

COUNTY OF MENDOCINO

GOVERNOR'S MAY REVISION STATE BUDGET IMPACTS FOR FY 2008-09

The Governor's 2008-09 May Revision proposes to increase General Fund revenues in 2008-09 by \$1.5 billion over 2007-08. However, the Governor's budget reveals an ongoing deficit and a current budget gap of \$17.2 billion. The Governor plans on setting aside \$2 million in reserve which is included as part of the \$17.2 billion deficit. The significant changes from the January budget as compared to the May Revision are as follows:

- The Governor's May Revision fully funds Proposition 98
- Abandon the January proposal to close 40 state parks
- Early release of inmates is off the table
- The Governor also plans on securitizing the California Lottery by drawing down funds for the 2008-09 State Budget
- Most of the deep cuts outlined in the Governor's May Revision are to the Health and Human Services programs.

If you recall, in the January Budget proposal, the Governor proposed what is called the Governor's "Budget Stabilization Act". The Governor has offered a constitutional amendment, which outlines a plan to review the state's tax laws, and expects that revenues would grow to contribute to the General Fund for \$5.1 billion.

The first provision would require that revenues in excess of a long-term average rate be deposited in a Revenue Stabilization Fund. If revenue exceeds 10 percent of General Fund in a given year, then the excess will be transferred from the Revenue Stabilization Fund to the General Fund, which will be available for one-time spending for schools, tax rebates, Debt reduction and capital projects.

The second provision calls for projections during the year in November, January and May thru the end of the year and if the General Fund deficit shows a 1 percent or less, then the Governor will reduce appropriations by 2 percent. For projections above 1 percent, the Governor will reduce appropriations by 5 percent. Reductions would remain in effect until the legislature acts by either a separate legislation or in the Budget Act to restore levels of services. Also, it allows the Governor to waive any state law if the reductions do not achieve the savings goals.

Also, in the May Revision, is a safeguard to trigger a temporary sales tax increase of 1% over 3 years if the state lottery securitization or budget stabilization efforts fail or fall short of revenue. If the revenue balance exceeds \$15 billion, which is the target, then the taxpayers would get a rebate on the balance. The Governor also outlines the formation of a bipartisan commission to examine the California tax laws.

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The following is a brief summary of key elements of the Governor's May Revisions for the 2008-09 State Budget that could impact Mendocino County.

General Government/Finance

- Library – The Governor is proposing a reduction of 10% or \$5.1 million for local library support and reimbursement for inter-and intra-library book loan programs. **Impact to BU #6110 is approximately \$35,000 but is budgeted.**
- Mandated Costs – The May Revise includes a proposal to pay \$75 million on the third payment of the 15-year payment plan for mandated costs incurred prior to July 1, 2004. Statute requires that costs are fully repaid by 2020-21. **The State owes Mendocino County approximately \$3 million in mandated costs, but unknown what the impact would be at this time depending on what payments are made.**

Health & Human Services

- CalWORKS – The Governor proposes a 5% reduction in Maximum Aid Payments. He also proposes numerous policy changes in the form of imposing a full-family sanction for non-compliance, and imposing a 60-month time limit on certain child-only. **Impact to Mendocino County is the impact to the clients in this program.**
- Child Welfare Service – The Governor is proposing costs to CWS Basic. **Impact to Mendocino County of \$437,000, which will reduce federal funds.**
- Foster Care – \$81.5 million reduction in 2008-09 with a reduction in foster care and adoption programs. Rates to foster homes, group homes adoption assistance, and Kin-GAP recipients are all in the proposed budget for a cut by 10%. **Impact to Mendocino County is approximately \$810,000.**
- In-Home Supportive Services – The Governor's May Revision proposes eligibility and service changes to IHSS recipients for non-medical services. Wages and benefits for IHSS workers are also being proposed to roll back the current state minimum wage of \$8 per hour. **The proposed budget also cut SSB administration by \$95,000 with unknown impacts at this time to IHSS providers.**
- MediCal Eligibility Services – The Governor's May Revise proposes that MediCal eligibility guidelines may create more non-MediCal services which could result in fewer clients eligible for ongoing services.

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- MediCal Eligibility (administration) – The Governor's proposed cut would mean a \$470,000 cut to the MediCal Administration for Mendocino County. The quarterly status report is estimated to cut by reducing caseloads. This means approx. 387 adults and 1,415 children would lose MediCal benefits in Mendocino County. Undocumented and Newly Qualified immigrants will have trouble qualifying or staying eligible.
- SSI/SSP – The May Revision proposes no pass-through funding of the federal COLA of 2.7%. **Impacts to Mendocino County are unknown at this time.**
- Mental Health – The May Revision proposes a 10% reduction in the Managed Care allocation which would result in a loss of \$120,000 in hospitalization costs, with no reduction in mandates for services.

Elections

- The Governor's proposed budget includes \$89.6 million for reimbursement for the primary election. **Impact to Mendocino County is in BU #1410 for approximately \$200,000, and is budgeted.**

Law/Justice/Public Safety

- Rural and Small County Local Assistance Program – The Governor proposed in January a 10% reduction and is the same for May Revision. **Impact to Mendocino County is \$50,000 in BU #2310 and is budgeted.**
- COPS – The Governor proposes the same 10% reduction to maintain the current year level of support for the COPS program which supports the local law enforcement front-line services. The Sheriff gets \$100,000 and DA and Jail get \$25,000. The City of Pt Arena also receives \$100,000 in funds from this program, in which the Sheriff BU #2310 receives, impacting the budget by \$10,000. **Impact to Mendocino County is a total of \$22,500 in BU #2313 and BU #2070 and is budgeted.**
- Public Safety Programs - Cal-MMET Program – The Governor still proposes reduced 2008-09 funding of \$20.1 million. **Impact to Mendocino County is approximately \$25,000 in Cal-MMET BU #0474 and is budgeted.**

Agriculture and Natural Resources

- Williamson Act – The Governor proposes a reduction of 10%. **Impact to Mendocino County is \$60,000 to BU # 1000 and is budgeted.**

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Community Resources/Infrastructure

- Prop 42 – per Prop 1A. The Governor's May Revise proposes to fully fund the transfer of the sales tax on gas for transportation and Prop 1A (which was the Prop 42 loan protection guarantee) the first year of Prop 42 payments under Prop 1A repayment. **Impact to Mendocino County is approximately is \$650,000 in BU #3010 and is budgeted.**
- Prop 1B – The Governor's May Revise budget proposes an increase funding over the next three years to \$11.5 billion of new funding for local roads and high-priority projects. **Impact to Mendocino County is approximately \$2.6 million which has already been disbursed by the State and there is no additional funding proposed for 2008-09.**

Federal Funding

- The Secure Rural Schools and Community Self-Determination Reauthorization Act is again at jeopardy of being funded this year. This funding was extended for one year in 2007-08. **Impact to Mendocino County is approximately is \$300,000 in BU #3010 and has not been budgeted to receive this revenue for 2008-09.**

Cash Flow/Payment Delays

Overall, State delays in payments to Mendocino County for departments affected, is anticipated that these delays will remain as proposed in January which will impact the 2008-09 fiscal year budget for Mendocino County. The impacts however, will be floated with the borrowing of the TRANS at a cost of interest that will be budgeted once the final closeout is done and the TRANS borrowing are determined.

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