

Calif. budget increases healthcare, education funding

By Chris Megerian and Anthony York, Los Angeles Times

SACRAMENTO – California lawmakers passed a budget Friday that lays the groundwork for the largest expansion of public healthcare in the country, placing the state at the leading edge of President Obama's federal overhaul.

The budget, which the governor has until June 30 to sign, will also increase funding for schools, public universities and social services – a dramatic turnaround after years of deficits and cuts.

The Legislature approved the \$96.3-billion spending plan after a relatively smooth series of negotiations between Gov. Jerry Brown and Democratic leaders that maintained much of the fiscal restraint urged by the governor.

California still faces financial problems, including the spiraling cost of public employee pensions. But lawmakers welcomed the change of fortune fueled by the improving economy and new taxes approved by voters in November at Brown's request.

Senate budget chairman Mark Leno, D-San Francisco, called the spending plan "the most encouraging and positive budget I've seen in my 11 years in the Capitol."

Lawmakers were scheduled to return to work Saturday to consider more budget-related bills, most of them involving implementation. But the bulk of the spending legislation, which takes effect July 1, now heads to the governor's desk.

The expansion of health coverage is a core part of the budget.

The state's public healthcare program, known as Medi-Cal, is

expected to grow by 1 million enrollees and could soon cover roughly one in four Californians. Millions more people will be able to buy insurance through a state-run market.

Most of the changes will be funded with federal money. The state will pick up \$196 million of the \$2.1-billion tab for the Medi-Cal growth. The \$381.6-million price of the state-run marketplace, called an exchange, will be almost completely funded by Washington.

Although the federal overhaul still faces opposition in many states, California was an early supporter, and Obama was in San Jose earlier this month to tout the state's progress. Californians can begin buying health insurance through the exchange in October, and officials plan to enlarge Medi-Cal membership in January.

Drew Altman, president and chief executive of the Kaiser Family Foundation, said the success of the federal healthcare law hinges largely on the outcome in California.

"California is pace-setting, and everyone in health reform is watching very closely," he said. "It's hard to imagine its success until it succeeds in California."

Many of the healthcare changes are riding on this year's budget and a series of related bills among those lawmakers are expected to take up Saturday.

"California really couldn't move full speed ahead" until the budget passed, said Chris Perrone, a director at the California HealthCare Foundation. "It clears the path to a lot of work that needs to happen."

That work includes computer upgrades to process new patients and outreach efforts to ensure that more people enroll in health plans.

Healthcare was one of the final sticking points in budget

negotiations this year. Brown insisted on allowing the state to scale back its coverage if federal money is reduced.

The issue was resolved Monday afternoon, when the governor met in his office with Assembly Speaker John A. Pérez, D-Los Angeles, and Senate leader Darrell Steinberg, D-Sacramento. The three agreed that the state would stop the Medi-Cal expansion if federal funding dropped below 70 percent of the cost in the next four years.

Steinberg said the expansion “only works if it continues to be a true partnership.”

The budget includes a controversial plan to redirect county healthcare money to other state programs. Brown has said counties won't need the funds to care for the poor because they will soon be covered by the state or by private insurance. But county officials and activists say there will still be millions of uninsured Californians.

Republicans were sidelined during budget negotiations, and the final spending plan represents a series of compromises between Brown and the Democratic leaders, whose party holds supermajorities in both houses of the Legislature.

In addition to the \$96.3 billion in general fund spending, the budget includes \$42 billion from accounts funded by dedicated taxes and fees, \$7 billion from bond funds and \$87.6 billion in federal money. Almost \$1.1 billion will be held in reserve.

The governor was able to include a slightly modified version of his K-12 education plan, which will shift some money from wealthy schools to districts with larger numbers of students who are poor or are learning English. The measure received bipartisan support.

But Brown backed off a plan to tie some higher education funding to changes he wanted state universities to make, such as improving their graduation rates and freezing tuition for

four years, when university officials and key lawmakers balked. The UC and CSU systems each receive \$250 million more than last year.

Brown persuaded Democratic lawmakers to use his more conservative revenue estimates to help limit spending in the upcoming fiscal year. But he accommodated some new spending pushed by Steinberg and Pérez: hundreds of millions of dollars in future funding for welfare grants, mental health care, college tuition aid, dental care for poor adults and other programs.

Much of that spending won't start until next spring or summer, giving the economy more time to recover. There could also be raises next year for roughly 95,000 employees in California's largest state worker union.

Republicans said the new spending would be unsustainable, especially after Brown's tax hikes begin expiring in 2017.

"With this budget, we have positioned ourselves perfectly to repeat the mistakes of the past," said Assemblyman Jeff Gorell, R-Camarillo.

Assembly Budget Chairman Bob Blumenfield, D-Woodland Hills, said poor Californians needed the help.

"Our duty is to prioritize where we can spend the public's money for the greatest good," he said.