

Calif. contemplating rewrite of social contract

by JUDY LIN
AP Writer



Carolina Fuentes and her daughter Katherine, 5, wait for an appointment at the Sacramento county welfare office in Sacramento, Calif., Monday, June 1, 2009. Facing a \$24.3 billion state budget deficit, Gov. Arnold Schwarzenegger has proposed ending welfare for poor mothers and their children, wiping out health insurance for 1 million children and disbanding care for people with Alzheimer's disease or other disabilities. Fuentes, 22, a newly-single mother, doesn't qualify for benefits having crossed the U.S.-Mexico border as a teenage, applied for cash assistance, food stamps and health coverage of her daughter.

AP Photo by Rich Pedroncelli

SACRAMENTO—With empty pockets and maxed-out credit, California is debating whether it can continue honoring all parts of its social contract with the state's most vulnerable residents.

The state faces an unprecedented drop in tax revenue and a widening budget deficit amid the deepest recession in decades, prompting Gov. Arnold Schwarzenegger to propose cost-cutting steps that once seemed unthinkable.

At stake are programs for the poor, elderly and frail, placing millions of people in the nation's most populous state at risk of falling through a decades-old social safety net.

Ending the welfare-to-work program for mothers and their children would affect some 546,000 families, and health insurance could be eliminated for 1 million children from low-income families. Services for Alzheimer's patients, disabled and other frail recipients of in-home care also would be greatly reduced under the governor's latest budget proposal, leaving more than 400,000 people without such support.

Schwarzenegger acknowledges that his proposals will be painful.

"I know the consequences of those cuts are not just dollars. I see the faces behind those dollars. ... I see the Alzheimer's patients losing some of their in-home support services," he told lawmakers last week. "It's an awful feeling, but we have no choice."

California stands apart from other states, at least for now, in considering solving its budget deficit with such deep cuts to core social services.

The state's projected \$24.3 billion deficit for the fiscal year that begins in July amounts to a quarter of its general fund. Schwarzenegger and Republicans in the Legislature say they will not raise taxes again, after agreeing to \$12.8 billion in sales, personal income and vehicle tax hikes earlier this year.

That leaves lawmakers with few alternatives to severe spending cuts because, although Republicans are the minority party, they hold virtual veto power over the state budget by virtue of California's two-thirds vote requirement.

Melody Nolan is worried that the state will cut her in-home care. That would mean she could not see one of her many doctors for systemic lupus, an autoimmune illness that saps her of strength. Even though the 39-year-old Sacramento woman still would re-

ceive disability benefits and subsidized housing, she said she would lose her sense of independence and worries about ending up in a nursing home.

"Not being able to work is very hard on me. I'm a very goal-oriented person," Nolan said. "Not being able to take care of myself would just be devastating."

California spent 5.4 percent of all its state and federal funding on public assistance in 2007, compared to a national average of 1.7 percent. That doesn't include Medicaid and other social service spending.

Ironically, while many of the programs to assist the frail and needy have their roots in the Great Depression, they may be undone by another great economic downturn.

The elimination or significant reduction of social service programs also cuts against President Barack Obama's economic recovery efforts and attempts to overhaul the nation's health care market.

"The movement is to expand coverage, not contract," said Rachel Klein, deputy director of health policy for Families USA, a consumer advocacy group based in Washington. "If California were to do it, it would certainly be an

enormous step behind for the country."

California stands to lose billions in federal matching dollars if Schwarzenegger's proposals pass. Advocates have argued that his cutbacks would jeopardize even more money from the federal stimulus program, but the Obama administration so far has granted waivers on that portion of funding for the state.

White House spokesman Adam Abrams acknowledged California's budget difficulties and said getting through the recession would require tough choices and shared sacrifices.

There are few modern precedents to the level of social spending cuts being contemplated in California. In 1991, Michigan's Republican Gov. John Engler proposed ending general-assistance payments to single, able-bodied individuals with no dependents. His welfare reform plan was intended to encourage employment and eventually reduced the number of recipients, saving the state millions of dollars a year.

Conservatives say states still have a long list of assistance programs and few people would be left without any help.

Federally mandated programs such as food stamps, low-income housing and Medicaid—the US health program for low-income people, seniors and the disabled—will continue, said Robert Rector, a senior fellow at the conservative Heritage Foundation. Those programs received financial boosts under the federal recovery act.

"It's not removing the safety net because we have all of these other programs," Rector said.

While the federal recovery act contains roughly \$140 billion for state budget shortfalls, the temporary boost has not been enough to prevent other states from cutting public services.

Arizona has cut funding for a rehabilitation program that affects 4,700 children with chronic or disabling conditions, according to the Center on Budget and Policy Priorities, a left-leaning think tank based in Washington. ■

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