



Agenda Page 146, Issue 128 Managed Risk Medical Insurance Board—Item 4280-103-0001 County Health Initiative Interim Assistance Program

May 31, 2006

Proposed LAO Compromise

The Senate approved, as budgeted, a May Revision proposal by the administration to appropriate \$22.8 million from the General Fund for one-time grants to County Health Initiatives (CHIs) to provide health insurance coverage for children on CHI program waiting lists. The Assembly rejected the administration proposal and instead provided \$40 million from the General Fund for a similar program that required an equal funding match from CHIs. We propose the following compromise:

1. Approve Level of State Funding Proposed by Senate, but Add County Match Requirement Proposed by Assembly

We recommend approval of state General Fund support at the \$22.8 million level proposed by the administration and the Senate. We further recommend modifying the administration's proposed trailer bill by adding a requirement that CHIs match the funds provided by the state at a 1:1 ratio. Such an action would provide a total of about \$46 million in state and local funds to insure additional children, while maintaining the practice of requiring local funding for a portion of coverage for children who are not eligible for Healthy Families or Medi-Cal.

2. Revert a Portion of the State Funds if the November Tobacco Tax Initiative Passes

If the voters pass the Tobacco Tax Act of 2006 this November, a new funding source—additional tobacco tax revenues—would be available to provide children's health coverage for those not currently eligible for Medi-Cal or Healthy Families. Under the administration's approach, which was approved by the Senate, about 40 percent of the proposed funding for CHI grants would not be disbursed before January 2007—after the election outcome of the tobacco tax measure is known. Under these circumstances, we recommend that the trailer bill language to implement the administration proposal be amended to revert this portion of funding if the tobacco tax measure passes.

We recommend adding the following to the administration—proposed Section 12699.656 of the Insurance Code:

(g) If the Tobacco Tax Act of 2006 is enacted as a result of the November 2006 statewide election, any state funds that would otherwise be distributed pursuant to paragraph (c) of this section shall revert to the General Fund.