



March 18, 2011

The Honorable Jerry Brown, Governor  
The Honorable John Pérez, Assembly Speaker  
The Honorable Darrell Steinberg, Senate President pro Tempore

Dear Governor and Legislative Leaders:

Thank you for standing strong in support of a budget that includes sustainable revenue solutions, revenues which would prevent even more dangerous and potentially life-threatening cuts to essential health care and human services.

We know you face more difficult choices in the days ahead. We are counting on you to continue to be champions for California's low-income families, seniors, and people with disabilities. Please continue to stand firm against a spending cap that would limit the state's ability to provide critical health and human services to a growing and aging state whose needs can't be capped to an arbitrary formula.

You are keenly aware that California's budget crisis is largely driven by dramatic declines in revenues resulting from the Great Recession, not excessive spending. According to the California Budget Project, projected revenues for FY 2011-12 are \$41.4 billion below the forecast the Legislative Analyst made for this time period in 2007. State spending as a share of the State's economy has declined significantly over the last decade and will decline further under the Governor's proposed budget.

At the same time, low-income families, seniors, and people with disabilities have been dealt relentless blows by the Great Recession and by severe reductions in critical services including Medi-Cal, SSI, In-Home Supportive Services, CalWORKs, and child care.

A spending cap such as that proposed in ACA 4 of 2010, would prevent California from responding to demographic and economic challenges, such as the aging of the baby boomers and the need to increase the supply of high-skilled workers, limit the state's ability to rebuild these core public institutions when the economy improves; or to make the investments necessary for our economic growth, or to realize the opportunities created by federal health reform.

Specifically, this kind of cap:

- 1. Will lock-in health and human services spending at levels that should be a floor, not a ceiling.** As the current recession has caused revenues to plummet, the state has dramatically pared back health and human services for our most vulnerable, and a spending cap would ensure they can never be

restored—even in future times when services would be needed for economic growth. With such a cap in place, California would miss out on opportunities to draw down federal matching funds for health and human services, and other attempts to jump start economic activity.

**2. Will force additional cuts to health and human services because such a cap fails to account for rising health care costs, which are growing faster than inflation.**

Between 1990 and 2004, for example, national per capita health care expenditures more than doubled, rising by 123 percent, while the Consumer Price Index (CPI) for California, which measures inflation in households' purchases, rose by just 45 percent.

**3. Will result in health and human services being “crowded out” of the budget.** Under normal (“Test 2”) conditions, the proposition 98 guarantee is tied to the change in per capita personal income growth. Between 1990-91 and 2007-08, per capita personal income grew at an average annual rate of 4.0 percent, while the CPI rose by 3.0 percent, on average. Over time, this disparity would result in education “crowding out” all other state spending.

On behalf of the Health and Human Services Network of California, a network of advocates, consumers, and allies working together for strong health care and human services in California, we ask you to stand strong against a spending cap that would prevent restoration of critical health and human services and limit California's investment in our future.

Thank you for your leadership.

Nancy Berlin, Director  
California Partnership

Anthony Wright, Executive Director  
Health Access

Paul Tepper, Executive Director  
Western Center on Law and  
Poverty

Reshma Shamasunder, Director  
California Immigrant Policy  
Center