

1984

Public Aid and Medical Assistance Programs.

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Official Title and Summary Prepared by the Attorney General

PUBLIC AID AND MEDICAL ASSISTANCE PROGRAMS. INITIATIVE STATUTE. Establishes Public Assistance Commission to annually survey and report on state per capita expenditures and state and county administrative costs of public aid and medical assistance programs in California and the other states. Limits expenditures for benefits under each program to the national average expenditure, excluding California, plus 10%. Permits increase in any program expenditure upon majority vote of Legislature so long as total of expenditures do not exceed limit. Defines programs included; exempts specified programs. Provides for amendment by two-thirds vote of Legislature after specified public notice. Makes other provisions. Summary of Legislative Analyst's estimate of net state and local government fiscal impact: Net effect would be to reduce *combined* state and county expenditures, beginning July 1, 1986. It is impossible at this time to determine the size of the reduction and the impact at different levels of government. While the measure would reduce expenditures under specified public assistance programs by substantial amounts, these reductions would be partially offset to an unknown extent by (1) increased costs under programs that are not subject to the measure's limitations and (2) reduced tax revenues resulting from the reduction in federal expenditures within the state. On balance, it is likely that state expenditures would be reduced and county expenditures would be increased.

Analysis by the Legislative Analyst

Background

California has established several programs that provide assistance to individuals and families with low incomes. Some of these programs provide cash assistance; others provide assistance in the form of services. The largest two assistance programs established by the state are (1) Aid to Families with Dependent Children (AFDC) and (2) California Medical Assistance (Medi-Cal).

AFDC. The AFDC program provides cash grants to children and their parents when the parents' income is not sufficient to meet the families' basic needs. The program also provides support for children in foster care.

The size of the monthly payments made to AFDC families depends on (1) the number of persons in the family and (2) the family's income. As of July 1, 1984, a family of three *with no other income* receives a grant of \$555 per month. Families with other income generally receive lesser amounts.

To be eligible for the AFDC program, a family's income cannot exceed a certain amount. As of July 1, 1984, this amount is \$833 per month for a family of three. In addition, to be eligible for AFDC a family cannot have more than \$1,000 in cash or other personal property. Eligibility and grant levels for children in foster care are governed by separate rules.

In the fiscal year that began on July 1, 1984, \$3.5 billion will be spent for AFDC grants. These grants will be provided to an average of 1.6 million recipients each month, including 1.1 million children and 565,000 adults. The cost of AFDC grants is shared by three levels of government, with the federal government paying approximately 50 percent, the State of California paying 45 percent, and county governments paying 5 percent.

The AFDC program is administered by the state's 58 counties. During the 1984-85 fiscal year, \$354 million will be spent for AFDC administrative costs. These costs are also shared, with 50 percent paid by the federal government, 25 percent paid by the state government, and 25

percent paid by county governments.

California also provides cash grants to disabled, aged, and blind persons through the Supplemental Security Income/State Supplementary Program (SSI/SSP).

Medi-Cal. The Medi-Cal program provides health care services to AFDC and SSI/SSP cash grant recipients, as well as to other individuals who cannot afford to pay the cost of their health care. The program pays all or a portion of the costs incurred by covered persons for a range of medical services including doctor visits, hospital stays, nursing home care, dental care, drugs, and medical appliances.

During the 1984-85 fiscal year, \$3.8 billion will be spent under the Medi-Cal program. This amount will cover the cost of medical services provided to an average of 1.3 million persons each month. The federal and state governments each pay 50 percent of the costs incurred under the Medi-Cal program. Another \$239 million will be spent during the 1984-85 fiscal year to administer the program, with the federal government paying 60 percent of these costs and state government paying 40 percent.

Other Public Assistance Programs. California has established several other assistance programs for low-income persons. These include (1) a variety of employment and training programs established as part of the AFDC program in order to help AFDC parents find employment, (2) family planning services, (3) programs that provide special emergency grants to SSI/SSP recipients, (4) programs providing a variety of social services for children, the elderly, and the disabled, and (5) day care centers for elderly and other frail adults.

Proposal

Beginning on July 1, 1986, this measure would place limits on the amount of funds that could be spent in California for some, but not all, public assistance programs. Among the programs that would be subject to the measure's expenditure limits are (1) AFDC, including various

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Text of Proposed Law

This initiative measure is submitted to the people in accordance with the provisions of Article II, Section 8 of the Constitution.

This initiative measure adds sections to the Welfare and Institutions Code; therefore, the new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

Part 1.7 (commencing with Section 10300) is added to Division 9 of the Welfare and Institutions Code, to read:

PART 1.7. CALIFORNIA PUBLIC ASSISTANCE COMMISSION CHAPTER 1. GENERAL PROVISIONS

10300. This act shall be known as, and may be cited as, the 1984 State Welfare Reform Act.

10301. The people of the State of California find, and declare as follows:

(a) State government bears a responsibility to serve legitimate needs of California citizens who are unable to meet their basic living expenses, and it must fulfill this responsibility in the most efficient and cost-effective manner possible.

(b) California's aged, blind, and disabled citizens are deserving of the highest priority in the determination of tax-supported public assistance benefit levels by the Legislature for the poor in this state.

(c) State government must strike a proper balance between its commitment of tax revenues to the care of the poor in California and the extent to which excessive tax-supported public assistance benefits may be counterproductive and defeat the fundamental goal of providing the poor in this state with the incentive to become productive and independent citizens.

(d) State government has the further responsibility of ensuring that the maximum amount of state tax revenues dedicated for the support of the poor in California should be expended on provision of direct benefits to persons eligible for public assistance.

(e) One means of striking the critical balance between necessary expenditures for public assistance programs and potentially excessive levels of public assistance benefits is through an annual comparison between the level of welfare benefits afforded eligible persons in California and in the other 49 states.

10302. The people of the State of California enact this part to accomplish the following purposes:

(a) Reduction in the scope, monetary support levels, and state and county administrative costs of California public assistance programs to the extent permitted by federal law.

(b) Presentation to the Legislature and the Governor of data concerning public assistance programs in this state and in the 49 other states, with this data to be used by the Legislature and the Governor in implementing public assistance benefit levels and administrative cost levels in this state which more closely reflect public assistance benefit levels and administrative cost levels in the 49 other states.

10303. This part shall be liberally construed to accomplish its purposes.

10304. As used in this part, "commission" means the California Public Assistance Commission established pursuant to Section 10310.

10305. As used in this part the term "state per capita expenditure" means the total amount of funds expended in a state, including federal, state, and county funds, divided by the number of residents in the state.

10306. (a) Except as provided in subdivision (b), for purposes of this part, public assistance programs shall be deemed to refer to existing public social services programs provided for, pursuant to Part 3 (commencing with Section 11000), on or before the effective date of this part, and any other similar program, as determined by the commission, enacted by the Legislature subsequent to the effective date of this part.

(b) Public assistance programs shall not be deemed to include the child and spousal support provisions contained in Article 7 (commencing with Section 11475) of Chapter 2 of Part 3, State Supplementary Program and the In-Home Supportive Services Program, as provided for pursuant to Chapter 3 (commencing with Section 12000) of Part 3, County Social Services Programs funded pursuant to Chapter 5 (commencing with Section 13000) of Part 3, skilled nursing and intermediate care facility services, provided for under subdivisions (c) and (n) of Section 14132, the Adult Day Health Care Program provided for pursuant to Chapter 8.7 (commencing with Section 14520) of Part 3, and payments for persons in nonmedical out-of-home care facilities, as provided for pursuant to Chapter 6.5 (commencing with Section 13900) of Part 3. The commission may, at its option, exempt from the provisions of this part any other program which would otherwise qualify pursuant to subdivision (a) if the program provides services exclusively to aged, blind, or disabled persons, as those terms are defined pursuant to Title XVI of the federal Social Security Act, 42 U.S.C. 1381, et seq.

CHAPTER 2. COMMISSION

10310. (a) The California Public Assistance Commission is hereby established in state government in order to carry out the functions and

duties set forth in this part. The commission shall have seven members appointed by the Governor. The Governor shall designate the chairman of the commission. Members of the commission appointed by the Governor shall serve at the pleasure of the Governor. The commission shall be composed of two directors of county welfare departments, two county administrative officers, and three county supervisors. The members of the commission shall serve without compensation, but each shall receive a per diem of fifty dollars (\$50), and each shall be reimbursed for any reasonable and necessary expenses incurred in connection with the performance of their duties under this part.

(b) In addition, the Secretary of Health and Welfare and the Director of Finance shall serve as ex officio nonvoting members of the commission.

(c) One Member of the Senate, appointed by the Senate President pro Tempore, and one Member of the Assembly, appointed by the Speaker of the Assembly, shall, as ex officio nonvoting members of, meet with, and participate in the work of, the commission to the extent that such participation is not incompatible with their positions as Members of the Legislature. The Members of the Legislature appointed to the commission shall serve at the pleasure of the appointing power.

CHAPTER 3. POWERS AND DUTIES

10320. (a) The commission may employ and fix the compensation, in accordance with law, of an executive secretary and such other technical and clerical assistants as may be necessary.

(b) The commission may establish such technical advisory committees as are deemed necessary to the functioning of the commission in carrying out the provisions of this chapter.

(c) The departments and agencies within the state Health and Welfare Agency shall cooperate with and provide all necessary technical and administrative assistance to the commission essential to the carrying out of the provisions of this part. The agency shall provide necessary facilities to the commission.

(d) Commencing in 1986, by January 31st of each year, the Health and Welfare Agency shall propose to the Legislature and the Governor legislation necessary to meet the limits on public assistance programs imposed by Chapter 4 (commencing with Section 10330).

10321. The commission shall:

(a) Annually conduct a survey of the scope, state per capita expenditures for public assistance benefits, and for state and county public assistance program administrative costs provided in California and in the 49 other states, to be completed no later than December 31st of each year.

(b) By January 31st of each year, present to the Legislature and the Governor a profile of the public assistance eligibility criteria utilized in the 49 other states.

(c) By January 31st of each year, present to the Legislature and the Governor a statement of the average scope of public assistance programs provided in the 49 other states.

(d) By January 31st of each year, present to the Legislature and the Governor a statement of the average state per capita expenditure for public assistance benefits provided to persons eligible for these benefits in the 49 other states.

(e) By January 31st of each year, present to the Legislature and the Governor a statement of the average state per capita expenditure for state and county administrative costs incurred in administering public assistance programs in the 49 other states.

(f) By January 31st of each year, present to the Legislature and the Governor recommendations for statutory revisions necessary to achieve delivery of public assistance benefits in California at a level consistent with the provisions of Section 10330.

(g) Not later than two years after the effective date of this act, report to the Legislature and the Governor on: (1) the economic and social effects of existing public assistance programs; (2) the areas where the policies of existing programs are deficient or inconsistent with the public purpose to be served; (3) the nature and scope of services which are an appropriate part of a comprehensive and integrated public assistance program; and (4) administrative organization, methods of administration, governmental cost sharing, and control procedures which will be effective in conserving human resources and public funds in the delivery of public assistance benefits.

(h) The commission shall, in carrying out the provisions of this section, use the best available statistical data. The commission may, where necessary, make estimates concerning the information required to be obtained pursuant to this section.

CHAPTER 4. BENEFIT LEVELS

10330. (a) Notwithstanding any other provision of law, on July 1, 1986, and on July 1 of each fiscal year thereafter:

(1) Expenditures for benefits under each public assistance program shall not exceed the national average state per capita expenditures, excluding California, for benefits under that public assistance program plus 10 percent of that average, as determined by the commission. Subject to

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Argument in Favor of Proposition 41

Proposition 41 limits all welfare spending in California to the national average, adjusted to allow for population differences, plus 10% to cover the higher cost of living here.

Currently California has the most expensive welfare system in the United States. In fact, California has 10% of the nation's population, and yet we pay out about 20% of all U.S. welfare payments—**DOUBLE THE NATIONAL AVERAGE.**

Proposition 41 specifically provides, however, that no program exclusively for the benefit of the elderly, physically disabled or blind may be cut.

This means that healthy, young welfare recipients will have to go to work.

California's welfare system is an expensive and unfair failure. It is unfair to the truly needy. It is unfair to you the taxpayer. It is unfair to other vital government programs.

Politicians are spending billions of your tax dollars on welfare programs without producing any real improvement in the lot of the needy in California.

The people of California want a welfare system that is compassionate and generous—one that truly provides effective assistance to the poor and needy people of our state.

But the politicians haven't made any serious effort to examine welfare programs—to test their effectiveness or the degree to which they may be fair or unfair to the needy and to you the taxpayer. Instead, the politicians continue to simply throw **BILLIONS** of your tax dollars in the general direction of the poor apparently in the vague hope that somehow some good may be produced.

In 1965 welfare in California cost about \$1 billion. Today it's costing more than \$10 billion. This far exceeds the rate of inflation—but is the welfare system 10 times better? **NO, IT'S WORSE.** California's welfare rolls continue to skyrocket.

By passing Proposition 41, you will force the politicians to take a hard look at welfare. For the programs that are working well there will be more than enough money. There simply will not be money to fund programs which are wasteful or encourage able-bodied younger people not to work.

According to a recent study, we're spending about \$2.6 billion **MORE** than the national average on welfare on the basis of population. The same study shows we're spending \$1.1 billion **LESS** than the national average on education and \$1.8 billion **LESS** on streets and highways!

I'm one taxpayer and state legislator who believes education and transportation should have at least the same priority for our tax money as welfare for younger, able-bodied welfare recipients.

If you disagree with me, vote no. But if you agree we should put a higher priority on education, transportation and relieving the burden on the ordinary California taxpayer than providing welfare for younger, able-bodied welfare recipients . . .

Vote yes on Proposition 41!

ROSS JOHNSON
California State Legislator
Chairman, Californians to Halt Excessive
Welfare Spending

Rebuttal to Argument in Favor of Proposition 41

When you vote on Prop. 41, you will vote on a measure with real effects, not on the rhetoric of a politician. Instead of vague rhetoric, here is what Prop. 41 really does.

Fact: Prop. 41 cuts medical assistance to the elderly and disabled. It is impossible to cut Medi-Cal by over 25% without severely affecting the elderly and disabled, who account for the large majority of Medi-Cal expenditures.

If the proponent is really against cutting medical care for senior citizens, why does Prop. 41 slash Medi-Cal?

Fact: Prop. 41 cuts foster care programs for abused, neglected, and homeless children by one-half. If the proponent really wants to help the truly needy, why does the initiative slash programs for children who need caring families?

Fact: Prop. 41 cuts assistance to over one million children by half, to a level far lower than virtually every other large urban state. If the proponent really wants to be compassionate, why does Prop. 41 deprive children and women of the necessities of life?

Fact: Prop. 41 virtually eliminates employment and workfare programs. If the proponent really wants to put people to work, why does Prop. 41 cut programs designed to get people off the welfare rolls?

No one is happy with the welfare system, but this does nothing to improve it. Instead, it slashes assistance to everyone, including our most needy citizens.

Let's not play politics with the elderly, disabled, and women and children. Vote **NO** on Proposition 41.

RAY UZETA
President, California Association of the
Physically Handicapped

REV. JOHN DECKENBACH
President, California Church Council

MARY JANE MERRILL
President, League of Women Voters of California

Argument Against Proposition 41

Prop. 41 is NOT welfare reform. Instead of reforming welfare by cutting fraud and abuse, it cuts assistance for everyone—including hundreds of thousands of homeless children, elderly, blind, and disabled Californians truly in need of assistance.

FIRST AND FOREMOST, PROP. 41 IS AN ATTACK ON CALIFORNIA'S ELDERLY. The medical assistance program on which 500,000 elderly depend will be cut by 25%. Seniors face reductions in many types of vitally necessary medical care, including elimination of such services as eyeglasses, dentistry, wheelchairs and medicines. If Prop. 41 passes, many of the aged will have to live on as little as \$317 per month before they can even qualify for medical assistance.

Reducing medical help to our seniors is especially bad, coming at a time when the federal government has already cut Social Security and Medicare, and is planning further reductions in Medicare. **IS THIS HOW WE WANT TO TREAT OUR PARENTS AND GRANDPARENTS, BY DENYING THEM THE HELP THEY NEED AS THEY GROW OLD?**

PROP. 41 HURTS THE BLIND AND DISABLED, WHILE DOING NOTHING TO CURB WELFARE ABUSES. If Prop. 41 passes, disabled children and adults will be denied the medical services they need to become productive, independent citizens. Many disabled individuals who are working will find themselves without any medical coverage at all for their special medical needs. Is this how we attack fraud and abuse, by making the blind disabled less productive and less independent?

PROP. 41 WILL KEEP HOMELESS CHILDREN FROM FINDING A FOSTER FAMILY. It will cut foster care programs in California in HALF. Such a reduction will mean that many foster families will no longer be able to afford to take in a child

who needs a family. Many children will no longer be able to find a suitable foster home.

Prop. 41 does nothing to cut fraud and abuse. What Prop. 41 does do is:

- It cuts assistance for an unemployed mother supporting two children from \$550 to \$360 per month or less.
- It reduces by 50% funds for workfare, employment training, and other job programs designed to take people off welfare.
- It cuts family planning assistance by over 80%.
- It reduces the ability to go after fraud and abuse, leading to more wasted money.
- It creates a new, wasteful and unnecessary welfare bureaucracy, the Public Assistance Commission. Public assistance should go to the needy, not to the bureaucrats.

PROP. 41 IS MISLEADING IN ITS CLAIM TO EXEMPT THE ELDERLY, BLIND AND DISABLED. The aged, blind and disabled account for a large portion of medical assistance in California. They cannot help but bear a major part of the burden of these cuts, despite the false claims of the initiative.

Prop. 41 is one of the most unfair initiatives ever put on the California ballot. It deprives assistance to the elderly. It cuts assistance to the blind and disabled. It will keep children from finding foster families. We strongly urge your NO vote on Prop. 41.

CLIFFORD W. HOLLIDAY

President, California Congress of Seniors

SUSAN GAMBINI

President, California State Foster Parent Association

RICHARD E. WHITE

President, Easter Seal Society of California

Rebuttal to Argument Against Proposition 41

Proposition 41 reduces welfare spending for healthy young adults in California from TWICE the per capita national average to 10% above that average.

Proposition 41 **GUARANTEES** benefits at current or higher levels to all aged, blind and disabled persons.

Proposition 41 simply means that some healthy, able-bodied young adult welfare recipients may have to work like everyone else.

Under Proposition 41 California would still be spending \$1 BILLION MORE on welfare than the national average even after adjusting to allow for our larger population. That leaves roughly \$10 BILLION. That's more than enough to provide the compassionate and generous assistance we want to give California's truly needy people.

That's all Proposition 41 does!

Examine the Attorney General's analysis. Read carefully the full text. Can you find anywhere the provisions the opponents say are there?

Is Proposition 41 "an attack on California's elderly"? Will it hurt "the blind and disabled"? No, just the opposite! In fact, it guarantees that benefits for the elderly, blind and disabled be maintained at or above the current levels.

Does it "reduce by 50% funds for workfare"? Cut "family planning assistance by over 80%"?

Nonsense! You can't find this language anywhere in Proposition 41—because it's not there!

The opponents' arguments are totally false. These arguments are a smoke screen to hide their real purpose, which is to continue giving welfare for young healthy adults a higher priority than education, transportation, and the budgets of hard-pressed taxpayers.

Vote YES on Proposition 41!

ROSS JOHNSON

California State Legislator

Chairman, Californians to Halt Excessive Welfare Spending

amounts in subsequent years, in order to replace the school district's share of the ongoing property tax revenues that would not be collected as a result of the measure.

3. **Impact on State and Local Fees.** The provisions of the measure which restrict local fees would result in revenue losses to municipally owned electric utilities of over \$250 million annually. We have identified \$50 million in other local fees and \$120 million in state fees that also would be invalidated by this measure. It is likely that a significant portion of other existing state and local fees would be invalidated as well, thereby reducing state and local revenues by at least an additional \$100 million annually.

4. **Impact on Revenue Bonds.** Provisions of the measure would also restrict—and in some cases, perhaps even eliminate—the ability of state and local agencies to finance the acquisition and construction of public facilities by issuing revenue bonds. Many agencies issue revenue bonds as a means of borrowing money from private investors for this purpose, and then repay the loans, with interest, from the proceeds of fees charged for the use of the facility, once it is completed. Investors typically require that the agency seeking to borrow funds demonstrate that it has the ability to raise whatever fee revenue is needed both to repay the bond principal and interest and to sup-

port the operation of the facility. The restrictions on fees imposed by this measure would, in most cases, prevent state and local agencies from making such guarantees. Any restrictions on the ability of public agencies to issue revenue bonds resulting from this measure can be expected to reduce significantly the amount of public facility acquisition and construction that occurs in California.

Summary

1. State government revenues would be reduced by at least \$100 million, net, over the two-year period 1984–85 to 1985–86.

2. The state would incur increased costs of up to \$750 million over the two-year period 1984–85 to 1985–86, as a result of the requirement in current law that the state replace any revenue losses experienced by K–12 school districts. The increased cost to compensate for any school district's revenue losses in subsequent years would be about \$150 million.

3. Local agencies other than schools would experience an identifiable net loss of property tax and other revenues of approximately \$2.8 billion over the two-year period 1984–85 to 1985–86. The revenue losses experienced by these agencies would be about \$1.1 billion in 1986–87 and subsequent years.

Proposition 41 Analysis

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employment and training programs, (2) Medi-Cal, and Family Planning.

The measure would limit the expenditure of federal, state, and county funds in California for the specified public assistance programs to 110 percent of the average per capita expenditure in the other 49 states. Thus, expenditures in California for these programs could not exceed the average per capita expenditures in the other states by more than 10 percent. The measure would place a similar limit on the amount that could be spent to administer these programs.

Under the measure, the Legislature could decide how much expenditures in each affected program would be reduced in order to comply with the expenditure limits. The Legislature, by majority vote, with approval of the Governor, could decide to allow expenditures for any individual program to exceed 110 percent of comparable expenditures in the other 49 states, provided that total expenditures in California for all of the affected public assistance programs did not exceed the 110-percent limit. The Legislature, by two-thirds vote, with approval of the Governor and after specified public notice, could amend any portion of the measure.

The measure *excludes* from the expenditure limits, among others, the following assistance programs: (1) Supplemental Security Income/State Supplementary Program, (2) In-Home Supportive Services (which provides homemaker services to elderly and disabled individuals), (3) day care for elderly and other frail adults, (4) child care services, and (5) other specified social services provided by county welfare departments.

The measure also establishes the California Public Assistance Commission and appropriates \$250,000 annually

from the state General Fund to finance the commission's activities. The commission would conduct an annual survey of public assistance programs in California and other states. The commission would present the results of its survey each year to the Legislature and the Governor, along with a description of any changes in laws that it recommends be made in order to meet the expenditure limits imposed by the measure.

Fiscal Effect

Expenditures. The net effect of the measure would be to reduce the *combined* expenditures of state and county governments, beginning on July 1, 1986.

The measure would directly reduce expenditures under the specified public assistance programs by substantial amounts. These expenditure reductions would be partially offset by increases in the costs of other cash grant and medical assistance programs, primarily those supported by county governments.

The size of the net reduction in combined state-county expenditures that would result from this measure cannot be determined at this time. Nor is it possible to specify what the fiscal impact of the measure would be on individual levels of government. This is because the measure's impact would depend on future actions that cannot be predicted. Specifically, the size of the change in expenditures at each level of government would depend on (1) how much each of the other 49 states chooses to spend on public assistance programs in the future and (2) the extent to which program changes made by the Legislature in implementing this measure bring about an increase in the costs of other assistance programs that are not subject to the expenditure limitations.

Revenues. The measure also would reduce revenues to the state and local agencies. This is because reductions in expenditures under the specified public assistance pro-

grams would reduce federal matching grants in support of these programs, thereby reducing the level of total expenditures (public and private) within California. The size of the revenue loss attributable to this measure cannot be estimated with any confidence.

An Illustration of the Measure's Potential Fiscal Impact. If this measure had been in effect between October 1982 and September 1983, approximately \$6.1 billion in public assistance expenditures within California would have been subject to the measure's spending limits. The reductions in federal, state, and county expenditures under the affected programs that would have been required by the measure during that year amount to \$3.0 billion. *Assuming* that the reductions would have been made so that expenditures under each program complied with the 110-percent limit, expenditures on AFDC benefits would have been reduced by 60 percent and expenditures on Medi-Cal benefits would have been reduced by 36 percent.

The General Fund's share of these expenditure reductions would have been \$1.4 billion, while the expenditure of county funds would have been reduced by \$140 million. In addition, there would have been a \$1.5 billion reduction in the amount of federal matching funds received and spent by California. (This is because federal grants-in-aid to California for the affected assistance programs are based on the amount spent by the state and its counties.)

The net reduction in benefit expenditures, however, would have been less than \$3 billion—perhaps considerably less, depending on how the reductions were implemented. This is because some portion of the expenditure reductions under the affected programs would have been offset by increased expenditures under other state or county programs. For example, individuals who lose AFDC eligibility as a result of program changes made by the Legislature in order to comply with the measure's expenditure limitations might be eligible to receive cash assistance under county general relief programs. Similarly, individuals who lose eligibility for Medi-Cal benefits might be eligible to receive medical treatment in county hospitals. Neither of these programs is subject to the expenditure limits established by this measure.

It is not possible to estimate what the size of these increases in county costs would have been without knowing the specific type of program changes that would have been made by the Legislature in implementing this measure. Even though the measure would have resulted in a net decrease in *combined* state and county expenditures for assistance programs during the October 1982 to September 1983 period, it is likely that the counties' expenditures would have been higher than they otherwise would have been.

If the measure had been in effect during fiscal year 1982-83, it also would have required a reduction of \$226 million, or 47 percent, in the amount spent to *administer* the AFDC and Medi-Cal programs. Part of the reduction in administrative costs would have been achieved automatically to the extent that the number of persons eligible for AFDC and Medi-Cal was reduced in order to comply with the measure. The remaining reductions would have had to be achieved by reducing expenditures for state and county personnel employed to administer these programs and other operating expenses.

Finally, the reduction of federal expenditures in Califor-

nia that would have resulted from implementation of this measure in 1982-83 would have reduced state and local tax revenues, over time, in the general magnitude of \$250 million per year.

Options for Achieving Benefit Reductions. If the measure is approved by the voters, there are three ways in which the Legislature could achieve the required reductions in benefit expenditures. Each of these options would have somewhat different fiscal effects on the state and county governments. The three options are as follows:

- **Limit Eligibility.** To the extent permitted by the federal government, the Legislature could reduce or eliminate the eligibility of certain individuals and families for AFDC and Medi-Cal benefits. While limiting eligibility would reduce federal and state General Fund expenditures, it could also result in increased county costs. This is because under state law California's counties are required to provide support, including cash and medical care, for indigent and incapacitated persons who do not receive assistance from other sources.
- **Reduce Benefits.** In order to stay within the expenditure limits established by the measure, the Legislature could reduce or eliminate some or all of the 30 Medi-Cal benefits that are not required by federal law. The Legislature could also reduce AFDC grants. For example, if the measure had been in effect during 1982-83, it would have been necessary to reduce the monthly AFDC grant for a family of three with no other income from \$506 to between \$223 and \$405 (depending on what other program reductions were made to implement the measure). Some families from other sources of income might no longer qualify for an AFDC grant. Such families, however, might qualify for assistance from the counties, thereby increasing county costs.

Under current law, any reduction in the AFDC maximum payment amount would automatically reduce expenditures under the Medi-Cal program by increasing the amount of health care costs that beneficiaries who do not receive cash assistance would have to pay before they could receive Medi-Cal benefits.

- **Reduce Provider Reimbursement Rates.** The Legislature could reduce reimbursement rates for some or all providers of Medi-Cal services (for example, physicians and hospitals) in order to contain program costs within the overall limits established by the measure.

Public Assistance Commission. The state General Fund would incur an additional cost of \$250,000 annually, beginning in 1984-85, for support of the California Public Assistance Commission created by this measure.

Summary. In summary, the net effect of the measure would be to reduce *combined* state and county expenditures, beginning July 1, 1986. It is impossible at this time, however, to determine the size of the reduction and the impact of the measure at different levels of government. While the measure would reduce expenditures under the specified public assistance programs by substantial amounts, these reductions would be partially offset to an unknown extent by (1) increased costs under programs that are not subject to the measure's limitations and (2)

reduced tax revenues resulting from the reduction in federal expenditures within the state. On balance, it is likely

that, if this measure is approved, state expenditures would be reduced and county expenditures would be increased.

Proposition 25 Text of Proposed Law

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(3) Certified by the board as entitled to priority over other treatment works, and which complies with applicable water quality standards, policies, and plans.

(h) "Eligible water reclamation project" means a water reclamation project which is cost-effective when compared to the development of other new sources of water, and for which no federal assistance is currently available. These projects or activities shall comply with applicable water quality standards, policies, and plans.

(i) "Federal assistance" means funds available to a municipality, either directly or through allocation by the state, from the federal government to construct treatment works pursuant to the federal Clean Water Act.

(j) "Small community" means a municipality with a population of 5,000 persons or less, or a reasonably isolated and divisible segment of a larger municipality encompassing 5,000 persons or less, with a financial hardship as defined by the board.

(k) "Supplemental state assistance" means a grant given to a qualifying small community, in addition to the normal federal and state contributions, to reduce the local share of a project.

(l) "Federal Clean Water Act" means the existing federal Clean Water Act (33 U.S.C. Sec. 1251 et seq.) and any acts amendatory thereof or supplementary thereto.

(m) "Voluntary, cost-effective capital outlay water conservation programs" means those feasible capital outlay measures to improve the efficiency of water use through benefits which exceed their costs. The programs include, but are not limited to, leak detection and repair within the water distribution and consumption system, distribution and installation of new and replacement water conserving fixtures and devices, valve repair and replacement, meter calibration and replacement, physical improvements to achieve corrosion control, irrigation system improvements to reduce leakage which results in the loss of otherwise usable water, tailwater pumpback recovery systems, construction of small reservoirs within irrigation systems which conserve water which has already been captured for irrigation use, and other physical improvements to irrigation systems. In each case, the department shall determine that there is a net savings of water as a result of each proposed project and that the project is cost-effective.

(n) "Department" means the Department of Water Resources.

13999.3. There is in the State Treasury the 1984 State Clean Water Bond Fund, which fund is hereby created. There shall be established in the fund a Clean Water Construction Grant Account for the purpose of implementing Section 13999.8, a Small Communities Assistance Account for the purpose of implementing Section 13999.9, a Water Reclamation Account for the purpose of implementing Section 13999.10 and a Water Conservation Account for the purpose of implementing Section 13999.11.

13999.4. There shall be a Clean Water Finance Committee consisting of the Governor or his designated representative, the Controller, the Treasurer, the Director of Finance, and the Executive Director of the State Water Resources Control Board. The Clean Water Finance Committee shall be the "committee" as that term is used in the State General Obligation Bond Law.

13999.5. (a) The committee is hereby authorized and empowered to create a debt or debts, liability or liabilities, of the State of California, in the aggregate amount of three hundred twenty-five million dollars (\$325,000,000), in the manner provided in this chapter. The debt or debts, liability or liabilities, shall be created for the purpose of providing the fund to be used for the object and work specified in this section and in Sections 13999.6, 13999.8, 13999.9, 13999.10, 13999.11, and 13999.14.

(b) The board is authorized to enter into contracts with municipalities having authority to construct, operate, and maintain treatment works and reclamation projects, for grants and loans to the municipalities to aid in the construction of eligible projects and eligible water reclamation projects and may adopt rules and regulations necessary to carry out the provisions of this chapter.

(c) As approved by the Legislature annually in the Budget Act, the board may, by contract or otherwise, undertake plans, surveys, research, development, and studies necessary, convenient, or desirable to carry out the purposes of this division, and may prepare recommendations with regard thereto, including the preparation of comprehensive statewide or areawide studies and reports on the collection, treatment, and disposal of waste under a comprehensive cooperative plan.

(d) As approved by the Legislature annually in the Budget Act, the board may expend bond funds necessary for administration of this chapter.

(e) Not more than 5 percent of the money deposited in the fund may be used for purposes of subdivisions (c) and (d).

(f) As approved by the Legislature annually in the Budget Act, the department may direct grants and loans to any public agency or, by

contract or otherwise, undertake plans, surveys, research, development, and studies necessary, convenient, or desirable to carry out voluntary, cost-effective capital outlay water conservation programs.

(g) The board may expend funds necessary to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.

13999.6. All bonds which have been duly sold and delivered constitute valid and legally binding general obligations of the State of California, and the full faith and credit of the State of California is pledged for the punctual payment of both principal and interest.

There shall be collected annually in the same manner, and at the same time as other state revenue is collected, the sum, in addition to the ordinary revenues of the state, required to pay the principal and interest on the bonds. It is the duty of all officers charged by law with any duty in regard to the collection of that revenue to perform each and every act which is necessary to collect this additional sum.

All money deposited in the fund which has been derived from premium and accrued interest on bonds sold is available for transfer to the General Fund as a credit to expenditures for bond interest.

13999.7. The State General Obligation Bond Law is adopted for the purpose of the issuance, sale, and repayment of, and other matters with respect to, the bonds authorized by this chapter. The provisions of that law are included in this chapter as though set out in full in this chapter, except that, notwithstanding any provision in the State General Obligation Bond Law, the bonds authorized under this chapter shall bear the rates of interest, or maximum rates, fixed from time to time by the Treasurer with the approval of the committee. The maximum maturity of the bonds shall not exceed 50 years from the date of the bonds or from the date of each respective series. The maturity of each respective series shall be calculated from the date of the series.

13999.8. (a) The sum of two hundred fifty million dollars (\$250,000,000) of the money in the fund shall be deposited in the Clean Water Construction Grant Account and is appropriated for grants and loans to municipalities to aid in construction of eligible projects and the purposes set forth in this section.

(b) If the federal Clean Water Act authorizes a federal loan program for providing assistance for construction of treatment works, which requires state matching funds, the board may establish a State Water Pollution Control Revolving Fund to provide loans in accordance with the federal Clean Water Act. The board, with the approval of the committee, may transfer funds from the Clean Water Construction Grant Account to the revolving fund for the purposes of meeting federal requirements for state matching funds.

(c) Any contract entered into pursuant to this section may include such provisions as may be determined by the board, provided that any contract concerning an eligible project shall include, in substance, all of the following provisions:

(1) An estimate of the reasonable cost of the eligible project.

(2) An agreement by the board to pay to the municipality, during the progress of construction or following completion of construction as agreed upon by the parties, an amount which equals at least 12½ percent of the eligible project cost determined pursuant to federal and state laws and regulations.

(3) An agreement by the municipality to proceed expeditiously with, and complete, the eligible project; commence operation of the treatment works upon completion and to properly operate and maintain the works in accordance with applicable provisions of law; apply for and make reasonable efforts to secure federal assistance for the eligible project; secure the approval of the board before applying for federal assistance in order to maximize the assistance received in the state; and provide for payment of the municipality's share of the cost of the eligible project.

(d) The board may, with the approval of the committee, transfer moneys in the Clean Water Construction Grant Account to the State Water Quality Control Fund, to be made available for loans to public agencies pursuant to Chapter 6 (commencing with Section 13400).

(e) Grants may be made pursuant to this section to reimburse municipalities for the state share of construction costs for eligible projects which received federal assistance, but which did not receive an appropriate state grant due solely to depletion of the State Clean Water and Water Conservation Fund created pursuant to the Clean Water and Water Conservation Bond Law of 1978 (Chapter 12.5 (commencing with Section 13955)). Eligibility for reimbursement under this section is limited to the actual construction capital costs incurred.

(f) To the extent funds are available, if the federal share of construction funding under Title II of the federal Clean Water Act is reduced below 75 percent, municipalities otherwise eligible for a grant under this section shall also be entitled to a loan from the Clean Water Construction Grant Account of up to 12½ percent of the eligible project cost.

(g) To the extent funds are available, if the federal Clean Water Act authorizes a federal loan program for providing assistance for construction of treatment works, the board may make those loans in accordance

91000. (a) Any person who knowingly or willfully violates any provision of this title is guilty of a misdemeanor *unless otherwise specified in the title*.

(b) In addition to other penalties provided by law, a fine of up to the greater of ten thousand dollars (\$10,000) or three times the amount the person failed to report properly or unlawfully contributed, expended, gave or received may be imposed upon conviction for each violation *unless otherwise specified in the title*.

(c) Prosecution for violation of this title must be commenced within four years after the date on which the violation occurred.

SEC. 10. Section 91009 of the Government Code is amended to read:

91009. In determining the amount of liability under Sections 91004 or 91005, the court may take into account the seriousness of the violation and the degree of culpability of the defendant. If a judgment is entered against the defendant or defendants in an action brought under Section 91004 or 91005, the plaintiff shall receive fifty percent of the amount recovered. The remaining fifty percent shall be deposited in the ~~General Good Government~~ Fund of the state. In an action brought by the civil prosecutor, the entire amount recovered shall be paid to the general fund or treasury of the jurisdiction.

SEC. 11. Section 18760 of the Revenue and Taxation Code is amended to read:

18760. On or before each calendar year, the Secretary of State shall forward to the Franchise Tax Board a list of qualified political parties. Qualification in the State of California shall be determined in accordance with Section 6430 of the Elections Code from the most recent election for which officially canvassed results are available. Any sums designated to a political party which ~~are~~ is not qualified pursuant to this section shall be ~~returned by the state for its General~~ deposited in the Good Government Fund.

~~+~~
The Chair of the State Central Committee of each political party receiving payments pursuant to this chapter shall segregate those moneys and disburse them only for purposes relating to promotion of the party and not to promote the election of any candidate. No funds received by a political party shall be disbursed by the party to any candidate, upon his or her determination that a majority of a committee composed as follows concurs in each such disbursement:

~~(1) Chair of that party.
(2) As to the majority party of the Assembly, its Speaker, or, as to each minority party of the Assembly, that party's Minority Leader.~~

~~(3) As to the majority party of the Senate, its President pro Tempore, or, as to each minority party of the Senate, that party's Minority Leader.~~

~~(4) As to any party unrepresented by both paragraphs (2) and (3) of subdivision (1), its chair shall be the sole member of the committee provided for in subdivision (1).~~

~~(5) As to any party unrepresented by one, but not both, of the categories specified in paragraphs (2) and (3) of subdivision (1), the two members of that committee provided for by subdivision (1) shall choose a third member to serve for each calendar year.~~

~~(6) Any funds received by a committee's political party which are disbursed by the committee to candidates shall be disbursed only to candidates for state office in connection with a statewide general election.~~

SEC. 12. If any provision of this act, or the application of any such provision to any person or circumstances, shall be held invalid, the remainder of this act to the extent it can be given effect, or the application of those provisions to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby, and to this end the provisions of this act are severable.

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the provisions of subdivision (b) aid grant and service levels for public assistance programs shall be established at levels that comply with the provisions of this paragraph.

(2) State and county administrative costs incurred in administering public assistance programs shall not exceed the national average state per capita expenditure, excluding California, for these administrative costs plus 10 percent of that average, as determined by the commission.

(b) Notwithstanding the provisions of Section 10350, this section shall not be construed so as to prevent expenditures, pursuant to a bill enacted by a majority vote of the membership of each house of the Legislature, for provision of benefits under any public assistance program from exceeding the national average state per capita expenditure, excluding California, for that public assistance program, plus 10 percent of that average, so long as total expenditures for public assistance benefits do not exceed the national average state per capita expenditure, excluding California, plus 10 percent of that average for all public assistance programs.

(c) This section shall not affect minimum basic standards of adequate care established under the provisions of Section 11452.

10331. In any year that the averages established for public assistance programs result in a reduction of necessary General Fund expenditures for these programs, all or any portion of the funds constituting the difference between prior and current expenditure levels may be used to improve the scope and quality of any public assistance program providing services exclusively to aged, blind, or disabled persons, including programs exempted from the provisions of this part pursuant to subdivision (b) of Section 10306.

CHAPTER 5. FISCAL PROVISIONS

10340. The sum of two hundred fifty thousand dollars (\$250,000) is annually appropriated from the General Fund to the California Public Assistance Commission to be used in carrying out the functions of the commission.

CHAPTER 6. MISCELLANEOUS

10350. Except as provided in subdivision (b) of Section 10330, this part may be amended or repealed only by the procedures set forth in this section. If any portion of subdivision (a) of this section is declared invalid, then subdivision (b) shall be the exclusive means of amending or repealing this part.

(a) This part may be amended by statute, passed in each house of rollcall vote entered in the journal, two-thirds of the membership concurring and signed by the Governor, if, at least 20 days prior to passage in each house, the bill in its final form has been delivered to the commission for distribution to the news media and to every person who has requested the commission to send copies of such bills to him or her.

(b) This part also may be amended or repealed by statute that becomes effective only when approved by the electors.

10351. If any act of the Legislature enacted prior to the effective date of this act conflicts with the provisions of this part, this part shall prevail.

10352. If any provision of this part or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this part which can be given effect without the invalid provision or application, and to this end the provisions of this part are severable.

10353. Except as provided in Chapter 4, commencing with Section 10330, this part shall become effective on February 1, 1985.