

June 30, 2011

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## Federal Budget & Threats to Medicaid

The health of more than 7 million children, seniors, and individuals with disabilities in California hangs in the balance as Congress continues discussions regarding the 2012 federal budget, the national debt ceiling, and deficit-reduction efforts.

### *National Debt Ceiling & Deficit Reduction Proposals*

On May 16<sup>th</sup>, the federal government reached the national debt limit currently set at \$14.3 trillion. Congress typically votes to raise the debt limit to ensure that the federal government can continue to make good on its investments and payments. However, this year GOP Members of Congress along with some Democratic lawmakers have said they will not vote in favor of raising the federal debt ceiling unless such a vote is met with similar levels of spending cuts in the next 10 years. Congressional members must vote to raise the debt ceiling by August 2<sup>nd</sup> to avoid the federal government defaulting on its debt.

As part of a raise in the debt ceiling, GOP lawmakers have demanded deep cuts to entitlement programs like Medicaid by converting the program into a block grant or amending maintenance of effort requirements. In a letter to the White House on June 9<sup>th</sup>, 41 Democratic Senators denounced efforts to change Medicaid into a block grant as outlined in HR 34 (for details on the House budget proposal, see *Health Matters* May 2011 at [www.chc-inc.org/health-matters](http://www.chc-inc.org/health-matters)) and vowed to oppose any piece of legislation that would jeopardize the health of millions of Americans who rely on the program. Some GOP congressional members have also emphasized a requirement to have a balanced budget amendment added to the US Constitution. A balanced budget amendment would permanently limit federal spending as a percentage of the federal GDP and would force deep cuts to healthcare and human service programs should the federal government reach its spending limit.

*Effort to Repeal Maintenance of Effort in the ACA*  
The Affordable Care Act requires that states seeking federal matching funds adhere to maintenance of effort (MOE) requirements that prevent states from paring back eligibility and coverage levels in Medicaid to ensure access to coverage for individuals. On May 12<sup>th</sup>, the House Energy and Commerce Health Subcommittee voted to pass HR 1683, the State Flexibility Act of 2011, which would repeal existing MOE requirements. On June 13<sup>th</sup>, twenty-nine Republican governors issued a letter to the Senate calling for the elimination of MOE requirements, noting that such elimination would provide cash-strapped states with more flexibility in providing coverage as they weather the recession. Consumer advocates state that any changes to maintenance of effort requirements would simply give states license to drop or reduce coverage for millions of children, seniors, and individuals with disabilities at a time when coverage is needed most.

### *Schedule July 4th Recess Meetings*

The House is on recess June 25-July 5 and the Senate from July 2-10, providing an opportunity to weigh in directly with Members of Congress about the importance of protecting Medicaid. It is critical that community members and providers meet one-on-one with their Members of Congress to highlight the devastating impact cuts to Medicaid will have on residents in their district. For more information, see CHC's Action Alert [http://org2.democracyinaction.org/o/5382/t/0/blastContent.jsp?email\\_blast\\_KEY=1169387](http://org2.democracyinaction.org/o/5382/t/0/blastContent.jsp?email_blast_KEY=1169387) or send an email to your Congressional representatives on our website at [www.chc-inc.org/action-alerts](http://www.chc-inc.org/action-alerts).

## California State Budget

Right on time to meet the June 15<sup>th</sup> deadline, Democratic lawmakers passed a majority-vote budget that included spending reductions, payment delays, new revenues, and new fees. However, hours after it passed, Governor Brown vetoed the budget stating that the party-line budget was unsustainable and legally questionable. State Controller John Chiang later decided to block pay for lawmakers noting that they had not passed a balanced budget by the deadline as outlined in Prop. 25.

Then on June 27<sup>th</sup>, the Governor announced that a budget deal had been made with Democratic leaders that would rely on a majority vote. The budget was approved by the Assembly and Senate on June 28<sup>th</sup>, and the Governor signed it today.

The package contains several items from the budget Governor Brown had vetoed two weeks ago, including millions in cuts to higher education and billions in deferrals to K-14. It also includes:

- Consolidation of state administrative functions for the Access for Infants and Mothers and Healthy Families Programs, transitioning these functions to the State Department of Health Care Services based on a plan that must be provided by December 1, 2011 (no timeline was given as to when the actual transition would occur)
- \$200 million in Amazon online tax enforcement
- \$300 million from a \$12 per vehicle increase in the DMV registration fee
- \$50 million from fire fees for rural homeowners
- \$1.7 billion from redevelopment agencies
- Higher tax receipts (now worth \$1.2 billion from May and June).

The new deal proposes a 1.06 percentage point sales tax swap that redirects money to local governments for a "realignment" plan rather than to the state (the sales tax rate will still fall 1 percent on July 1). It also projects \$4 billion in higher revenues for 2011-2012 with triggered cuts that would be enacted if the Department of Finance is not able to certify the projection is correct in January 2012. The state has set the following scenarios based on the actual certified revenue:

- *Tier 0:* If the state revenue reaches \$3 billion to \$4 billion, the state will not impose additional cuts and will rollover any balance of the problem to the 2012-13 budget.
- *Tier 1:* If the revenue reaches \$2 billion to \$3 billion, the state will impose about \$600 million of cuts and rollover the remainder to the 2012-13 budget. These cuts would include \$100 million to the UC system, \$100 million to CSU, \$100 million to corrections and \$200 million to Health and Human Services.
- *Tier 2:* If the state revenue falls below \$2 billion, the state will impose up to \$1.9 billion in additional cuts, including a \$1.5 billion reduction to schools that assumes seven fewer classroom days. It also includes a \$250 million elimination of school bus transportation (except for what is federally mandated). Cuts will be proportionate to how much of the first \$2 billion in revenues the state gets and will include the Tier 1 cuts.

The 2011-2012 California State Budget is available in full at the Department of Finance website at [www.ebudget.ca.gov](http://www.ebudget.ca.gov).

#### *State Budget & CRAs*

Governor Jerry Brown has signed the budget bills AB 1 x 26/27, which will mandate the state's Community

Redevelopment Agencies (CRA) to make voluntary payments to the state or be eliminated. This "two-bill" strategy would require payments from the agencies totaling \$1.7 billion in fiscal year 2011-12 and \$400 million in 2012-13.

The CRA contends the bills are unconstitutional and violations of Proposition 22, which prohibits the transfer of local redevelopment agency funds to the state. John Shirey, CRA executive director, states that the bills would ultimately eliminate a majority of the state's redevelopment agencies because many of them cannot afford the burdensome payments. Shirey claims that if Brown signs the bills, the CRA and its supporters will file suit.

## **California Health Benefits Exchange— Planning Grant Update**

California Health Benefits Exchange Board (CHBE) has been meeting since April 2011 to ensure California's implementation of a Health Insurance Exchange by 2014. The CHBE is an independent public entity within state government that will help California's consumers and small businesses shop for and buy competitive health insurance through the Exchange beginning in 2014. Exchange Board members are appointed by the Governor and the legislature and are subject to strict conflict-of-interest provisions. The Senate appointed Dr. Robert Ross, President and CEO of The California Endowment, to complete its five-member board on June 22<sup>nd</sup>.

On June 15<sup>th</sup>, the Health Benefit Exchange Board met in Sacramento to discuss various policy issues. The Board made public a draft of the application for a Level I Federal Exchange Establishment Grant. A Level I Grant provides one year of planning funds for states that have made progress in establishing a health insurance exchange to continue their efforts to implement an exchange.

The funding requested in the application will help the state develop policy goals for the California Exchange consistent with state and federal law as well as secure staff, consultants and expert resources and actively engage stakeholders to inform and support Exchange planning and implementation activities. The Board estimates a \$40 million budget necessary to begin exchange planning in California.

On June 28<sup>th</sup>, the Exchange Board met again in Sacramento and voted to submit the Level I grant application, which included minor changes after incorporating feedback from stakeholders and consumer advocates.

Details about the health insurance exchange, the Board and Board meetings can be found at <http://www.healthexchange.ca.gov/Pages/Default.aspx>.

## California Healthy Food Legislation

*AB 581 California Healthy Food Financing Initiative  
Public Health: Food Access*

Introduced by California State Assembly Speaker John Perez (D-Los Angeles), AB 581 would create the California Healthy Food Financing Initiative (CHFFI), a fund that combines federal, state, and private monies in the State Treasury to finance fresh food retail development in food deserts throughout the state.

Specifically, AB581 requires the Department of Food and Agriculture to partner with the state Department of Public Health and the state Department of Social Services to:

- Develop recommendations to promote food access throughout California
- Place the Department of Food and Agriculture in charge of implementing policies that would increase Californians' food access
- Direct the Department to maximize funding opportunities provided by the federal 2010 Healthy Food Financing Initiative (HFFI).

In June, AB 581 passed the Assembly with a vote of 76-0 with 4 abstentions and was sent to the state Senate. Hearing dates are currently being scheduled with both the Senate Agriculture Committee and the Senate Health Committee.

Passage of AB 581 would allow the state to access federal funds through the federal Healthy Food Financing Initiative as well as private funds such as the California FreshWorks Fund. Established by The California Endowment in March 2011, the FreshWorks Fund is a privately funded fresh food financing program that was partially created as a result of CHC's 2009 *Food Desert to Food Oasis Symposium* (see [www.chc-inc.org/policy-briefs](http://www.chc-inc.org/policy-briefs)) on grocery store development in South Los Angeles. The California FreshWorks Fund at [www.nbcapitalimpact.org/healthyfoods](http://www.nbcapitalimpact.org/healthyfoods) is currently accepting and evaluating projects for financing.

For more information, contact Anthony Crump, CHC Policy Analyst, at [Anthony@chc-inc.org](mailto:Anthony@chc-inc.org).

### *AB 727 Healthy Foods in State Buildings*

AB 727 would provide the state with a unique opportunity to become a model for healthy food policy by requiring that any food sold in vending machines, concessions, and cafeterias in a state-owned or leased

building complies with federal health and sustainability guidelines by 2014.

AB 727 encourages improvements in dietary health and reduced risk for major chronic diseases through the provision of healthier food options. It also promotes greater environmental health through the support of sustainable agricultural practices and incentivizes the reduction of food delivery transportation needs, which can decrease emissions and contribute to the improvement of the local environment.

The bill would also mandate that at least 50% of food and beverages sold in vending machines in state buildings complies with federal health and sustainability guidelines by 2014 and would ensure that vending machines come into full compliance with these guidelines by 2016. Proposed by Assembly Member Holly Mitchell (D-Culver City), the bill will go to the California Senate Committee on June 28<sup>th</sup>.

AB 727 will increase support for the state's local agricultural community by giving primary contract preference to vendors who purchase food items grown, packaged, or produced within 150 miles of the building where the food will be sold. The bill gives secondary preference to vendors who purchase food that is grown, packaged or produced in California, and subsequent preference to vendors who comply with additional sustainability requirements set forth in the *Health and Sustainability Guidelines for Federal Concessions and Vending Operations* (see <http://www.cdc.gov/chronicdisease/resources/guidelines/food-service-guidelines.htm>). For more information on these and other bills, visit [www.legislature.ca.gov](http://www.legislature.ca.gov).

## LA Takes Steps to Create Bike-friendly Development

The City of Los Angeles is considering a major revision to the requirements for bicycle parking throughout the city. Aimed at creating a more welcoming environment for bicyclists, the proposed ordinance, *Case Number CPC-2011-309-CA* requires bicycle parking to be provided at multifamily residential, commercial, industrial and retail developments in a similar manner as car parking.

The city currently requires bicycle parking in very limited situations and does not actively encourage the installation of new bicycle parking when not required.

As a result, very few bicycle parking spaces exist throughout the city. The adoption of the city's new *Bicycle Master Plan* (see <http://www.labikeplan.org/>) indicates the growing recognition of the value of bicycling both as an alternative means of transportation and as an important physical activity.

The proposed ordinance requires both long and short-term bicycle parking be installed at new and remodeled commercial, industrial and retail developments. While currently exempt, the proposed ordinance would expand the bicycle parking requirement to include commercial, industrial and retail development of less than 10,000 square feet, effectively requiring bicycle parking at all new non-residential development. The proposed ordinance also details signage, lighting, location, and size requirements for bicycle parking. To encourage the creation of bicycle parking above the minimum requirements, the proposed ordinance would create a system of incentives. The incentives include reducing the vehicle parking requirement in exchange for creating more bicycle parking.

The City Planning Commission held its first hearing on the proposed ordinance in May. However, the commission delayed action while planning staff examines what effect, if any, the proposed ordinance would have on affordable housing projects throughout the city. The commission is scheduled to re-hear the proposed ordinance in July.

## Design Debate Delays Crenshaw Fresh & Easy

The proposed neighborhood market on Crenshaw and 52<sup>nd</sup> street is being delayed again through California Environmental Quality Act (CEQA) litigation filed by a small local group called Residents First and members of the Hyde Park Organizational Partnership for Empowerment (H.O.P.E.).

Fresh & Easy has met all but 4 of the 30 Crenshaw specific plan requirements. The unmet requirements include: 2 wall signs instead of the allotted 1 per business, 1 wall sign that exceeds the permitted 75 feet, the placement of surface parking lot adjacent to the street, and 20% transparency on ground floor windows.

The City Councils' approval of these exemptions makes way for the following improvements:

- A new 14,000 square foot market with fresh, healthy, and low-cost food choices
- Development of a currently blighted vacant property
- Additional green space with landscaping and 2 trellises
- New jobs with competitive salaries and healthcare benefits.

Since the beginning of the project's regulatory approval process, the store has agreed to numerous changes proposed by city planning and the community for a more pedestrian-friendly design. Some of the design modifications include:

- Reducing the number of parking spaces from 90 to 68
- Adding more green space with landscaping
- Building a new pedestrian entrance on Crenshaw Boulevard
- Reducing the building setback from 19 feet to 0 feet.

For more information and details on how you can lend support for the opening of the store, please contact Tanishia Wright at [Tanishia@chc-inc.org](mailto:Tanishia@chc-inc.org) or call 323.295.9372 x225.

## LA's Shopping Cart Ordinance

The City of Los Angeles is considering a new ordinance to reduce the number of abandoned shopping carts throughout the city. The proposed ordinance, requested by Los Angeles City Councilmembers Cardenas and Smith in 2010, would require all new grocery stores to install an on-site shopping cart containment system. The proposed ordinance also calls for a feasibility study for applying the on-site containment requirement to existing grocery stores throughout the city.

Based on a similar ordinance in the City of Glendale, the Planning Department carefully crafted the ordinance to allow some flexibility as to the type of containment system stores would be required to use. In June, the City Planning Commission approved the proposed ordinance and it now moves to the Los Angeles City Council.

Community Health Councils has asked the City Council to exempt South Los Angeles and other food deserts from a possible abandoned shopping cart ordinance or fee. An exemption for food deserts is necessary to ensure these policies do not further discourage grocery store development and impact the ability of existing stores to remain profitable. In addition, residents in these communities often walk or take public transportation to grocery stores and rely on shopping carts to carry their groceries home. Their ability to take carts off store premises is critical to their capacity to shop, which in turn impacts store profitability and sustainability.

For more information, contact Anthony Crump, CHC Policy Analyst, at [acrump@chc-inc.org](mailto:acrump@chc-inc.org).

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