs that make up CMS. These programs include California Children's Services, which provides care to needy children with chronic health problems or disabilities, Genetically Handicapped Persons Program, and the Children's Health and Disability Prevention (CHDP) program, which provides children and teenagers regular health screenings to help in the detection and prevention of disease and disabilities. CHDP provides its services to children and teens regardless of citizenship status. Of the 2.2 million children who use CHDP, 67.4% are Latino. Reduced funding for CMS will jeopardize the health of thousands of ailing Latino children in California.

Medi-Cal Provider Rate Reduction: The Governor's budget would reduce rates to health care providers by 15%. Physician participation in Medi-Cal is already dismally low. Medi-Cal patients often report difficulties in finding doctors who are willing to treat them. Reducing payment rates will make it more difficult for Medi-Cal patients to obtain care. Most of these patients will be Latino children since 56.5% of all children, ages 0-18, currently enrolled in Medi-Cal are Latino. In addition, only 67% of pediatricians participate in Medi-Cal.

Capped Enrollment of Immigrants in

Medi-Cal: The Governor's budget would limit enrollment of immigrants for non-emergency Medi-Cal services. Once the limit is reached, immigrants eligible for Medi-Cal will be placed on a waiting list. This would result in a denial of health services to over 11,000 legal immigrants, the denial of breast and cervical cancer treatment to over 500 legal immigrants and prenatal and long-term care to over 65,000 undocumented women and seniors. Cuts in prenatal care are both odious and inefficient since for every dollar spent on prenatal care, three dollars will be saved in neonatal care. In addition, these cuts will affect babies who will be born U.S. citizens.

Social Services

The Budget is not just about dollars—it is about priorities. Although immigrants are among California's most vulnerable residents, the Governor's budget includes a number of cuts in human services that target immigrants.

Creation of Immigrant Block Grants

The Budget includes a number of revisions to health and human services programs aimed at services to immigrants. These programs are essential to low-income immigrant families who would otherwise go hungry or do without needed medical services. The administration proposes to consolidate funding for state funded immigrant programs, reduce funding by \$6.6 million, and then give counties block grants to provide basic services to immigrants. These block grants would provide fixed sums of money to counties. As health care costs rise, counties would be forced to make unacceptable choices between health services to children or food to the elderly. California compassionately extended health and welfare

benefits to all impoverished legal residents in California. This proposal would be a step backward and would deny innocent children and families access to needed services. The following programs will be subject to block granting and to caps on immigrant enrollment:

CalWORKS, which helps needy legal immigrant children and their families meet their basic needs (housing, food and other necessary expenses).

California Food Assistance Program (CFAP), which provides food nutrition benefits to low-income legal immigrants denied federal food stamps.

Cash Assistance Program for Immigrants (CAPI), which provides aid to legal elderly immigrants and legal immigrants with disabilities.

Healthy Families, which provides low cost health insurance to low income children and families.

Public Assistance To All Californians

CalWORKS: Individuals in the CalWORKS Program, those most vulnerable, are being asked to bear an inordinately large share of the pain in this budget proposal. Latinos make up nearly 46% of CalWORKS recipients. The pain started before the formal budget process when the Governor suspended the 2003-04 cost of living adjustment (COLA) for CalWORKS recipients. The Governor triggered the 2003-04 CalWORKS COLA when he reduced the Vehicle License Fee (VLF); the law requires that CalWORKS grants increase through a COLA when the VLF is reduced.

Although California's vehicle owners, which include the very wealthy, are receiving refunds from the state, the Governor is asking California's poorest families to give up two COLAs and to sacrifice 5% of their grants. In addition to capping immigrant enrollment in CalWORKS, the proposed budget would suspend the COLA for 2004-05 and reduce CalWORKS grant levels by 5%. A 5% reduction means that the monthly cash grant for a family of three in a high-cost county would decrease from \$704 to \$669; the grant would decrease from \$671 to \$637 for a family of three in a low-cost county.

Transitional Food Stamp Benefit (TFSB) Program: The TFSB program provides food stamp benefits for up to five months when a family loses its CalWORKS grant. The Governor's proposed budget eliminates this program and once again asks low-income Latino families to endure most of the pain. Approximately 44% of California's food stamp recipients are Latino.

Education (K-12)

Although K-12 education would receive more money next year, the Governor's budget would suspend Proposition 98 (which guarantees a minimum level of funding for schools) and would provide \$2 billion less than our schools should receive. This means that, once again, California will provide less money per student than most other states. This has a profound impact on the Latino community, since Latinos comprise more than 45% of all students. Unfortunately, the state's persistent under-funding of our schools has resulted in Latino students attending overcrowded schools, often with multi-track year-round calendars, substandard facilities, and with the largest percentage of under-qualified teachers.

Higher Education

The Governor's proposed budget cuts to higher education, including cuts to much needed outreach programs and increases in tuition, would devastate thousands of low-income students. In light of the under-funding of higher education over the past years, any cuts would greatly diminish the opportunity of thousands of under-represented Latino youth to attain a higher education. Historically, California has stood out as a champion for higher education by making colleges and universities financially accessible to all of its residents, but this administration's proposal raises major equity issues. The administration claims that access is a high priority but placing limits on enrollment, increasing tuition, and eliminating outreach programs will deny access to deserving students.

University of California and California State University: The Governor's proposed budget would deny entrance to the University of California (UC) and the California State University (CSU) to tens of thousands of students. The Governor would cut funding for new students and force eligible students into community colleges, reduce financial aid, increase undergraduate fees by at least 10%, and increase graduate student fees by 40%. Of particular concern to the Latino community, the Governor has eliminated all funding for the programs that help low-income students prepare for college. It is estimated that over 40% of all incoming Latino freshmen were participants in these outreach programs (such as the Early Academic Outreach Program and PUENTE). The elimination of these programs will widen the gap between privileged and underprivileged communities.

Community Colleges: The Governor's proposed budget would raise fees for

Community Colleges from \$18 per unit to \$26 per unit—an increase of 44%. If this budget is approved, Community College fees would have increased from \$11 per unit to \$26 per unit—a 136% increase—in two years. It is estimated that over 175,000 students did not enroll this year due to community college fee increases and cuts in classes. These additional fee increases are sure to close the doors to community colleges to many more students.

Financial Aid: The Governor proposes to make a number of changes to the State's primary financial aid program, CalGrants. CalGrants were designed to help students that meet both academic and need qualifications with enough funds to cover registration fees at UC and CSU campuses. While the Governor proposes to increase fees at UC and CSU by 10% every year, his budget proposal would eliminate the link between CalGrants and fees. In other words, while fees would increase, CalGrants would not. In addition, the maximum CalGrant for private colleges and universities would also be reduced by 44%, from \$9708 to \$5482 per year. Finally, the Governor proposes to reduce the maximum allowable family income for CalGrant recipients by 10%, from a maximum income of \$67,000 to \$60,840 for a family of four.

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**Governor Schwarzenegger's Proposed Budget:
Summary of Cuts Affecting Latinos**

Category	Program	Why Latino	Impact
HEALTH	Healthy Families Enrollment Cap	60.4% enrolled children are Latino	Capping it to 732,000 families would create a waiting list of 110,000, and no health insurance access would force more families into emergency rooms for care.
	Healthy Families Revisions	Latinos are largest subscribers	New standards would be inequitable.
	Children's Medical Services (CMS)	67.4% are Latino	\$40 million cut would jeopardize the health of thousands of children.
	Medi-Cal Provider Rate Reduction	56.5% enrolled children are Latino	Provider rate reduction would make it even more difficult for children to find doctors.
	Medi-Cal Immigrant Cap	High percentage of Latinos are uninsured	Cap would deny needed health services to thousands.
SOCIAL SERVICES	Creation of Immigrant Block Grants and Enrollment Caps	High percentage of Latinos are enrolled in the targeted programs	Latino families would go hungry and do without needed medical services.
	CalWORKS Grant Reduction	46% of recipients are Latino	Latino families would be forced to live on even less.
	Transitional Food Stamp Benefit (TFSB)	44% of food stamp recipients are Latino	Latino families would go hungry.
EDUCATION	K-12 Funding	45% of students are Latino	Providing schools with \$2 billion less than they should receive means that Latino children would continue attending overcrowded schools with substandard facilities and under-qualified teachers.
	UC and CSU Outreach Programs	40% of Latinos participated in outreach programs	The elimination of outreach programs would deny Latino students access to higher education and widen the gap between the privileged and underprivileged communities.
	Community College Fee Increases	High percentage of enrolled students are Latino	Fee increases would close the doors to community colleges for many Latino students.
	Financial Aid Cuts	Latinos need financial aid	Financial aid cuts would make it even more difficult for Latinos to get a college education.