



# LOS ANGELES COUNTY COMMISSION ON HIV

STATE  
BUDGET CUTS  
BRIEF #5  
Update: July 6, 2009

## State Budget Far From Resolved

### State Budget Activities

More than two weeks ago, the State's Joint Legislative Conference Committee on the Budget proposed alternatives for many of the Governor's proposed cuts to health care and social service programs. Budget items specific to the State Office of AIDS (OA) were reviewed by the Committee on June 15<sup>th</sup>. The Committee did not agree with the Governor's suggested reductions for HIV/AIDS services and, instead, voted in favor of an alternative budget adjustment plan. On June 24<sup>th</sup>, the Legislature met to vote on the budget package recommended by the Conference Committee. The budget proposal did not win the two-thirds majority it needed to pass. The Legislature continues to meet to identify alternative budget options, including possibly attempting to pass portions of the budget with only majority votes.

Following is a summary of OA budget cuts recommended by the Governor compared to the version passed by the Joint Conference Budget Committee.

### AIDS Drug Assistance Program (ADAP):

ADAP is the State's program to provide medications and pharmaceuticals for people with HIV/AIDS with incomes less than \$50,000 annually.

**Governor's Proposal:** \$12.3 million reduction in State General Funds to ADAP by:

- ① Reducing the ADAP drug formulary, and
- ② Generating revenue by charging premiums to ADAP enrollees with incomes above 200% of the Federal Poverty Level (FPL).

### Conference Committee Plan:

No reductions to ADAP coverage. The Committee voted against ADAP formulary reductions and the premium proposal. The Committee proposed, instead, that ADAP be funded with resources from the program's rebate reserve fund. The Committee also recommended several minor accounting corrections/adjustments for ADAP cost savings.

### Early Intervention Programs:

Early Intervention Programs (EIPs) are HIV-specific ambulatory medical programs that enroll patients and provide them with comprehensive care, treatment, support, and referral services. In many local health jurisdictions, State-funded EIPs represent the only low-cost or public HIV-specific medical care in the area.

**Governor's Proposal:** 100% reduction of General Fund support for EIPs, equaling a \$7.4 million cut.

### Conference Committee Plan:

No reductions to EIPs.

**Testing and Counseling:**

OA allocates resources to local health jurisdictions for HIV/AIDS screening, testing and counseling services.

**Governor's Proposal:** 100% reduction of General Fund support for testing and counseling, equaling an \$8.2 million cut.

**Conference Committee Plan:**

No reductions to screening, testing and counseling services.

**Surveillance and Epidemiologic Studies:**

OA coordinates core HIV/AIDS surveillance statewide. These funds are used to conduct general surveillance operations at the state and local levels, and for limited epidemiologic studies to supplement the surveillance information. Surveillance is critical to understanding the HIV epidemic. Federal Ryan White funds for both local areas and the State are awarded based on the number of HIV/AIDS cases identified by surveillance activities.

**Governor's Proposal:** 100% reduction of General Fund support for these services, equaling an \$8.6 million cut.

**Conference Committee Plan:**

\$1 million reduction, representing a 12% reduction in General Fund support for surveillance/epidemiologic studies. The reduction was meant to eliminate the studies and other activities unrelated to core surveillance. The Committee intended for core surveillance activities to remain intact with the remaining funds.

**Education and Prevention:**

OA funds education and prevention programs including risk reduction, social marketing and other HIV prevention efforts statewide and in local jurisdictions.

**Governor's Proposal:** 100% reduction of General Fund support for these services, equaling a \$24.6 million cut.

**Conference Committee Plan:**

\$2.22 million reduction, representing a 9% reduction in General Fund contributions HIV education and prevention programs.

**Therapeutic Monitoring Program (TMP):**

TMP provides resistance (genotypic, phenotypic) and viral load test vouchers statewide that providers use to monitor which medications and treatment plans will be the most effective for individual patients.

**Governor's Proposal:** 100% reduction of General Fund support for TMP, equaling an \$8 million cut.

**Conference Committee Plan:**

\$714,000 reduction, representing a 9% reduction in General Fund contributions to TMP.

**Home/Community Based Care:**

These programs [Case Management Program (CMP) and the State Medi-Cal Waiver program] provide in-home case management and support services to severely ill patients with HIV/AIDS. These services are cost-effective alternatives to skilled nursing home placements.

**Governor's Proposal:** 100% reduction of General Fund support for these services, equaling a \$6.3 million cut.

**Conference Committee Plan:**

\$538,000 reduction, representing a 9% reduction in General Fund contributions to home and community based care.

### Housing Services:

OA's housing programs help coordinate local housing and referral systems.

**Governor's Proposal:** 100% reduction of General Fund support for housing services, equaling a \$1 million cut.

**Conference Committee Plan:** \$101,000 reduction, representing a 9% reduction in General Fund contributions to HIV housing programs.

### Other Cuts:

Care/HIPP pays for health insurance premiums and is not at risk because it is fully funded from federal resources. Other OA expenses for administration have been proposed for cuts.

**Governor's Proposal:** The Governor proposed a 48% reduction of General Fund support (\$3.4 million) for OA administration and support.

**Conference Committee Plan:** The Committee agreed with the Governor's proposal and retained his proposed cuts to OA administration and support.

## What Happens Next?

Both Houses of the State Legislature (the Assembly and Senate) must approve the final budget package before it can be sent to the Governor. Since the Conference Committee's proposal included "revenue enhancement" measures (e.g., taxes, revenue increases), it must be passed by a two-thirds vote in each House.

Partisan politics continue to play a significant role in the budget negotiations. This year, the Republicans (including the Governor) have announced that they will not support any revenue enhancements, guided by how they interpret the results

from May's special election (in which five of six budget-related reforms were voted down by Californians). Democrats have similarly sworn that they will not approve a budget with the scope and severity of cuts to health and human services proposed by the Governor. Democrats do not have a two-thirds majority in both legislative Houses to approve a budget without Republican support.

As a result, the two parties in each of the two Houses must find a compromise, or California's budget will be "deadlocked." The final budget package may contain either minor or significant changes to the Conference Committee's proposal.

Once the budget is passed by both the Assembly and Senate, it will be forwarded to the Governor. The Governor can veto the budget or sign it. If he vetoes it, it will go back to the State legislature to craft another budget that he finds acceptable. When the Governor signs a final budget, he also has the authority to use his "blue pencil"—referring to the process by which he can choose to eliminate specific budget line-items, including general funds for OA or specific OA HIV programs.

Until the budget is signed by the Governor, California is in a precarious financial position. The State Controller reported that California will run out of money in July, and began issuing registered warrants, or "IOUs", on July 2<sup>nd</sup>. The IOUs replace actual payments to beneficiaries (individuals, organizations and vendors) which banks may or may not honor, and will accrue additional interest that the State will eventually have to repay.

If the IOUs are used for too long, agencies will be forced to lay off personnel, benefits may cease, and State-funded services may stop. While a state cannot legally file bankruptcy, the effect may be the same.

Along this course, it is easy to see how HIV/AIDS services continue to be vulnerable. While the Conference Committee reduced the Governor's proposed cuts for HIV/AIDS services and programs to perhaps the lowest levels that could be expected, changes to the Committee's proposal in the Legislature, or by the Governor when he signs the budget, can still happen and could be devastating. **The HIV community must be vigilant and continue monitoring the budget process in case various parties attempt to alter or modify the Conference Committee's budget package.**

## Concerns about State Implementation of Cuts

While HIV/AIDS services are still in jeopardy as the budget process progresses, HIV/AIDS services/programs in LA County (LAC) and San Francisco (SF) are particularly threatened by implementation options being considered at the State Office of AIDS (OA). Among the most worrisome concerns are:

- ① OA leadership has publicly acknowledged that they are actively considering preserving prevention funds for all other health jurisdictions at the expense of LAC and SF—because they justify that LAC and SF both receive direct grants from the US Centers for Disease Control and Prevention (CDC).
- ② OA is also considering shifting more funding away from core surveillance activities than the Conference Committee intended. While the Committee cut \$1 million in funding from the “surveillance and epidemiological studies” budget, the cut was meant to elimi-

The CDC awards direct grants to LAC and SF because those two health jurisdictions are among the most impacted in the country, and collectively account for more than 50% of California's HIV/AIDS prevalence and incidence. The CDC grants supplement support for areas that are overburdened by the epidemic, and should not be used as justification to divert funds to other areas. Shifting resources away from the most impacted areas is dangerous public health strategy.

The methodology proposed by OA sets a dangerous precedent: if it removes State funding due to direct federal grants, OA may also consider a similar methodology for care and treatment funding. There are nine Ryan White Part A jurisdictions in California (Inland Empire, LAC, Oakland, Orange County, Sacramento, San Diego, SF, Santa Clara, Sonoma) that receive direct federal Ryan White grants from the US Health Resources and Services Administration (HRSA). Like the CDC grants, Ryan White (RW) grants are based on the prevalence of the disease and the HIV burden shouldered by those jurisdictions. Again, it would be poor public health planning for OA to restrict State and federal HIV care and treatment funds (e.g., EIPs, TMP, home-based care, etc.) to only those counties that do not directly receive HRSA funds.

nate the current epidemiologic studies and other activities not related to core surveillance. The Committee intended for core surveillance funding and activities to remain intact (*“It is the intent of the Legislature that this appropriation is utilized to maintain core active surveillance activities to meet federal reporting requirements . . .”*).

California’s HIV surveillance funding is used to identify, report and track individual cases (“case reports”) of HIV/AIDS in order to fully understand and respond to the epidemic. OA compiles the HIV cases and reports aggregate information to the CDC. HRSA then uses the CDC HIV case report data nationally to calculate RW Part A (to urban areas) and Part B (to states) awards. Without sufficient surveillance case reporting, California and its RW jurisdictions stand to lose substantial federal HIV funding and resources.

OA is considering options that include continuing portions of the studies, adding more administrative costs to the surveillance budget, and reducing surveillance funding for local jurisdictions—including what could amount to a significant reduction for LAC surveillance activities. A proposed cut could seriously derail LAC surveillance work and would result in the loss of local surveillance positions. All of this at a time when LAC still has more than 8,000 case reports to investigate and accounts for close to 40% of the State’s HIV case reports.

- ③ In spite of cuts to OA administration proposed by the Governor and the Conference Committee, OA may still

add staff and maintain staffing levels. Recruitment continues for several high-cost, newly created senior management positions. OA could also shift staffing costs to individual program budgets—which would mean fewer actual funds for program and service delivery. In this uncertain economic climate, OA should streamline its administrative responsibilities to significantly reduce expenses.

Facing the uncertainty of California’s continuing budget battle, HIV stakeholders are looking to OA to provide leadership and insight. However, this does not entail making significant resource shifts and allocations that further exacerbate already perilous local funding scenarios.

All core surveillance funds must be maintained at as close to current levels as funding allows in all jurisdictions, as directed by the Conference Committee. We must prioritize the continuation of those public health efforts that ensure that the State continues to receive the maximum levels of federal funding.

Similarly, it is unwise to modify large proportions of State funding allocations to local jurisdictions at this precarious time. State funding should follow the epidemic, and should continue to supplement local efforts in areas where there is the greatest HIV/AIDS prevalence and need. Confronted by fiscal instability at all levels, local jurisdictions and providers are struggling in a constantly evolving and worsening financial environment. OA should not be adding to the volatility and confusion, and should maintain its funding distribution patterns proportionate to current levels to all of the State’s HIV-impacted areas.

Re-allocation of resources based simply on direct grants from the federal government is imprudent methodology—especially given that overall need and other resources in the health areas have not been assessed or considered. These preliminary re-allocation decisions are being made without considering eventual outcomes or impacts, and without addressing effectiveness of the State investments. It is critical that this decision-making process be conducted with strong community input and the spirit of transparency, openness and sound methodological practice.

While the final disposition of State funding cuts is unknown, all parties understand that State resources will be limited, and actual State programs and services will be reduced. The solution is not adding more management and administration or maintaining current administrative cost burdens. The Governor and the Conference Committee expect OA to discharge its administrative responsibilities in a leaner and more efficient way. The HIV community agrees with this plan.

## What Can You Do?

As Californians impacted by HIV/AIDS and on the front lines of HIV/AIDS services and delivery, your voices are the most important in these ongoing budget discussions. Decision-makers need to hear from you and be held accountable by you. It is the Commission's role to provide you with the best information and to mobilize you to register your thoughts and concerns with our leaders. Following are several ways that you can do so:

- ① Contact the Governor and insist that he preserve vital HIV/AIDS programs when the budget comes to his desk (contact the Governor at: State Capitol Building, Sacramento, CA 95814; Tel. 916.445.2841; Fax. 916.558.3160).
- ② Contact (e-mail, call, fax and/or write) your State (Assembly and Senate) representatives to remind them of the value of these services to people with HIV/AIDS (look up your State representatives at: <http://www.legislature.ca.gov/portzipsearch.html>).
- ③ Tell those same State representatives to instruct State Office of AIDS (OA) to maintain State prevention and care funding for those areas (such as Los Angeles County and San Francisco) most impacted by the epidemic, to preserve all funding statewide and locally for core surveillance, and to curtail administrative costs.
- ④ Contact (e-mail, call, fax and/or write) Dr. Mark Horton, Director, California's Department of Public Health at [www.cdph.ca.gov/services/contact/Pages/default.aspx](http://www.cdph.ca.gov/services/contact/Pages/default.aspx) or 916.558.1700 to let him know that OA options to divert State funding away from the most impacted counties and core surveillance, and to continue administrative costs at higher levels, are unacceptable.

Remember, your voice is the most powerful and compelling tool that we have to inform sound decision-making. Don't be afraid to use it. Share your personal experiences and stories, and let our leaders know how their decisions will significantly impact your lives.