

COUNTY OF MENDOCINO

GOVERNOR'S FY 2010-11 MAY REVISE STATE BUDGET IMPACTS FY 2010-11

On May 14, 2010, the Governor unveiled his May Revision for FY 2010-11 Budget. The Governor says the state needs to close a nearly \$18 billion shortfall, though the governor uses a higher figure that includes a \$1.2 billion reserve he wants to create. To close the gap, the Governor proposes \$12.4 billion in spending cuts, \$3.4 billion in additional federal money and \$3.4 billion in borrowing, fund shifts and other "alternative" funding.

The Governor's budget proposal preserves some judicial areas, and provides increases in funding to higher education, but would decimate social safety nets such as Mental Health services and CalWORKs. The Elimination of CalWORKs, for example, would save the state money by pushing more people onto county aid rolls. Likewise, counties say a plan to save \$244 million by shifting thousands of state prisoners to county custody would strain local budgets. And the governor's plan to borrow \$650 million in gas tax funds would provide money now at the cost of burdening future state budgets with repayment.

CASH DEFERRALS IN THE MAY REVISE 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. There may be some "additional cash solutions" to be reported later in the summer to avoid the need for external borrowing.

LAW/JUSTICE/PUBLIC SAFETY

- **Funding for Local Public Safety Programs and Facilities-** 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 temporary VLF increase lapses in FY 2010-11, and the Governor's May revise proposes no changes to the funding mechanism in the current year.
 - **The Sheriff's office has estimated revenues in FY 2010-11 that are reflected in their budget for the reduced payments from the State's Local Safety and Protection Account for the Rural and Small County Sheriff's Program (AB443), and Jail Efficiency Fees (booking fees). The Citizens' Option for Public Safety (COPS) funds are maintained in a separate fund (1210), and are not part of the County's General Fund, but is estimated to be reduced for those programs for FY 2010-11.**
- **Public Safety Programs FY 2011-13-** However, the Governor's revised budget plan proposes to make a continuous appropriation of \$502.9 million, beginning in FY 2011-12 and going forward, from the state general fund for local programs which would effectively bring funding back to its 2008-09 level or an increase in funding for local public safety programs.

COUNTY OF MENDOCINO

GOVERNOR'S FY 2010-11 MAY REVISE STATE BUDGET IMPACTS FY 2010-11

- **Impact to Mendocino County would increase the funding levels for public safety programs in FY 2011-12 by approximately 10 %.**
- **Detaining felony state inmates in county jails-** The Governor proposes a new program under which non-serious, non-violent, non-sex offenders sentenced to state prison terms of 36 months or less would serve their time in county jail. In exchange, counties would receive local block grant funding – derived from the savings the state would see from the reduction of state prison population – based on approximately \$11,500 for each inmate, which would be allocated for such purposes as probation programming, drug courts, and alternative custody. The mitigating funding is not intended to fully cover the costs of the new detention responsibilities but to address the needs of jail detainees displaced by incoming state inmates. This proposal would provide the state with \$243.8 million in General Fund (GF) savings.
 - **Impact to Mendocino County is that this proposal assumes that state prisoners will displace local detainees. However, based on current jail population levels, we could add state prisoners without releasing local detainees. The result is that costs for jail operations would increase, but without any reimbursement to the jail to offset the additional costs. At this time, there is insufficient information available to make an estimate of how much those additional costs would be.**

GENERAL GOVERNMENT/FINANCE

- **State Mandates** – The January Governor's budget proposal stated continuing the suspension of all mandates 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. There are no changes in the May Revise except to AB 3632, the (Mental Health Services for Special Education Pupils) which is discussed in the Health and Human Services section. These suspended mandates still include SB 90 Prop 1A borrowing which is still expected to be repaid over a 15 year period with interest.
 - **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 May Revise language that includes a reimbursement for county costs associated with last May's 2009 special election.
 - **Impact to Mendocino County is in BU 1410 and funds are budgeted and will be accrued for FY 2009-10 for approximately \$200,000.**
- **Redevelopment funds** - The state FY 2009-10 budget included \$350 million slated for re-direction to the schools for the 2010-11. The Governor is proposing to once again redirect this funding to offset the General Fund and offset the state's obligation to the trial courts. A

COUNTY OF MENDOCINO

GOVERNOR'S FY 2010-11 MAY REVISE STATE BUDGET IMPACTS FY 2010-11

Sacramento Superior Court judge ruled Tuesday May 4, 2010, that California could take \$2 billion from local redevelopment agencies for state budget relief, avoiding for now a pitfall that had threatened to exacerbate the state deficit. The California Redevelopment Agency plans to appeal this decision.

- **Impact to Mendocino County is approximately \$227,821 for BU # 1025.**

HEALTH & HUMAN SERVICES

The Administration is rescinding the entire January proposal to trigger various cuts that mostly affected Health and Human Services if \$6.9 billion in new federal funds do not materialize by July 15, 2010.

Overall, the Governor's 2010-11 proposed budgets 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 which will take effect on July 1, 2010.

- **Medi-Cal** - The Governor's proposed budget includes significant reductions in the Medi-Cal program.
 - **Cost Containment and Cost Sharing Strategies.** The Governor's proposed budget outlines a \$523 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.
 - **County Administration Reductions.** \$44 million in Growth funds will be deleted due to a computation methodology.
 - **Impact to Mendocino County: Certain Over-The-Counter drugs will be eliminated pushing costs down to consumers; an established maximum annual benefit cap on hearing aides, durable medical equipment, incontinence, and urological supplies will push costs down to consumers; and limiting the number of doctor or clinic visits will increase consumer costs. The lost of the local portion of the \$44 million is approximately \$132,000.**
- **Healthy Families.**
 - **Eligibility.** The May Revise rescinds the proposal to reduce eligibility.
 - **Increase Premiums.** The Governor also proposes to increase premiums for families with incomes from 200 percent to 250 percent of the FPL. The premium increase include \$18 per child or \$54 maximum increase per family with three or more children (currently, these

COUNTY OF MENDOCINO

GOVERNOR'S FY 2010-11 MAY REVISE STATE BUDGET IMPACTS FY 2010-11

families pay \$16 per child or \$48 maximum). This proposal would not affect families with an income under 200 percent of the FPL.

- Co-Payments. The Gov proposes to increase co-payments for Emergency Room visits from \$15 to \$50 and adding co-payments on hospital inpatient services of \$100 per day with a \$200 maximum.
- **Impact to Mendocino County: 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 is expected in CCS when fewer families have access to preventive medical care. Exact dollars cannot be estimated.

- **(IHSS) In Home Support Services** – The governor rescinded his previous decision to reduce IHSS and has proposed a \$637.1 Million reduction in SGF participation in FY 2010/11, and will increase to \$750 million dollar reduction in SGF in FY 2011/12. Proposes to lead a stakeholder process to identify how to achieve the savings.
 - **Impact to Mendocino County: Currently this generates 16 million in income to care providers serving 1500 disabled and elderly clients. The specific impacts to this county are unknown at this time.**
- **CalWORKs** - Proposed elimination of program effective 10/01/2010
 - **Impact to Mendocino County: The CalWORKs program brings into the County of Mendocino approximately \$5,837,000 in administrative and direct program revenue and another \$8,551,000 in client assistance payments totaling a net loss of over \$14 million to the local community with zero CGF savings.**

With CalWORKs elimination General Assistance (GA) and Food Stamp caseloads will potentially increase. Not all CalWORKs clients will be eligible for GA, depending on income and resources.

COUNTY OF MENDOCINO

GOVERNOR'S FY 2010-11 MAY REVISE STATE BUDGET IMPACTS FY 2010-11

- **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.
 - **Impact to Mendocino County: It would raise the County share from and average of 35% to an average of 74.6% for the following programs: Foster Care, Foster Care Admin, Adoptions, Child Welfare Services, and Food Stamps. Amounts to be determined.**

- **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: Continued financial impact to 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. Mendocino County does not participate in the CFAP.**

- **Child Welfare Services and Foster Care** -Continuation of 2009/10 Veto. The May revision continues the 2009/10 \$80 million GF veto in children's services programs. CDSS staff indicate that, like last year, the budget does not specify which particular programs should be cut or by how much.

- **Rate increase for Group Homes**-The May revision includes \$40 million current year and \$69.9 million or Budget Year 2010/11 to cover the lawsuit Cal. Alliance of Child and Family Services vs. Cliff Allenby court ruling.Delay in expanded Federal Eligibility for Foster Care. The January budget assumed the Federal Government would provide financial participation to all currently state-only foster care cases in 2010/11 resulting in a savings of \$86.9 million. Although the Administration continues to pursue expanded Federal eligibility for foster care, the savings are no longer assumed beginning in 2010/11.
 - **Impact to Mendocino County: The \$80 million cut is equivalent to approximately \$480,000, and the Group Home rate increase for foster children will cost approximately \$210,000.**

COUNTY OF MENDOCINO

GOVERNOR'S FY 2010-11 MAY REVISE STATE BUDGET IMPACTS FY 2010-11

- **Mental Health** – Cuts to Mental Health Realignment and Managed Care Allocation.
 - **Impact to Mendocino County: Mendocino County MH will lose approximately \$2 million Realignment Dollars and another loss of approximately \$100,000 in Managed Care Allocation.**

Hospitalization, Medication Management and EPSDT services are all that would be left. No Targeted Case Management or Rehabilitation Services will be provided unless on the County's dollar.

The Suspension of AB 3632 is shifting the responsibility back to the schools. Locally, we draw down 26.5 IEP funding from the schools. Schools could elect to provide their own mental health services through contracts. If they did this it would result in an additional loss of funding.

The governor's Medi-CAL cost containment proposal may impact mentally ill clients ability to access necessary medications and services to maintain community living.

Funding for Children's Services continue through EPSDT funding. All funding for Adult case-management and outpatient treatment would be eliminated affecting a minimum of 200 mentally ill adults in Mendocino County.

- **Alcohol and Other Drugs** – Drug Medi-CAL is eliminated except for perinatal and youth.
 - **The impact to Mendocino Count is the loss in funding to Mendocino is \$97,000 with the elimination taking effect September 30, 2010.**

RESOURCES/INFRASTRUCTURE

COUNTY OF MENDOCINO

GOVERNOR'S FY 2010-11 MAY REVISE STATE BUDGET IMPACTS FY 2010-11

- **Transportation** – The Governor's May Revise proposes no further cuts or changes in transportation. You may recall that there is a one time only borrowing of local Highway Users Tax Account funding from local governments which we were repaid last year. The administration is in the amount of \$650 million to be repaid by FY 2013 with interest.
- **Impact to Mendocino County is - the same cash deferrals or delays as in FY 2009-10 which delays funding received to Mendocino County for 2 quarters or 6 months for the Highway Users Tax Account funding (HUTA) which is approximately \$3 million.**

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 not budgeted in FY 2010-11.**
- **State Parks** - The Governor proposes restoring \$140 million dollars of funding with general fund to state parks in FY 2010-11 due to his recent withdrawal of support for a plan to expand oil drilling of the California Coast which would have generated revenues by the proposed Trinquillon Ridge oil lease.