

April 6, 2004

Hon. Bill Lockyer
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Tricia Knight
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative entitled the "Humane Economic Liberty Program for California" (File No. SA2004RF0015). This initiative makes sweeping eligibility changes to California's health, education, and social services programs. The main provisions and fiscal impacts of the measure are discussed below.

Major Provisions

Background. Generally, health, social services, and educational programs operated by the state of California require recipients to be residents of the state and to meet other eligibility requirements. Some programs are restricted to U.S. citizens and/or legal residents. Many programs target financial resources and assistance to recipients who have the lowest income or have the greatest degree of disability or impairment.

Changes to Residency and Citizenship Requirements. This measure would make all persons eligible for state or local public benefits "if he or she submits proof that he or she has paid one or more local, state, or federal taxes." Because virtually all persons pay sales taxes, this measure would make all persons in California, including foreign tourists, residents of other U.S. states, and undocumented persons potentially eligible for public benefits in California. This measure effectively eliminates residency and citizenship requirements as conditions of eligibility.

Other Potential Eligibility Expansions. The measure states that "no person shall be denied" a public benefit if he or she pays any tax and meets "applicable conditions of eligibility for the benefits based on income, resources, age, and physical disability." This provision could significantly limit the state's ability to control eligibility for various programs. For example, working adults with children under the age of 13 are eligible for child care so long as their income is below 75 percent of the state median. However,

current law targets such benefits to those with the lowest income, and many families below 75 percent of the state median income are placed on waiting lists for child care. If enacted, this measure could significantly limit the state's ability to use waiting lists to control costs for child care. If subsidies for higher education are deemed to be a public benefit, then this measure would prohibit California from differentiating between residents and nonresidents with respect to out-of-state tuition.

Fiscal Effects

According to data from the Department of Homeland Security and the California Department of Finance, there are approximately 2,400,000 undocumented persons residing in California. This measure would make all such undocumented persons eligible for public benefits in California assuming they meet other eligibility requirements permitted under the measure. In addition, residents of other U.S. states and foreign tourists would be eligible for benefits. Because of these eligibility expansions, this measure would result in significant costs for health and social services as well as for education programs.

Health and Social Services. Provisions in the measure making undocumented persons eligible for health and social services would result in significant costs to the Cash Assistance Program for Immigrants, the California Food Assistance Program, the CalWORKs program, Medi-Cal, the Healthy Families Program, mental health services, county-run General Assistance programs, and various other health services programs. There would also be significant additional costs for providing health and social services for other nonresidents and from other provisions in the measure that could limit the state's ability to control a program by targeting services and benefits to those most in need. The collective cost to the state and counties of this measure could thus amount to several billion dollars annually. Counties would experience some unknown partially offsetting savings to the extent that individuals who now receive health services through county indigent health care programs became eligible for assistance through state health care programs, such as Medi-Cal.

Higher Education. This measure could eliminate nonresident tuition charges, potentially decreasing higher education revenue by about \$400 million per year. To the extent that reductions in nonresident tuition encourage more nonresidents to apply, this measure could generate substantial cost pressures to increase enrollment funding. Finally, eliminating residency requirements would increase Cal Grant costs by about \$20 million immediately, and eventually much more if additional needy nonresident students enroll in higher education.

Summary of Fiscal Effects

We estimate the measure would have the following fiscal effects:

- State and local health and social services costs of several billion dollars annually.
- Loss of nonresident tuition revenues of about \$400 million per year and annual Cal Grant costs of about \$20 million.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

Donna Arduin
Director of Finance