FEDERAL ISSUES
APRIL 2006

Board of Supervisors

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Fifth District

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First District

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Second District

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Third District

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Fourth District

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MEDICAID BUDGET REDUCTIONS

Position

The County opposes proposals to reduce Federal Medicaid funding, especially those which would reduce Medicaid payments to government providers.

Background

Medicaid funds are a vital source of revenue to public hospitals, such as those operated by the County of Los Angeles, which serve high proportions of Medicaid and uninsured patients. The County's five hospitals serve more than 600,000 low-income patients annually, and are the backbone of the emergency and trauma care system for the County's ten million residents.

The President's proposed Fiscal Year (FY) 2007 Budget would reduce Medicaid spending by $14 billion over five years, including more than $12.2 billion in savings from administrative proposals. This includes an administrative proposal to reduce Federal Medicaid spending by $5.9 billion over five years by capping Medicaid payments to government providers, such as the County, to no more than the cost of providing services to Medicaid recipients and restricting the use of intergovernmental transfers (IGTs) as matching funds.

Last year, the President similarly proposed a cap on Medicaid payments to government providers and restrictions on IGTs. Also, similar to last year, the Administration has not released any detailed language explaining how it would cap payments and restrict IGTs. However, last year, the proposal to limit Medicaid payments and IGTs was a legislative proposal unlike this year. Many Members of Congress, state and local governments, and health providers question whether the Administration has the administrative authority to implement the changes without enacting legislation.

Public hospitals currently receive higher Medicaid payment limits in recognition of their key role in providing medical care to the indigent and uninsured as well as to Medicaid recipients. The President's proposal to cap their Medicaid reimbursement to no more than the cost of providing services would undermine California's Medi-Cal Hospital Financing Waiver that was negotiated in 2005. Specifically, this change could substantially reduce Safety Net Care Pool payments to safety net hospitals under the Waiver, potentially resulting in an inability to achieve the goal of the waiver to protect baseline funding levels and provide for growth. **The potential loss of Medicaid revenue to Los Angeles County's public hospitals is $200 million a year, and possibly higher.**

Reducing Federal Medicaid payments for health safety net hospitals would not only jeopardize medical services for the State's roughly 6.6 million Medicaid recipients, but also would reduce available medical care for all Californians. Less Federal Medicaid funds could force many already financially distressed hospitals to close their emergency rooms and trauma care centers, endangering the lives of all persons.

Status

The Administration has not released any proposed regulations, program guidance, or detailed information describing its proposal to cap Medicaid payments to government providers and to restrict the use of IGTs. Neither the Senate-passed FY 2007 Budget Resolution (S. Con. Res. 83) nor House version (H. Con. Res. 373), which is pending House floor action, includes reconciliation instructions to committees to reduce Medicaid spending.

FOR FURTHER INFORMATION, PLEASE CONTACT BRUCE CHERNOF, M.D., ACTING DIRECTOR AND CHIEF MEDICAL OFFICER, DEPARTMENT OF HEALTH SERVICES, AT (213) 240-8101.

STATE CRIMINAL ALIEN ASSISTANCE PROGRAM REIMBURSEMENT

Position

The County supports increased Fiscal Year (FY) 2007 funding to reimburse state and local criminal alien incarceration costs under the State Criminal Alien Assistance Program (SCAAP).

Background

The 1994 Crime Act established the State Criminal Alien Assistance Program (SCAAP) to reimburse state and local costs of incarcerating undocumented criminal aliens. The amount of SCAAP funding received by state and local governments is determined by their share of total eligible costs and available annual appropriations. If total eligible state and local costs exceed available SCAAP funding, each jurisdiction is reimbursed on a pro rata basis.

In FY 2006, SCAAP is funded at $405 million, compared to $301 million in FY 2005. This is still far below the authorization levels for SCAAP of $750 million in FY 2006 and $850 million in FY 2007. It also is far below the $577 million in average annual SCAAP funding appropriated in FYs 1998 through 2002. The County's SCAAP reimbursement fell from $34 million to $11.5 million in FY 2003 when SCAAP was cut by 56 percent to $248 million. The County's most recent SCAAP payment was $12.5 million in FY 2005, which is only about 17 percent of the County's estimated $73 million total cost of jailing undocumented aliens in FY 2004-05.

The lower SCAAP funding levels in recent years have resulted in a shift in costs to state and local governments, especially in California, which receives about 40 percent of total SCAAP funding. Every dollar reduction in SCAAP reimbursement means a dollar more that must be spent on incarcerating criminal aliens rather than on other essential public safety services.

State and local criminal alien incarceration costs should be fully reimbursed under SCAAP rather than eliminated as proposed in the President's FY 2007 Budget. In its performance review of SCAAP, the Administration criticized SCAAP for not requiring state and local governments to use the funds to pay for the costs of incarceration, which allows them to use funds "for any purpose and often simply enhance State/local revenue." This criticism is inaccurate because SCAAP is a program which reimburses previously incurred incarceration costs. In fact, it is unfair that state and local governments typically must wait for many months to receive even partial reimbursement under SCAAP. For example, FY 2006 SCAAP funds, which are unlikely to be awarded until this fall, will reimburse costs incurred in the 12-month period ending on June 30, 2005.

Status

The President's proposed FY 2007 Budget would eliminate SCAAP. Congress has not yet begun action on FY 2007 appropriations legislation.

FOR FURTHER INFORMATION, PLEASE CONTACT SHERIFF LEE BACA AT (323) 526-5000.

CHILD SUPPORT ENFORCEMENT FUNDING

Position

The County supports restoration of Federal Child Support Enforcement matching funds that were cut in the recently enacted Deficit Reduction Act.

Background

Program Description: The Child Support Enforcement (CSE) Program is a joint Federal/state effort that seeks to promote parental responsibility and family self-sufficiency and to reduce public assistance costs. Under the program, states locate non-custodial parents, establish paternity for children born out of marriage, establish and enforce orders for child support, and collect and distribute child support payments, pursuant to Federal requirements. In California, CSE is administered by counties under State supervision.

CSE is a heavily mandated program under which the Federal government dictates program design and establishes standards for states. Moreover, under the 1996 welfare reform law, Congress imposed numerous new CSE mandates on states, including a requirement that states operate a federally compliant CSE program as a condition for receiving funds from the newly created $16.5 billion Temporary Assistance for Needy Families (TANF) Program.

Program Financing: CSE differs from other public assistance programs, such as Medicaid, TANF, and foster care, in so far as it has had a major performance-based funding component. The program has a capped performance incentive pool from which incentive funds are distributed among states based on performance, and also provides Federal matching funds at a 66 percent rate for state CSE expenditures, including reinvested incentive funds. In FY 2006, performance-based CSE funding will account for about $1.3 billion of the $4.2 billion in total CSE funding to states, and Federal incentive matching funds will account for 21 percent ($889 million) of total CSE funding. The recently enacted Deficit Reduction Act (DRA) eliminates the Federal match of reinvested incentive funds, beginning in FY 2008.

The County urges the Congress to restore the Federal incentive match, which has been a key element of the performance-based funding system that has helped make CSE the highest rated block/formula grant program, as scored by the Office of Management and Budget's Performance Assessment Rating Tool. In FY 2004, the program served more than 17 million children, collecting $21.9 billion in child support, which represents $4.38 for every dollar in program expenditures. Child support makes a huge difference in the lives of these children served by the program, many of whom are poor. In 2001, 36 percent of children in families with incomes below the Federal poverty level received child support, and, among those families, child support represented 30 percent of their total income.

Moreover, cutting child support enforcement most likely will increase net Federal expenditures rather than reduce costs. Child support payments are countable income for purposes of determining eligibility and benefit levels for public assistance programs, such as Medicaid, Food Stamps, Supplemental Security Income, and TANF. Because CSE collects so much child support for low-income families, it is extremely cost-effective in reducing public assistance expenditures. In fact, an Urban Institute study found that, in 1999, the program more than paid for itself – costing Federal and state governments a combined total of $4 billion while saving more than $4.9 billion in reduced public assistance expenditures. CSE plays a major role in helping families to leave TANF. In FY 2004, more than $9 billion in child support was collected for former TANF recipients, which enabled 331,447 TANF cases to be closed with a child support payment.

Reducing CSE funding will mean fewer resources for establishing and enforcing child support orders, resulting in lower child support collections. Instead of promoting parental responsibility, the CSE funding cuts will lead to greater welfare dependency and higher costs borne by taxpayers. California alone stands to lose an estimated $100 million in Federal matching incentive funds in FY 2008 when the change in law takes effect. This loss is especially unfair because so much of what the State must do under the CSE Program is federally mandated, and states are subject to fiscal penalties for failing to meet Federal requirements and standards. If the loss of CSE funding causes program performance to fall below Federal standards, the State would face a fiscal penalty that could reach as high as five percent (or $185 million) of its annual TANF allotment.

The County's Child Support Services Department would have to lay off up to 300 staff if the State passes through the funding cuts proportionately to counties. This would result in less child support for families outside as well as inside California as many children do not live in the same states as their noncustodial parents. In FY 2005, nearly $57 million of the $505 million collected by the Department went to families in other states, demonstrating how much CSE is an interstate program that merits greater Federal financial participation.

Status

On February 16, 2006, H.R. 4794 (McDermott, D-WA) was introduced, which would repeal the provision in the DRA that ends Federal matching of state spending of child support incentive payments. The bill was referred to the House Ways and Means Committee, which has not scheduled any action on the bill. Under the FY 2007 Budget Resolution (H. Con. Res. 373) which is pending House floor action, the Committee is instructed to reduce mandatory spending by $4 billion over five years, which would make it more difficult to restore CSE funding. S. Con. Res. 83, the Senate-passed version, does not include such instructions.

FOR FURTHER INFORMATION, PLEASE CONTACT PHILIP BROWNING, DIRECTOR, CHILD SUPPORT SERVICES DEPARTMENT, AT (323) 889-3340.

COMMUNITY DEVELOPMENT BLOCK GRANT FUNDING

Position

The County supports Community Development Block Grant (CDBG) formula grant funding of at least $4.3 billion in Fiscal Year 2007.

Background

The President's proposed Fiscal Year (FY) 2007 Budget would cut Community Development Block Grant (CDBG) formula grants by 25 percent. Reducing CDBG funding would adversely affect Los Angeles County's economically disadvantaged residents. The County has a far higher poverty rate (17.9 percent) for individuals than the nation as a whole (12.4 percent) according to the 2000 Census.

The Community Development Block Grant Program funds a wide range of housing and community and economic development, job creation, and social services, mainly for the benefit of low- and moderate-income persons. Except for set-asides, CDBG funds are allocated by formula to state and local governments, which have broad flexibility over their use to meet locally determined needs. A combined total of $164.5 million in FY 2006 CDBG formula grant funding was allotted to local governments in Los Angeles County, including $30.9 million to the County's Community Development Commission (CDC), which administers CDBG funds for unincorporated areas and 49 of the 88 cities in Los Angeles County.

Over the past five years, CDC has used CDBG funds for community and economic development projects and public infrastructure improvements, and to assist Los Angeles County residents by:

Rehabilitating over 8,500 housing units;

Creating and preserving over 2,060 jobs;

Removing over 41 million square feet of graffiti; and

Providing loans and technical assistance to over 7,000 small businesses.

Since FY 2001, CDBG formula grant funding has declined from $4.41 billion to $3.71 billion in FY 2006. CDBG funding administered by CDC has diminished by almost 21 percent from $39.1 million in FY 2001 to $30.9 million in FY 2006. If enacted, the Administration's proposed FY 2007 CDBG budget reduction would result in the County receiving 40 percent less than it did in FY 2001. **Instead of reducing CDBG funding as proposed by the Administration, Congress should appropriate at least $4.3 billion for CDBG formula grants in FY 2007.** This funding level, which is supported by a broad coalition of community development associations and local governments, is approximately the average annual CDBG funding level in FYs 2001 through 2005.

Status

The President's proposed FY 2007 Budget would reduce CDBG formula grant funding by 25 percent. Congress has not yet begun action on the FY 2007 appropriations legislation to fund Housing and Urban Development programs, including CDBG.

FOR FURTHER INFORMATION, PLEASE CONTACT CARLOS JACKSON, EXECUTIVE DIRECTOR, COMMUNITY DEVELOPMENT COMMISSION, AT (323) 890-7400.

COMMUNITY SERVICES BLOCK GRANT FUNDING

Position

The County supports Community Services Block Grant (CSBG) funding of at least $637 million in Fiscal Year 2007.

Background

The President's proposed Fiscal Year (FY) 2007 Budget would eliminate the Community Services Block Grant (CSBG), which strengthens communities by assisting low-income individuals to become self-sufficient. CSBG was funded at approximately $637 million in FY 2005 and slightly more than $630 million in FY 2006 when it was subject to the one percent across-the-board cut that applied to nearly all discretionary programs.

CSBG funds are allocated by formula to states, which are required to pass through 90 percent of their allotments to eligible entities, which consist primarily of Community Action Agencies (CAAs). Such agencies have broad flexibility over the use of funds to provide a wide range of services to reduce poverty, including services addressing employment, education, housing, energy, nutrition, homelessness, and health needs. In FY 2005, California received a CSBG allotment of $56.5 million of which a combined total of $15.25 million was allotted to four CAAs and the Native American Indian Commission, which serve Los Angeles County.

The County's Department of Public Social Services (DPSS), which is one of the four CAAs, received $6.5 million in FY 2005 CSBG funding to serve all areas of the County except for the Cities of Los Angeles, Long Beach, Pasadena, Duarte, Monrovia, Sierra Madre, Arcadia, South Pasadena, and the unincorporated area of Altadena, which are served by other CAAs. DPSS uses these funds to provide a wide range of services, such as employment, nutrition, domestic violence, youth, and mental heath services, to low-income persons through 104 contracts with community-based organizations.

The proposed elimination of CSBG would have a major adverse impact on the poor, who are the program's beneficiaries. In California, CSBG funds services to about 1.7 million poor residents each year. The overall fiscal impact of eliminating CSBG would far exceed its annual funding level because the program is extremely effective in leveraging additional resources. In FY 2004, nationally, every CSBG dollar was matched by $15.25 from other sources, including in-kind and volunteer services provided by the community-based organizations that receive CSBG funding. **Instead of eliminating CSBG, Congress should appropriate at least $637 million for CSBG in FY 2007 – a funding level that is approximately the same as in FY 2005 and in the current year before the one percent across-the-board cut was applied.** Annual CSBG funding averaged $646 million in FYs 2002 through 2004.

Status

The President's proposed FY 2007 Budget would eliminate CSBG. Congress has not yet begun action on the FY 2007 Labor, Health and Human Service, and Education Appropriations Bill, which currently funds CSBG.

FOR FURTHER INFORMATION, PLEASE CONTACT BRYCE YOKOMIZO, DIRECTOR, DEPARTMENT OF PUBLIC SOCIAL SERVICES, AT (562) 908-8383.

TITLE IV-E CHILD WELFARE DEMONSTRATION PROJECT

Position

The County supports greater flexibility over the use of Title IV-E foster care funds in addressing the needs of abused and neglected children.

Background

Title IV-E of the Social Security Act is the primary source of Federal funding for children who have been placed in foster care. Title IV-E funds are used to cover costs for allowable board, care and related administration for children in foster care. Under this funding structure, a state has no ability to use title IV-E funds to provide services that will work to prevent child abuse, protect children within their homes, strengthen families, and divert families from the foster care system. County governments in California administer foster care, adoption assistance, and other child welfare services under state supervision.

For the past two years, California's Department of Social Services, in partnership with the County's Department of Children and Family Services, has been negotiating with the Federal government to establish a Title IV-E Child Welfare Demonstration Project, which would provide up to 20 participating counties with greater flexibility to use Title IV-E funds to offer innovative services to keep children out of costly out-of-home foster care placements and in safe, stable homes. This project was approved on March 31, 2006, the date on which the statutory authority for such demonstration projects expired.

Under its demonstration project, California will receive a capped allocation of Title IV-E funds, which may be used to:

Support children and families with preventive services to prevent removal of children from their families;

Provide intensive treatment services that would expedite permanency for children; and

Provide aftercare services to ensure that once children achieve permanency, they do not re-enter the foster care system.

The term of the waiver project will be five years, and the project is expected to be implemented beginning sometime during the first quarter of Fiscal Year (FY) 2007. Each of the participating counties will receive a capped annual allocation of Title IV-E funds, which will be based on three-year average expenditures between FYs 2003 and 2005 with a two percent annual growth rate. Title IV-E adoption assistance is not included in the demonstration project, which will have a strong evaluation component.

The State will contract with a third party to conduct an evaluation, which will consist of three components – a process evaluation, an outcome evaluation, and a cost analysis.

Status

The State of California's Title IV-E Child Welfare Demonstration Project was approved by the U.S. Department of Health and Human Services on March 31, 2006. The State and up to 20 participating counties are in the process of planning for the project's implementation.

FOR FURTHER INFORMATION, PLEASE CONTACT DAVID SANDERS, PH.D., DIRECTOR, DEPARTMENT OF CHILDREN AND FAMILY SERVICES, AT (213) 351-5600.