



## LEGISLATIVE REPORT #291

### Governor Releases Budget – Revenues Beginning to Slow – Continues to Build Up Rainy Day Fund

**January 10, 2017:** Citing a slowing down of revenue collection over the past six months, Governor Brown released his proposed budget this morning with a warning of tough times ahead. Looking at projections forecasted from last year, Governor Brown stated California is behind in revenue collections by \$1.3 billion. As a result, his budget includes some cost control measures to provide for a balanced budget. There are no cuts proposed at this time in the area of health and human services.

The Governor did speak about the possible changes at the federal level related to funding for the Medi-Cal program and has taken a “wait and see” approach to what may occur. He did point out more than \$15 billion does come from the federal government specifically for the Medi-Cal program and if there were changes to those levels, there would need to be some difficult decisions made. For now, the Medi-Cal program continues to expand with enrollees projected to reach 14.3 million in 2017-2018. This is a huge increase from 2012-2013 when the enrollees were a mere 7.9 million.

The Governor did mention the recent propositions that passed and how those would be helpful to the budget and specifically the Medi-Cal program. On Proposition 56, which increased tobacco taxes and was largely backed by the California Medical Association, Secretary Dooley of the Health and Human Services Agency stated the revenue, \$1.2 billion in the 2017-2018 budget, will be used to “enhance programs” within Medi-Cal. She was careful not to suggest they would be used for provider rates saying the Proposition only suggested the funds could be used for provider rates as an example of how they could be used. Most insiders felt the vagueness was purposeful to provide some flexibility if there are large cuts to federal funding to the Medi-Cal program.

The Governor continues to promote pragmatism by proposing an increase in the rainy day fund of \$1.1 billion bringing the total to \$7.9 billion. The Governor reiterated it is unclear what changes to federal funding will occur with the new Administration. He suggested there could be significant changes to the budget when he releases the May revise.

The Legislature will now begin their budget review process to review the Governor's proposal and identify their own priorities.