



MENDOCINO COUNTY

Governor's FY 2011-12 Proposed Budget

Executive Summary of County Impact

*Half of All the Governor's Proposed Solutions to Eliminate the Deficit
Fall Directly on the Back of County Government*

January 2011 Edition

On January 10, 2011 Governor Brown released his FY 2011-12 Proposed Budget, projecting a deficit of \$8.2 billion in the current year and \$17.2 billion in FY 2011-12 for a total deficit of \$25.4 billion through June 30, 2012. The key elements of the Governor's Proposed budget to address the 18-month budget deficit include:

Proposed Budget Solutions	
Permanent Expenditure Reductions	\$12.5 billion
Tax Revenue Extensions	\$12.0 billion
Other Solutions	\$1.9 billion
Total Budget Solutions	\$26.4* billion
*Solutions include a \$1.0 billion reserve.	

While the Governor's Budget attempts to achieve a balanced approach between expenditure reductions and the extension of the existing tax increases, the budget proposal relies most heavily on solutions that impact County operations and the residents we serve. Of the \$25.4 billion in statewide program solutions, an estimated 46 percent is directly attributed to proposals that affect counties, including: \$5.8 billion in overall reductions to Health and Human Services programs and \$5.9 billion from the Realignment Proposal, which would shift State responsibilities to counties for various public safety, mental health and child welfare services programs.

Major Funding Reductions: The Governor's Budget contains \$12.5 billion in funding reductions which would affect various County programs including:

Social Services:

- **\$ 1.5 billion reduction to the CalWORKs Program which includes: establishing a 48-month time limit (\$698.1 million), a 13.0 percent grant reduction (\$405.0 million), and maintaining the FY 2010-11 Single Allocation reduction (\$376.9 million).**

The reduction in time limit from 60 months to 48 months comes with some exceptions:

- 1) Child-Only benefits would continue for families meeting Work Participation Requirements (WPR).
- 2) Child-Only benefits would continue if one of the family members is an unaided adult recipient of SSI/SSP and/or is a non-needy relative.

After removing the above listed clients, 65 clients will leave the rolls. The impact is approximately \$700,000 that will not be entering the community.

The 13% grant reduction equates to:

- 1) The reduction in the average grant to approximately 1,600 clients is \$90 on average with a grand total of \$1,728,000 that will not be entering the community.

The reduced time limit and the reduction in grants will save approx. \$60,000 in County costs per year.

The FY 2010-11 Single Allocation reduction has been accounted for both in Current Year and Budget Year with appropriate staff reductions.

CalFRESH (formally FoodStamps) levels will increase. There reportedly is Trailer Bill language that will be added to protect Counties from having to backfill with General Assistance.

Medi-Cal:

- **\$ 1.7 billion reduction to the Medi-Cal Program which includes: a 10.0 percent reduction in provider payments (\$709.4 million), requiring Medi-Cal beneficiaries to pay a share of costs for services (\$557.1 million), establishing annual dollar caps on services (\$217.4 million), and eliminating Adult Day Health Care (\$193.2 million).**

Reducing provider, i.e. physicians, pharmacy, clinics, medical transportation, home health, hospitals, nursing facilities, etc. payments by 10% could potentially push some of those providers out of the MC business reducing access.

Requiring MC beneficiaries to pay a share of costs for services are meant to save SGF (current rate less co-payment amount) and decrease utilization.

Establishing annual caps on services such as durable medical equipment, urological supplies, prescriptions, doctor visits per year, etc. is meant to save SGF.

Eliminating Adult Day Care affects approximately 27,000 beneficiaries state-wide. This equates to approximately 80 people in Mendocino County. The community impacts to be determined.

Mental Health:

- **\$ 861.2 million one-time reduction in Mental Health Services Act (Proposition 63) funds to backfill the State General Fund responsibility for the Early Periodic Screening, Diagnosis, and Treatment, Mental Health Managed Care and AB 3632 Programs.**

This proposal is for one fiscal year, FY2011/12, only. The information so far does not indicate if the funds will come from unspent MHSA funds State-wide, or unspent County funds not yet obligated, or a combination of both.

The main concern to Mendocino County is whether or not the local IT and Capital Facilities funds will be swept prior to bringing in badly needed and long planned MHB IT hardware, programming, and improvements.

Child Welfare Services:

- **\$ 19.0 million reduction from eliminating Transitional Housing Program-Plus for 18 and 19 year olds.**

This program is contracted to a local community partner. The contract amount of \$295,225 would be eliminated from the community and there are currently approximately 10 clients served a month that will lose services.

Proposition 10 and Child Care:

- **\$ 1.0 billion one-time reduction in the use of California Children and Families Program (Proposition 10) to fund Medi-Cal services for children through age five, subject to voter approval.**
- **\$ 716.0 million reduction in child care and development services which includes elimination of services for 11 and 12 year old children, and various eligibility changes.**

The \$1 billion one-time Prop 10 reduction has no Agency or County GF impact, but any collaborative services between the Agency, or County, and First 5 will be affected.

Child care elimination for 11 and 12 year old children, and the eligibility changes, are for child care provided outside of the Agency and is separate from the CalWORKs child care cuts.

In Home Supportive Services

- **\$ 486.1 million dollar reduction to the In-Home Supportive Services Program which includes an 8.4% reduction in service hours for all recipients, elimination of domestic and related services, and elimination of services for recipients without physician certifications.**

The major cost drivers are Cost Per Hour (wage) and Hours Per Case. Caseload increases comprise of 50% of the total increased costs.

The projected 8.4% reduction in services affects 1,450 clients for a CGF savings of approximately \$300,000. This savings, however, needs to be reduced by the projected 3.4% increase in caseload expected in BY 2011/12 for a net projected CGF savings of approximately \$48,503.

Realignment Proposal:

The Governor's Budget calls for a Realignment Proposal that would shift responsibility for many programs from the State to counties. According to the Administration, the shift would allow "governments at all levels to focus on becoming more efficient and effective."

Phase One of the Realignment Proposal would take effect in FY 2011-12 and it would shift \$5.9 billion in program responsibilities from the State to counties.

After the five-year extension, the State would resume responsibility for providing counties with funding in an amount equal to what these two revenue sources would generate. The Realignment Proposal affects various County programs including:

Child Welfare:

- **\$1.605 billion from transfer of Child Welfare Services and Foster Care program responsibilities from the State to counties.**

The information so far indicates this proposal will mimic the original Realignment in 1991. The County shares of each of these programs will be increased, but a corresponding amount of realignment funding will be appropriated to Counties to cover the increased County General Fund costs.

Public Safety:

- **\$1.802 billion from the transfer of Lower-level Offenders and Parole Violators from the State to counties.**

This is difficult to quantify at this time because allocation formulas to the counties have not yet been developed by the State. Also problematic is the fact that a number of County departments are affected, including Law Enforcement, Corrections, and Probation.

The Governor's proposal calls for some State prisoners to remain in county facilities, rather than State prison. The Mendocino County Jail has a capacity of 306 inmates, and for the past six months has been averaging 247 inmates. Based on numbers provided by the Jail Commander, the Governor's proposal could result in an additional 314 inmates for Mendocino County, when fully implemented (full implementation is expected to occur gradually). This is 255 over capacity, with no place to house them. As the population increases above the current average of 247, additional Corrections Deputies will be needed to safely manage the increased population.

- **\$ 741.1 million from the transfer of Adult Parole supervision responsibilities from the State to county probation departments**

We do not have specific details of funding levels or the steps the State plans to take to transition parolees from State Parole supervision to County Probation supervision. We anticipate a detailed plan will be available from the Governor in March. What we do know is that Probation, in addition to supervising those on Court ordered Probation,

would be responsible for the supervision of Adult parolees in Mendocino County. We anticipate funding from the State to increase staffing to accommodate the incoming caseloads of parolees; however we do not know the funding levels at this time. There may also be limited funding to secure treatment services for those in need, however we are unsure of how the funding will be distributed.

- **\$ 257.6 million from the realignment of the remaining State Juvenile Justice programs to county probation departments.**

Juveniles housed at the Department of Juvenile Justice (DJJ) would be supervised by the Probation Department instead of Parole upon their return to the County. In addition, DJJ plans to close completely in 2014. At that time, juveniles who would have been committed to DJJ will be housed at the Juvenile Hall in Mendocino County until their 18th birthday at which time they would be transferred to the County Jail to complete their term. We anticipate State funding to offset the increased cost to the County but do not have detailed information at this time.

- **Increased workload for Court Collections due to realigned Probation services.**

With the realignment proposal shifting responsibility from State to County Probation departments for Lower-Level Offenders, Adult Parole supervision responsibilities, and Juvenile Justice programs, I would assume an increase in workload for the Collections department due to the collection of associated fees for the supervision of these violators. The amount is unable to be determined at this time.

- **\$ 530.0 million from the transfer of court security funding to county sheriffs.**

This represents a slight (4%) increase over the 09/10 base allocation statewide. It is not known if this will be allocated to counties in the same proportion as prior year allocations.

- **\$506.4 million from the transfer of Vehicle License Fee funded programs from the State to counties. The programs would include: Citizens Option for Public Safety (\$107.1 million); Juvenile Justice Crime Prevention Act (\$107.1 million); Juvenile Probation (\$181.3 million); Booking Fees (\$35.0 million); and Small/Rural Sheriff's programs (\$18.5 million).**

The Citizens Option for Public Safety (COPS) would remain about the same. State COPS funds are not accounted for in the County's General Fund. Booking fees could increase by about \$34,000 for Mendocino County, to \$137,000. The Small and Rural Sheriffs program could increase about \$88,000 for Mendocino County, to \$500,000. Revenues for Booking Fees and Small and Rural Sheriffs programs are recognized in the Jail and Patrol budget units, respectively, which are part of the County's General Fund.

- **\$250.0 million from the transfer of responsibilities for fire protection and medical emergency response services in wildland areas to local governments.**

Unknown at this time.

Public Defender: The realignment plan will impact all of the criminal justice team. We already deal with parolees who are not being returned on parole violations who pick up

new offenses. Also, with the move to evidence based practices being the model relied upon by probation for recommendations at sentencing, and looking at more local resolutions versus state prison, and with non revocable parolees in our community and no parole supervision, we will have to be incredibly creative in how we deal with the situation. Plus there is a possibility that we will have to represent clients in Morrissey hearings on violations of parole if those monitoring duties fall on probation. It will have a huge impact on all of us.

Public Health:

- **\$ 184.0 million from the transfer of funding and responsibilities of the California Department of Alcohol and Drug Programs from the State to counties. The shift would transfer the responsibility for administering prevention, treatment and recovery services for alcohol and drug abuse.**

The information so far indicates this proposal will mimic the original Realignment in 1991. The County shares of each of these programs will be increased, but a corresponding amount of realignment funding will be appropriated to Counties to cover the increased County General Fund costs.

Social Services:

- **\$ 55.0 million from the transfer of all the Adult Protective Services Program responsibilities from the State to counties.**

The information so far indicates this proposal will mimic the original Realignment in 1991. The County shares of each of these programs will be increased, but a corresponding amount of realignment funding will be appropriated to Counties to cover the increased County General Fund costs.

Mental Health Services: The Governor's Realignment Proposal also includes a one-time shift of \$861.2 million in Mental Health Services Act (Proposition 63) monies to fund the State's responsibility to provide funding for the Early Periodic Screening, Diagnosis, and Treatment, Mental Health Managed Care and AB 3632 Programs. While prior attempts to change Proposition 63 required voter approval, according to the Administration, this proposal may be approached by a two-thirds vote of the Legislature.

When fully implemented in FY 2014-15, the Realignment Proposal is expected to restructure an estimated \$10.0 billion in a wide range of programs and services from the State to counties.

Already answered above.

June 2011 Ballot Initiative - Tax Extension:

The Governor's Budget relies on revenue solutions of \$3.2 billion in the current year and \$8.8 billion in FY 2011-12. This includes approximately \$11.2 billion in revenue through a

five-year extension of the tax rates described below, subject to voter approval in Special Election to be held in June 2011.

- \$ 4.5 billion starting in FY 2011-12 by extending the 6.0 percent State Sales User Tax rate with 1.0 percent directed to local governments to fund the Realignment Proposal;
- \$ 1.4 billion starting in FY 2011-12 by extending the 1.5 percent Vehicle License Fee with 0.5 percent directed to local governments for public safety programs;
- \$ 1.2 billion in FY 2010-11 and \$2.1 billion in FY 2011-12 by maintaining the 0.25 percent surcharge on the Personal Income Tax rate; and
- \$ 725.0 million in FY 2010-11 and \$1.2 billion in FY 2011-12 by maintaining the current dependent tax exemption credit.

Elections: Potential costs to Mendocino County for the special election could be as high as \$250,000. No reimbursement for this election is included in the Proposed Budget, though this situation could possibly change - albeit with no reimbursement likely in FY 2010-11 (the fiscal year the costs would be incurred).

Transportation Funding:

The Governor's Budget proposes trailer bill legislation to re-enact the 2010 fuel tax swap with a two-thirds vote in response to the passage of Proposition 26.

DOT: The good news is that the new governor appears to want to fix the problem. In order to get the 2/3 vote in the legislator there will need to be some relief to the State General Fund for debt service of past transportation bonds. From what I have read a fix is on the table. We have one year from the election or until November 2, 2011.

Nevertheless, as I said in my Director's report January 4, 2011 - Transportation Funding is uncertain this year - both state and federal so we need to be watchful and advocate where we can.

Redevelopment:

The Governor's Budget proposes a new approach to fund economic development activities at the local level and phases out the current funding mechanism for redevelopment agencies (RDAs). According to the Governor, this proposal will return billions in property tax revenues to schools, cities, and counties. These funds will help sustain core functions including law enforcement, fire protection, and education.

Below is a summary of the proposal:

- Constitution would be amended to provide for 55.0 percent voter approval for limited tax increases and bonding against local revenues for development projects such as are currently done by RDAs.
- After FY 2011-12, the money available after payment of RDA debt would be distributed to schools, counties, cities, and non-enterprise special districts for general uses. These distributions will generally reflect the distribution of property tax in each county under existing law.

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Local Impact:

Estimated Distribution of \$750,000 Tax Increment Received by County RDA

\$4,050	Special Districts (.5%)
\$56,550	County (7.5%)
\$89,400	Schools (12%)
\$150,000	Redevelopment Affordable Housing Activities (20%)
<u>\$450,000</u>	General Redevelopment Activities (60%)
\$750,000	

If the County RDA is Eliminated, Property Tax Distribution would Increase by the Amount Previously Distributed as Tax Increment

\$15,000	Cities (2%)
\$45,000	Special Districts (6%)
\$225,000	County (30%)
<u>\$465,000</u>	Schools (62%)
\$750,000	

It is important to note that the Tax Increment Currently Received by City RDAs Would Also be Subject to Redistribution as Property Tax

Ukiah	\$3,401,782
Willits	\$1,046,676
Fort Bragg	<u>\$971,992</u>
	\$5,420,450

State Library - Local Library Services

Gov. Jerry Brown's 2011-2012 budget proposes eliminating \$30.4 million in state funds for the Public Library Foundation, Transaction Based Reimbursement and the California Library Literacy and English Acquisition Service. These cuts eliminate all state funding for California public libraries.

Local Impacts. This will mean a direct loss of \$170K resulting in layoffs and more severe reductions in library operating hours. In addition, this will mean an increase in book delivery costs and a likely loss of book and materials sharing among the libraries, which is County residents' most valued service, used by roughly 80% of our customers. We also expect to absorb other increases in costs as regional cooperatives are dismantled, amount to be determined.

In addition, we'll lose federal matching monies. Local impact yet to be determined.

Human Resources:

The Governor's budget proposals will have no direct impact on Human Resources, but we will likely have severe indirect impacts including:

- Increased and more contentious labor negotiations over wage and benefit concessions;
- Increase in grievances, workers comp claims, FMLA process for long terms medical absences, hostile work environments claims, EEOC/FEHA claims, etc;
- Increase in disciplinary actions and Civil Service Commission activity/hearings; and
- Increase in layoffs/seniority calculations, reorganization requests, etc.

All of these will greatly increase the workload for Human Resources, while we will likely be simultaneously asked to reduce our budget/staffing. There is already more work than can be done by existing staff.

Williamson Act de-funding:

Local Impact: The Governor's Proposed Budget would eliminate reimbursement estimated for Mendocino County at some \$166,000 as approved in the FY 2010-2011 State Budget.

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