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Medi-Cal budget awaits ax

Health program for needy will see \$310 million cut as governor wields veto.

By Judy Lin - Bee Capitol Bureau

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In what one Republican said was an "accounting gimmick" that would not affect services, Gov. Arnold Schwarzenegger today will cut more than \$300 million from California's health insurance program for the poor when he issues his vetoes and signs the state's long-delayed budget.

Sen. Tom McClintock, R-Thousand Oaks, said almost \$310 million -- nearly half -- of the governor's \$700 million in cuts he pledged will come from an "accounting adjustment reducing Medi-Cal reserves," which he believes does little to change the number of people entitled to the benefit.

Finance spokesman H.D. Palmer said the administration had no comment on specific budget vetoes.

The Republican governor is expected to use his line-item veto authority to cut from the \$103 billion general fund spending plan to carry out a pledge he says will ensure that the state spends no more than it takes in during the fiscal year -- a zero operating deficit.

"It's all done," Schwarzenegger said Thursday. "It's down to zero, just exactly like I promised."

In addition to the Medi-Cal cuts, the governor also will veto \$55 million to house the homeless mentally ill. Schwarzenegger has argued that funding for the Integrated Services for Homeless Adults with Serious Mental Illness can be covered by Proposition 63, which raises funds to treat the mentally ill homeless by assessing a 1 percent income tax on Californians earning more than \$1 million a year.

Mental health advocates had launched an intense lobbying effort to keep the program, which they said saves money and provides comprehensive treatment to the mentally ill that keeps them off the street.

"This is the state of California's budget: \$45 million in tax relief for yacht owners will stay while \$55 million to save thousands of homeless mentally ill is being sacrificed," Sen. Darrell Steinberg, D-Sacramento, said. "It's wrong morally. It's wrong economically."

McClintock said the reduction in Medi-Cal spending fails to address the state's chronic overspending. While government continues to grow, state tax revenues remain vulnerable to the ups and downs of the economy.

Because Medi-Cal is an entitlement program, no services will be jeopardized by the funding reduction.

California is expecting to spend \$37.4 billion in state and federal money on Medi-Cal, an increase of \$2.3 billion from last year's budget.

The average monthly caseload is forecast to be 6.7 million people in 2007-08, an increase of 107,400 people, or 1.4 percent, from 2006-07, according to the administration's May estimates.

The state has overestimated its Medi-Cal expenses in recent years. In the 2006-07 budget, the state

estimated \$160 million more than it actually spent.

However, if the state underestimates and spends more than it planned, the Legislature would have to pass a supplemental appropriation bill to cover the costs.

McClintock said Republican senators were shown a list of cuts during the budget standoff, but were not allowed to make copies or take notes.

Sen. Dave Cogdill, R-Modesto, said about \$160 million will come from unallocated cuts, which may include eliminating vacant positions in state departments.

McClintock, a staunch fiscal conservative, says much of the budget is balanced on "imaginary revenues," including the expected sale of Ed Fund, the state's student loan guarantor.

Senate President Pro Tem Don Perata, D-Oakland, will not attend the bill-signing ceremony, saying, "There's nothing to celebrate."

While public safety and K-12 education escaped unscathed, Democrats like Perata said they swallowed a number of concessions in this budget, including a delay until June 1 on a state cost-of-living increase in aid for low-income aged, blind and disabled. The budget also shifts \$1.3 billion away from public transit, which advocates say could jeopardize bus and light-rail projects and increase fares.

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