

**STATE BUDGET SUMMARY FOR FY 2008-09**

**Governor's "Budget Stabilization Act"**

The Governor's office released his State Budget Proposal on January 10, 2008. The Proposed Budget anticipates \$102.9 billion in General Fund revenues, representing an increase of \$1.674 billion or 1.7 percent over last year. His spending plan of \$100.99 billion represents a decrease of \$2.375 billion or 2.3 percent decrease over the prior fiscal year.

As part of the Governor's "Budget Stabilization Act", he has proposed two provisions and this would be a proposed constitutional amendment for budget reforms.

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.

To close the budget deficit of \$14.5 billion in total for the current fiscal year and the projected 2008-2009 fiscal year, the Governor proposes a 10 % across the board reduction with the exception of Prop 42, non-Proposition 98 mandates, and certain Juvenile Justice funding.

The following are highlights of the Governor's Proposed **2008-09 "Budget Balancing Reductions"** that could impact Mendocino County. Although this is very preliminary, when the Governor's May revision is released, the County Executive Office will update the Board with impacts to Mendocino County during the budget process.

Attached separately is also a summary of the Governor's Proposed **2007-2008 "Mid-Year Budget Reductions"**.

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#### General Government/Finance

- Library - The Governor is proposing a reduction of \$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.**

#### Health & Human Services

- CalWORKS – \$389.1 million reduction with numerous policy changes in the form of grants, as well as a reform proposal to create an incentive to increase the state's work participation rate. The proposal combines work incentives and sanctions for not meeting work requirements. Funding for program improvements and administration will remain at current levels. **Impact to Mendocino County is approximately \$1.1 million in lost benefits to recipient families.**
- Child Welfare Service – \$83.7 million proposed total reduction in funding for 2008-09 county allocation, which will reduce federal funds. Also the budget proposes eliminating the Statewide Automated Welfare System migration project with \$44 million savings that leave counties with a less-than-fully-functional system with no plan to replace or enhance an obsolete system. **Impact to Mendocino County is approximately \$705,000, which would require the elimination of 9 child welfare services staff positions. The loss of those positions would almost guarantee the inability to meet State and Federal mandates in the provision of Child Welfare Services and would end the improvements in the provision of these services achieved over the past several years.**
- 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 budget proposes an 18% reduction to take effect on July 1, 2008 by cutting hours allocated to IHSS recipients for non-medical services. Also, the Administration is proposing to reduce county administration for IHSS by allowing re-assessments every 18 months instead of 12 months. **Impact to Mendocino County is approximately \$1,047,000. Of this amount, \$272,000 would be cut from the program administration, which would require the reduction of 4 social worker positions. The remaining \$775,000 would be in lost wages to the IHSS Providers.**
- MediCal Eligibility Services – The Governor's budget proposes that funding for MediCal eligibility determination be cut by some \$142.2 million State wide. This despite the State's own analysis that shows that fully funding the Counties administration of the MediCal program results in an estimated \$450 million in MediCal benefit savings. **The Impact to Mendocino County is approximately \$426,000, which translates into a reduction of 7 staff.**

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- SSI/SSP – The Budget suspends the June 2008 and June 2009 COLA's for blind, aged and disabled SSI/SSP recipients. **The Impact to Mendocino County is the loss of approximately \$1,000,000 benefits to these individuals.**
- Mental Health – The Budget reduces the rates for the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program and eliminates the COLA. **The Budget also cuts the County MediCal Mental Health Managed Care funds by 10%. The Impact to Mendocino County is a reduction in mental health funding of approximately \$232,000, with no reduction in mandates for services.**

Prop 36 – \$10 million reduction in funding for 2008-09 and a \$2 million reduction in the Substance Abuse Offender Treatment Program. **Impact to Mendocino County is \$75,800 to BU # 2560 or a possible loss of funding for 1 FTE Deputy Probation Officer II funded from AODP.**
- AB 3632 mandate and State mandates – The Governor's budget is proposing suspension of funding for FY 2008-09 with exception to claims filed before July 1, 2007. **Impact to Mendocino County is zero because the County has previously absorbed these unfunded mandated costs in prior years and do not budget for these.**
- Health Care Reform Proposal – On January 28<sup>th</sup> the Senate Health Committee killed the Health Care Reform Bill AB 1 x1, with committee members voting against moving this bill forward to the Appropriations Committee. The Governor proposes to gather all stakeholders involved and discuss what issues could arise in the future and not give up on this bill.

### Elections

- The Governor's proposed budget does not include reimbursement for the costs associated for the February Primary election, but the Department of Finance report states that it will be included in the budget possibly in the May Revision once the numbers are known. **Impact to Mendocino County is in BU # 1410 for approximately \$200,000 if not reimbursed.**

### Law/Justice/Public Safety

- Rural and Small County Local Assistance Program – The Governor proposes a 10 % reduction. **Impact to Mendocino County is \$50,000 in BU # 2310.**
- COPS – The Governor proposes a 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.**

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- The Juvenile Justice Crime Prevention Act (JJCPA) – provides for full funding in the proposed budget. **Impact to Mendocino County is zero in BU # 2561.**
- Juvenile Probation Camp Funding – The Governor proposes a 10 % reduction. **Impact to Mendocino County is zero or minimal in BU # 2560.**
- Booking Fees – The Governor proposes reducing funding by \$3.5 million. This reduction per AB 1805 would result in forcing counties to charge a pro-rated booking fee and charges back to cities (if applicable) for jail booking fees. **Impact to Mendocino County is zero, if fees are charged back to the cities for the difference of under-funding per AB 1805 for the additional \$30,000 approximately in BU # 2510.**
- Homicide Trial Funding- The Governor proposes a 10 % reduction on reimbursement on costs for Homicide trial court cases. Mendocino County could have impacts pending threshold requirements. **Impact to Mendocino County is zero. The reimbursement is calculated during the budget process and is not included if the DA, Public Defender and Alternate Defender BU # 2070, # 2080, and # 2085 do not meet the requirements.**
- Public Safety Programs- Cal-MMET Program – The Governor proposes reduced 2008-09 funding of \$20.1 million. **Impact to Mendocino County is approximately \$25,000 in Cal-MMET BU # 0474.**
- The Governor also proposes releasing 22,000 state prison inmates with non-serious and non-sexual offenses will be scheduled for early release. **Impact to Mendocino County is unknown at this time.**

### Agriculture and Natural Resources

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

### Community Resources/Infrastructure

- Prop 42 – per Prop 1A. The Governor 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 of Prop 42 payments under Prop 1A repayment.. **Impact to Mendocino County is approximately is \$650,000 in BU # 3010.**
- Prop 1B – The Governor's budget proposes to appropriate \$4.7 billion of new funding for local roads and high-priority projects. **Impact to Mendocino County is approximately \$2.6 million from 2007-08 deferred funding expected to be received sometime in the next few months. There is no additional funding proposed for 2008-09.**

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#### 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.**

#### Other State Budget Proposals

- State Park Closures 48 of 278 State Parks. **Impact unknown to local governments if any.**
- State budget proposal to add a 1.25 percent surcharge on all California residential and commercial property insurance statewide. This proposal will be expected to yield \$104.9 million in 2008-09 to fund programs for CalFIRE, OES and the National Guard. **Impact unknown to local governments if any.**

STATE BUDGET SUMMARY FOR FY 2008-09

Governor's "Mid-Year Budget Reductions"

The Governor called a fiscal emergency on January 10, 2008 and ordered a special session to consider "Mid-year Budget Reductions" as part of the provisions in Prop 58. The Governor is also proposing the sale of \$3.3 billion in economic recovery bonds. The legislature has till February 23<sup>rd</sup> to consider the proposed reductions. The following are highlights to the proposed reductions that could impact Mendocino County.

Cash Flow/Payment Delays

Overall, State delays in payments to Mendocino County are approximately \$5 million dollars for departments affected, and although proposed as mid-year cuts by the Governor, will impact the 2008-09 fiscal year budget for Mendocino County. This could potentially force counties to front money anticipating reimbursement later. Also of concern is Mental Health, which already has delayed payments from the State, and now counties are being hit with further delays. Mendocino County participates in the TRAN pool offered by the CSCDA, California Statewide Communities Development Authority. Under State statute, the amount of TRAN plus interest cannot exceed 85% of uncollected revenues available to pay the TRAN, and must be paid within 15 months after date of issuance in the same fiscal year. Mendocino County borrows from the TRANS at the beginning of the fiscal year, for the "dry period" each year, anticipating delays in cash reimbursements based on the cycle of payments historically for the county. Interest is already charged at inception and calculated each month for payment on the borrowing by the Auditor/Controller in BU 1940. Mendocino County is currently under the statute for limitations in our borrowing capacity. **The impact to Mendocino County should be minimal or zero overall for cash flow borrowing on the 2008-09 delay in payments with no additional interest. However, interest earnings distributed out to departments on the borrowed TRANS to float cash would generate less interest earnings in these accounts at a rate of approximately 6.18% which would result in approximately a loss of \$300,000.**

- \$814 million - A two-month delay in disbursements for programs in the Department of Social Services, except SSI/SSP and IHSS. **Impact to Mendocino County is \$2.5 million.**
- \$500 million - A one-to-five month delay in gas tax disbursements (local gas tax subventions) for local streets and roads. **Impact to Mendocino County is \$750,000 in BU 3010. Impacts to our local DOT will result in a delay in local maintenance and operations. Prop 1B is only restricted to projects.**
- \$454 million - A delay of the four weekly checkwrites for Medi-Cal fee-for-service institutional providers in August until September. **Impact to Mendocino County is zero. Impact is to local hospitals or providers.**

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- \$232 million - A one-month delay in the Medi-Cal Managed Care Plan payment and Delta Dental Plan payment. **Impact to Mendocino County is zero. Impact is to local hospitals or providers.**
- 200 million - A two-month delay of the mental health managed care program advance. **Impact to Mendocino County is minimal or zero.**
- \$165 million - A delay in disbursement for Medi-Cal fee-for-service checkwrite from June to July. **Impact to Mendocino County is zero. Impact is to hospitals or local providers.**
- \$164 million - A one-to-two month delay in making first quarterly payment to counties for Medi-Cal administration. **Impact to Mendocino County is \$1,000,000, but the payment is not usually received until October of each year.**
- \$92 million - A two-month delay in the quarterly advance to counties for the Early and Periodic Screening, Diagnosis, and Treatment Program. **Impact to Mendocino County is approximately \$600,000 in BU # 4050.**

#### Latest Update on 2007-08 Reductions as of February 14, 2008

- Local Gas Tax subventions are temporarily suspended for the months of April – July of this year and will be repaid by the State in September. Local governments are asking for a solid guarantee that they will be reimbursed by the State. The State Controller's office is currently disbursing counties the local Prop 1B funds within the next few weeks. **For Mendocino County, DOT plans on using these funds to float the suspension on the HUTA funds. Mendocino County is expected to receive \$2.6 million dollars from Prop 1B.**
- \$1 Billion in cuts for the current fiscal year with a 10 % reduction in Medi-Cal payments to doctors and hospitals. **Impact to Mendocino County is to hospitals and providers, and clinics.**

#### Law/Justice/Public Safety

- Public Safety Programs and Grants – The Governor proposes a \$3.1 million reduction in mid-year cuts to public safety assistance programs. **Impact to Mendocino County is unknown at this time, but could impact various Public Health Grants, DA vertical prosecution grants, and the Cal-MMET grant BU # 0474.**