

This story is taken from [Sacbee](#) / [Capitol and California](#) / [State Politics](#)

Efforts under way to unravel California's budget

kyamamura@sacbee.com

Published Thursday, Aug. 04, 2011

Gov. Jerry Brown signed the state budget five weeks ago, but the battle over spending cuts and fees rages on outside the state Capitol.

In the latest bid to unravel the \$85.9 billion general fund budget, advocates for doctors, insurers and low-income patients will ask federal officials in Washington today to reject \$1.3 billion in Medi-Cal cuts they say will hurt the most vulnerable Californians.

Cities last month asked the California Supreme Court to halt a \$1.7 billion state overhaul of redevelopment agencies. Amazon.com is gathering signatures to reverse a \$200 million budget bill requiring online sales tax collection. Sen. Ted Gaines, R-Roseville, filed a referendum to block a \$150 annual fire fee on rural homeowners.

As has been the case in recent lean budget years, groups that lose in the annual Capitol budget fight are not walking away quietly. For them, the governor's signature signals a shift in venue rather than the final word.

Brown, a Democrat, has claimed credit for reducing the state's recurring budget deficit down to roughly \$3 billion next year. But legal and federal challenges, if successful, could more than double that gap.

Advocates say the governor and lawmakers are to blame for solving the state budget with solutions that are illegal. Doing so, they say, allows the state to meet its balanced budget requirement on paper and borrow money from Wall Street, while pushing some of the deficit into next year.

"It's a chronic budgeting practice," said Dustin Corcoran, CEO of the California Medical Association, which represents more than 35,000 physicians around the state. "They say this so they can score savings, but there's no way they can implement it."

Corcoran is one of two dozen health care advocates in Washington urging the Obama administration to reject Medi-Cal cuts California relied on to balance its budget. The cuts include a 10 percent cut in rates paid to Medi-Cal providers, such as doctors, pharmacies and clinics.

The group, the Alliance for Patient Care, also opposes new Medi-Cal patient co-pays, including \$5 for a clinic visit and \$50 for emergency room services, as well as a seven-visit soft cap on doctor visits.

Medi-Cal serves nearly 7.7 million low-income children, parents and adults with disabilities or other needs. As part of the Medicaid program, California must obtain approval from federal officials to impose the reductions. Health advocates have been successful before in persuading federal officials and courts to block Medi-Cal cuts by showing that California never ensured access to care would remain sufficient.

The group contends that doctors will stop serving Medi-Cal patients, particularly specialists, because they cannot survive on California's low reimbursements.

"This is just going to put low-income families in a much tighter spot," said Vanessa Cajina, a lobbyist with the Western Center on Law and Poverty.

Democrats, who passed the budget with new majority-vote powers, say they were forced into desperate measures because Republicans rejected a tax election in March and a tax extension in June. Brown press secretary Gil Duran said "very serious cuts got more severe due to the recalcitrance of Republicans."

Republicans have pointed to a spring spike in tax revenue as a sign that more taxes were unnecessary.

Duran took issue with various summer efforts to undo the budget Brown signed.

"Everyone runs to court and wants to overturn a cut," he said. "But if everyone got their way and every cut was overturned, where would we be? We have to deal within the margins of reality here and keep the state on firm fiscal footing."

Toby Douglas, director of the Department of Health Care Services, which oversees Medi-Cal, described the rate cut process almost as a negotiation with federal officials rather than a simple up-or-down approval.

Douglas said the Legislature and governor approved a reduction "up to 10 percent." He suggested the actual reduction would depend on how federal officials view state documentation on access to care. Any reduction below 10 percent means the state would likely spend more on Medi-Cal than the budget expected.

While budget legal challenges aren't new, Legislative Analyst Mac Taylor said they become more apparent in tough times.

"When you're in a situation like we're in, you have to push the envelope on some of these things and by definition take some risks – and hope you've taken some sound ones," he said.

In the case of redevelopment agencies, state leaders knew they were courting a legal battle. Cities threatened to file suit ever since Brown issued his plan in January to eliminate the agencies, which subsidize construction and housing projects in blighted areas.

Lawmakers passed the redevelopment plan as a two-bill package that seemed mindful of constitutional prohibitions on taking money directly from local governments. The budget instead eliminates redevelopment agencies by legislative authority and then reconstitutes them only if they agree to pay more money to schools and other agencies, reducing the state's financial burden.

"The era of mermaid bars and golf courses had to come to an end at some point," Duran said.

Cities contend that redevelopment generates economic activity while creating construction and service jobs. California Redevelopment Association executive director John Shirey called the state's plan "nothing more than a transparent, elaborate scheme to get around (the constitution) so that the state could get at the money."

[© Copyright The Sacramento Bee. All rights reserved.](#)

[Share](#)

Call Kevin Yamamura, Bee Capitol Bureau, (916) 326-5548.

• [Read more articles by Kevin Yamamura](#)