

## COUNTY OF MENDOCINO

### GOVERNOR'S 2010-11 JANUARY STATE BUDGET PROPOSAL STATE BUDGET IMPACTS FY 2010-11

On January 8, 2010, the Governor released his January Proposed 2010-11 Budget. The Proposed Budget anticipates a \$6.6 billion dollar shortfall in 2009-10 and \$12.3 billion in 2010-11.

The Governor declared a fiscal emergency and called the Legislature into special session to address the state's fiscal crisis. The Legislature then has 45 days to address the fiscal emergency.

The Governor has also stated that the federal government failed to fully fund programs which the state now must provide funding for these programs. According to the Governor's budget, federal mandates, including spending requirements, constraints on program reductions, and federal court decisions delaying the reduction of services have contributed more than \$1.4 billion toward the current budget. The Administration is requesting additional federal reimbursement for certain programs for a total of \$6.9 million in new federal funding. If the state fails to secure additional federal funds by July 15, 2010, trigger cuts will go into effect. (See below trigger cuts).

In addition to the reductions to programs triggered to be cut, the Governor includes one-year revenue proposals totaling \$2.4 billion dollars anticipated to increase the General Fund to assist in closing the gap, which are mostly extending tax credit deferrals for businesses and corporations, and lowering personal income tax credits.

#### CASH DEFERRALS IN THE JANUARY PROPOSED STATE BUDGET

The Governor's budget anticipates that the state will have sufficient funds to repay the \$8.8 billion of RANs borrowing from local governments to be paid in May and June 2010 as scheduled.

However, the Administration does expect a cash shortfall again in July 2010, and the Governor is proposing external financing mechanisms most likely with expected payments of higher interest rates and more cash payment deferrals. Updates will be provided as they are known.

#### LAW/JUSTICE/PUBLIC SAFETY

- **VLF for Public Safety** - In the 2009-10 budget, the Legislature dedicated a portion of the 0.5 percent of Vehicle License Fee (VLF) revenue into a Local Safety and Protection Account that supports local public safety programs previously funded through the state's General Fund. The revenue projected is now projected to be lower than anticipated, however, at this time; the Governor proposes to leave this account in tact.
  - **Impact to Mendocino County is unknown at this time.**
- **Schools and Prisons** - The Governor introduced a constitutional amendment to ensure that California is not spending more on prisons than it does on higher education. The Governor proposes a constitutional requirement that no less than 10% of the state General Fund be

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allocated to fund higher education and no more than 7 % of state funds will be allocated to support the prison system. The Governor's proposed amendment would also prohibit the early release of state prison inmates. The governor is proposing that offenders convicted of specified non-serious, nonviolent, non-sex felonies including drug possession to incarcerate for up to one year in local jails.

- **Impact to Mendocino County is unknown at this time.**

#### GENERAL GOVERNMENT/FINANCE

- **State Mandates** - the Governor's budget proposal continues to suspend all mandates suspended in the current fiscal year, which is most of them. The mandates that remain in effect are mostly in elections, public safety, or property tax administration.

The Governor also proposes to defer this year's payments again for pre-2004 (pre-Proposition 1A) mandate reimbursements. The state had deferred mandate payments for several years prior to the passage of Proposition 1A. The provisions of Proposition 1A and state statute allow the state to repay that debt over a period of fifteen years, but the state has deferred these amortized payments for the last few years. It is anticipated that the state will pay interest when these mandated payments are made to counties.

- **Impact to Mendocino County is approximately is \$2.8 million dollars with claims dating from FY 94-95 through 2007-08.**
- **May Election Reimbursement** - The Governor has included in his budget a reimbursement for county costs associated with last May's 2009 special election, which was called to let the voters decide various budget measures. In 2009-10, \$200,000 was taken out of BU # 1410 due to no language in the state final budget state final budget to reimburse counties as anticipated in the state's proposed budget.
  - **Impact to Mendocino County is an increase in funding which could offset costs associated for the November 2009 election and June 2010 election pending confirmation of funds to be accrued for FY 2009-10 approximately \$200,000 to BU # 1410 for 2010-11.**
- **Redevelopment funds** - The 2009-10 budget included \$350 million slated for re-direction to the schools for the 2010-11. The Governor is now proposing to once again redirect this funding to offset the General Fund and offset the state's obligation to the trial courts.
  - **Impact to Mendocino County is approximately \$227,821 for BU # 1025.**

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- **AIDS Drug Assistance Program (ADAP)** - The Governor's budget proposes to eliminate funding (\$9.5 million) for ADAP services to inmates in county jails.
  - **Impact to Mendocino County is approximately \$1000 per year in State funds to cover costs of registering inmates**
- **Offender Treatment Program** - The Governor proposes to zero out funding (\$18 million) for or the Substance Abuse Offender Treatment Program. No support for Proposition 36 is provided for in the Governor's proposed budget.
  - **Impact to Mendocino County is approximately is \$64,000.**

#### HEALTH & HUMAN SERVICES

The Governor's 2010-11 proposed budget suggests cuts to the state's General Fund Health and Human services expenditures by \$2.4 billion, or an 8 percent decrease from the revised 2009-10 budget year to take effect on July 1, 2010.

- **Medi-Cal** - The Governor's proposed budget includes significant reductions in the Medi-Cal program.
  - **Cost Containment Strategies.** The Governor's proposed budget outlines a \$750 million General Fund reduction for the implementation of cost containment strategies. Such strategies would include limits on services and utilization controls, increase cost sharing through co-payment requirements and/or premiums, and other programmatic changes. The Department of Health Care Services has not finalized the cost containment proposal and anticipates releasing additional details in the coming weeks.
  - **Eliminate Full-Scope Medi-Cal for Certain Immigrants** - The Governor's proposal would eliminate full-scope Medi-Cal benefits for adult Newly Qualified Immigrants, except for pregnant women. It would also eliminate full-scope benefits for Immigrants Permanently Residing under Color of Law (PRUCOL), and some Amnesty Immigrants, for a total of about 250,000 people affected. Remaining services would include emergency services, pregnancy, long-term care and breast and cervical cancer treatment. These cuts are estimated to total \$118 million in 2010-11. The budget assumes that the proposal would take effect March 1 but savings would not be realized until June 2010 because of implementation timeframes.
  - **Proposition 99** - The budget includes a proposal to use one-time Proposition 99 reserves to offset \$36 million in Medi-Cal costs. (eminent domain)

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- **Impact to Mendocino County is increased eligibility workloads effecting doctors, clinics and is unknown at this time.**
- **Delay Provider Check write** - The Governor hopes to save \$55 million in the current year by deferring one weekly payment to institutional Medi-Cal providers, which include hospitals, clinics, and nursing homes.
  - **Impact to Mendocino County is to the local providers and the hospitals that are already experiencing significant impacts with delays in reimbursement.**
- **Healthy Families - Reduce Eligibility** - The Governor proposes to reduce HFP eligibility from 250 percent of the federal poverty level (FPL) to 200 percent. This will save an estimated \$10.5 million in the current budget year and \$63.9 million in 2010-11. The Governor wants this change to take effect on May 1 in order to achieve current year savings. Furthermore, the state scores a conforming \$3.9 million decrease in the California Children's Services (CCS) program for beneficiaries who were previously eligible under the Healthy Families Program.
  - Reduce Benefits. The Governor proposes to eliminate vision coverage under the HFP.
  - Increase Premiums. The Governor also proposes to increase premiums for families with incomes from 151 percent to 200 percent of the FPL. The premium increase include \$30 per child or \$90 maximum increase per family with three or more children (currently, these families pay \$16 per child or \$48 maximum). This proposal would not affect families with an income under 150 percent of the FPL. Both proposals would take effect on July 1.
- **Impact to Mendocino County is as of May 2009, 600-800 children of the 2500 children enrolled in Healthy Families County wide were children of families with incomes in the 200-250% of Federal poverty level range. The Healthy Kids Mendocino program's CALKIDS insurance option does not have local funding to support enrollment of all the families who would be dis-enrolled from Healthy Families.**
- **With respect to CCS / Healthy families cases, the county saves its 17.5% share of Administrative costs of CCS cases that lose healthy families eligibility and are no longer automatically CCS eligible. However, the County risks picking up 50% county share of treatment costs for those families no longer eligible for Healthy Families that have devastating treatment costs (above 20% of family income) conferring CCS eligibility. In the long term, more severity of treatment costs are**

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**expected in CCS when fewer families have access to preventive medical care. Exact dollars cannot be estimated.**

- **(IHSS) In Home Support Services - Elimination of Services Based on Functional Index.** The Governor is again attempting to limit the provision of services to current and prospective IHSS recipients by eliminating all services for recipients with a Functional Index (FI) score of 4 or less, or 87 percent of the current recipient population. The 2009-10 budget includes IHSS service eliminations for those with a FI under 2 and is currently being litigated. There is currently an injunction in place preventing the state from implementing the service cuts.
  - **Reduce State Participation in Wages.** The Governor wants to reduce the state's participation in wages for IHSS workers down to the state minimum wage of \$8.00 per hour. The state's share of 60 cents per hour for benefits would be unchanged. Together, the reduction of the state's wage participation and the elimination of services for those below a functional index of 4 would save the state an estimated \$77.9 million in 2009-10 and \$872.6 million in 2010-11. These estimates assume a current year implementation.
  - **Impact to Mendocino County is a backfill of general fund dollars by approximately \$1 million dollars for 2010-11 if assuming provider wages remain the same, also a loss of services to the community and community partners by approximately \$2 million dollars and the consumer taking on the share of the costs.**
- **CalWORKs -** The Governor proposes three reductions in the CalWORKs program:
  - Reducing CalWORKs grants by 15.7 percent.
  - Reducing child care provider reimbursements (no other detail was provided).
  - Eliminating the Recent Non-citizen Entrants program, which provides benefits to legal immigrants who have been in the U.S. less than five years (24,000 people).
  - **Impact to Mendocino County will be the reduction of clients and associated assistance levels.**
- **New County Share of Cost for Children's Programs -** The Administration proposes redirecting the county "savings" created by reductions to the CalWORKs and IHSS programs. The state estimates the program reductions will create \$505.5 million in county savings. The state would decrease state General Fund expenditures for children's programs and impose an increased county share of cost for Foster Care, Adoptions Assistance, and Child Welfare Services.

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- **Impact to Mendocino County is approximately the net savings or cost is intended to net the County zero. However, the State would be lowering its costs by decreasing the required State share, while passing on those costs to the Counties with a larger County share using up any savings gained by eliminating the two programs.**
- **Supplemental Security Income/State Supplementary Payment (SSI/SSP) Grant Reductions** - The Governor wants to reduce SSI/SSP grants to individuals by \$15 per month (from \$845 to \$830), which would bring them down to the federal minimum. Individual grants were reduced down to the federal minimum last year.
  - **Impact to Mendocino County is to the most vulnerable citizens who are the aged, blind, and disabled.**
- **California Food Assistance Program** - The Governor, as he did in the 2009, proposes to eliminate the California Food Assistance Program (CFAP) effective June 1, for a savings of \$3.8 million in the current year and \$56.2 million in 2010-11.
  - **Impact to Mendocino County is a reduction in client assistance costs.**
- **First 5 (Proposition 10)** - The Governor proposes to place another ballot measure before voters in June 2010 to redirect \$550 million in First 5 funds to programs serving children. The proposal would shift 50 percent of the First 5 revenues directed to state and local accounts for programs (\$242 million in 2010-11) and a one-time sweep of state and local reserves (\$308 million). These funds would be redirected to programs administered by the Department of Developmental Services and Department of Social Services. Please note that a similar ballot measure failed in the May 2009 special election.
  - **Impact to Mendocino County would be the First 5 programs effecting health care for children and families. And for children ages 0-5,**
- **Mental Health Services Act (Proposition 63)** - The Governor also proposes to place another ballot measure before voters in June 2010 to redirect \$452.3 million in Mental Health Services Act funds to mental health programs currently supported with General Fund resources. Specifically the Mental Health Services Act funds would be used to replace General Fund spending on portions of the EPSDT program and Mental Health Managed Care. Both the non-supplantation and the maintenance-of-effort provisions of Proposition 63 would be amended. The previous ballot measure to redirect Mental Health Services Act funds failed in the May 2009 special election.
  - **Impact to Mendocino County will be less Mental Health services provided due to cuts that will have to be made to the MHSA (Prop 63) programs and variable**

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impacts in dollars not known at this time. This is due to the proposal to “backfill” State General Fund contributions to Managed Care and EPSDT funding by approximately \$1.2 billion dollars and trading MHSA’s flexible usage of funding under the Act. While MHSA redirection would create larger reductions in MHSA allocations, without MHSA redirection Mental Health may face larger cuts to Managed Care Allocation and reduction in EPSDT.

#### COMMUNITY RESOURCES/INFRASTRUCTURE

- **Transportation - Prop 42** - The Governor proposes to eliminate the sales tax on gasoline, proceeds of which fund Prop 42, currently valued for FY 2010-11 at \$1.573 billion for Prop 42 and \$879 million for the spillover account. As a replacement for the sales tax elimination, the Governor proposes to institute a 10.8-cent excise tax on gasoline (Highway User Tax Account or HUTA) which will be significantly lower than previous funding, or the equivalent of a 5-cent per gallon tax cut. Under the proposal, the total excise tax would increase to 28.8-cents per gallon, whereas the existing combined Prop 42 and HUTA taxes currently equal 34-cents. However, the proposal does not affect the current distribution of the 18-cent HUTA. Local streets and roads are estimated to receive \$1.717 billion in FY 2010-11 or \$858 million for counties. Prop 42 has a growth potential of approximately 5% annually and the excise tax on gasoline is a declining revenue source due to increased vehicle efficiency and overall reduced consumption.

The Governor’s proposed swap of excise tax revenue for sales tax revenues associated with gasoline therefore reduces the growth potential for transportation funding in the State resulting in the reduction of job growth into the future. The constitutional protections for Prop 42 do not apply to the excise tax or HUTA. The Board may recall that Prop 42 revenues can only be borrowed twice in ten years and requires payback before borrowing again. Further, payback must occur within three years and with interest. Currently, the constitution allows the State to borrow HUTA with required payback within three fiscal years, but with no interest requirements and no restriction on consecutive or limited year borrowing.

- **Impact to Mendocino County may be a loss of funding by which could be approximately \$800,000, based on a linear ratio but unknown until further detail and updates are provided.**

#### AGRICULTURE AND NATURAL RESOURCES

- **Williamson Act** - Proposal is the same as FY 2009-10 with no subvention funding and amount of \$1,000 dollars left in the budget.
  - **There is no impact to Mendocino County. \$565,000 was reduced in projected revenue in 2009-10.**

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- **State Parks** - The Governor's proposed budget includes a \$140 million shift from California State Parks budget. The proposed budget would backfill this amount with revenues generated from the proposed Tranquillon Ridge oil lease. This proposal, which was also included in last year's proposed budget and faced fierce opposition and would have to be approved by the California State Lands Commission or by the Legislature.

➤ **Impact to local state parks unknown at this time.**

#### STATE TRIGGER CUTS PENDING FEDERAL FUNDING

The Administration has developed a list of **permanent reductions** or trigger cuts that will occur totaling \$4.6 billion in General Fund as stated below if federal funding is not received. These cuts (below) would go into effect if California is unable to secure \$6.9 billion in federal funds and are in addition to the cuts proposed for the current year and 2010-11:

- ◆ Eliminate the California Work Opportunity and Responsibility to Kids (CalWORKs) Program (\$1.044 billion).
- ◆ Fund existing mental health services with Proposition 63 fund (\$847 million).
- ◆ Reduce Medi-Cal eligibility to the minimum allowed under current federal law and eliminate most remaining optional benefits (\$532 million). The eligibility cuts include: (1) rolling back the 1931(b) program to March 2000 levels, (2) reducing services for children and pregnant women to 133 percent of FPL, (3) reducing the Aged, Blind and Disabled program to SSI/SSP levels, (4) eliminating the Medically Needy Program, (5) eliminating the Breast and Cervical Cancer Treatment Program, (6) eliminating the Child Health Disability Program (CHDP) Gateway, (7) eliminating the Medically Indigent long term care program, and (8) eliminating the Family Planning program. Very few optional benefits would be available for adults with the exception of pharmacy services.
- ◆ Reduce state employee salaries by an additional 5 percent (\$508 million).
- ◆ Eliminate the IHSS Program (\$495 million).
- ◆ Redirect additional county savings associated with CalWORKs and IHSS reductions (\$325 million).
- ◆ Eliminate non-court required inmate rehabilitation programs, implement banked parole for low-risk serious and violent offenders, expand crimes where convicted felons will serve time in local jails, and increase the number of parolees each agent will supervise (\$280 million).

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- ◆ Eliminate the Healthy Families Program (\$126 million). Transitional Housing Placement for Foster Youth-Plus Program. Eliminate state funding for the Transitional Housing Placement for Foster Youth-Plus Program for \$36 million in savings.
- ◆ Eliminate funding for enrollment growth at the University of California and the California State University (\$111.9 million).
- ◆ Eliminate various health services programs funded by Proposition 99 (\$115 million)
- ◆ Make an unallocated reduction to trial courts (\$100 million)
- ◆ Freeze the level of awards and income eligibility for Cal Grants (\$79 million)
- ◆ Eliminate funding for the Transitional Housing Placement for Foster Youth-Plus Program (\$36 million)

The Executive Office will update the Board on any new local impacts at a future Board meeting.

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