

**GOVERNOR'S 2009-10 ENACTED STATE BUDGET
STATE BUDGET IMPACTS FY 2009-10**

On June 24th, 2009 the Legislature approved a 27 bill budget that revises the spending plan enacted in February 2009. The Legislature was tasked with passing a budget package to close a \$26 million dollar budget gap. It is anticipated the when the Legislature comes back into session in August, that there will be some "clean up" language that will be reviewed and needed on some bills. Below is the various impacts stated in the Enacted State Budget for 2009-10 to Mendocino County are stated below:

Law/Justice/Public Safety

- ◆ The public safety/judiciary trailer bill (ABX4 13) rejected both of the following (1) a proposal to charge state and local agencies a fee for the use of state forensic lab services; and (2) a \$20 million reduction to the Bureau of Narcotics Enforcement. **There is no impact to Mendocino County.**

General Government/Finance

- ◆ **Proposition 1A Suspension.** Approves the Governor's proposal to borrow \$1.935 billion from local governments through the suspension of Proposition 1A (of 2004). Suspension will divert an amount equal to 8 percent of the total property tax revenues received by cities, counties and special districts in 2008-09 (excluding debt levies). This amount will be redirected from local agencies to a Supplemental Revenue Augmentation Fund (SRAF) in each county. Because the Assembly did not take up AB 27 XXXX, the suspension of Proposition 1A moves forward without a trigger. AB 14 XXXX contains the actual language to suspend Proposition 1A. AB 15 XXXX outlines when and how the suspension will work, and also sets up the mechanism for securitization. **The borrowing by the State will be paid back in three years or by the year 2013 as required by the Constitution. The impact to Mendocino County is approximately \$2,135,000 per Auditor's estimates which will be internally borrowed from the county treasury reserves.**
- ◆ **Securitization.** The state will repay the suspension amounts with interest no later than June 30, 2013, as required by the constitution. Under this mechanism, a joint powers authority will issue notes backed by the state's repayment obligation and use the proceeds to replace the diverted property taxes of all of the local agencies that choose to participate in the securitization. Moreover, the state will pay all of the costs of the securitization; including payment of an interest rate of up to 8 percent for an issuance amount of up to \$2.25 billion (the principal amount cap includes the potential cost of credit enhancements and issuance in addition to the \$1.935 billion suspension amount). The trailer legislation appropriates money from the General Fund to make the Proposition 1A repayments or pay off the

securitization borrowing. As an alternative to participating in the joint securitization, local agencies may choose to take their property tax reduction in 2009-10, and then be repaid by the state directly at an interest rate that will be set by the Department of Finance, subject to a cap of 6 percent. This option is intended to provide an incentive for local agencies that have adequate resources of their own or that have better credit than the state to finance their suspension amount on their own, rather than as part of the joint securitization, which essentially will be a state credit and probably will be expensive given the state's poor credit rating. ***Hardship and Special Provisions.*** The trailer bill includes an extreme hardship provision that allows local agencies in or in danger of bankruptcy or unable to provide core services to apply to the Department of Finance for a reduction or elimination of their property tax suspension. The department may grant hardship suspension reductions or eliminations totaling up to 10 percent of the total suspension amount in any county. Any hardship amounts will be reallocated to all of the other local agencies in the county, so the total suspension amount remains unchanged. However, hardship reallocations should not be necessary, assuming that the securitization takes place since there would not be any (or only a brief temporary) loss of revenue to the participating local agencies in that case. The legislation also includes provisions allowing the City of Long Beach to borrow from its tideland trust subsidence fund and for counties to borrow from their redevelopment agencies to cover the suspension amounts if they choose to do so. **There is not impact to Mendocino County as there was no action taken on this bill by the Legislature. It is expected at this time, that future clean up language on this bill will be adopted.**

- ◆ **Redevelopment Payments.** Provides \$1.7 billion of General Fund savings in 2009-10, and \$350 million in 2010-11 by requiring payments by redevelopment agencies (RDAs) to counties for allocation to K-12 schools and county offices of education to help support schools and programs that serve residents of the redevelopment areas or that live in redevelopment-financed housing. Redevelopment agencies may suspend their contributions to their Low and Moderate Income Housing Funds in 2009-10 in order to help finance their payments or they may use other available funds or borrow from their parent city or county. Any RDA that fails to restore their Low and Moderate Income Housing Funds by June 30, 2015 will be subject to a 5 percent increase in their required annual housing set-aside (generally increasing the set-aside from 20 percent to 25 percent). RDAs may extend their time limits for plan effectiveness and for receipt of tax increment revenues by one year after they meet their payment obligation for 2009-10. County auditors will reduce AB 8 property tax allocations to school districts in an amount equal to the additional property tax payments to schools financed from the RDA payments, and, instead, deposit these amounts into the Supplemental Revenue Augmentation Fund (SRAF) in each county, to be used to offset state General Fund costs in the same manner as the Proposition 1A suspension funds discussed above. The Assembly did not take up for a vote the so-called "City of Industry" proposal (AB 27 XXXX) on redevelopment

agencies. Among other things, the proposal would have extended the life of RDAs in exchange for several billion dollars in RDA funds being used to offset the State's budget problems. The bill also set up a mechanism, the "trigger," to reverse the suspension of Proposition 1A if the RDA funds became available through AB 27 XXXXX. **Impact to Mendocino County is \$227,821 in BU 1028. This reduction to tax increment has been included as part of the housekeeping adjustments in the Final Budget and funds has already been obligated.**

- ◆ **Securitization of Redevelopment Extension Revenues.** Includes trailer bill legislation to extend for 35 or 40 years (pre-1994 projects) redevelopment projects for which RDAs do not exercise an opt-out option. **There is no impact to Mendocino County due to lack of action taken on this bill by the Legislature.**
- ◆ **State Mandated Local Programs.** Continues the Governor's proposal to suspend local mandates. The budget package suspends 25 mandates and defers \$65.6 million of payments. Payments will continue to be state obligations to local governments but will be deferred to a future time. Proposition 1A (of 2004) generally requires the Legislature to suspend mandates if valid claims from prior years are unpaid. For suspended mandates, local governments would not be required to comply with them in 2009-10 and would not be entitled to future reimbursements for any costs that they choose to undertake that year.

Elections

- ◆ Special Election – There was no language added for reimbursements to counties for the May 19th special election in the Enacted Budget. Counties are strongly advocating this reimbursement and are hopeful when the Legislature comes back in session in August, clean up language will be added. **The impact to Mendocino County is for FY 2008-09, \$200,000 which was included in the elections BU 1410, to be accrued anticipating reimbursement upon the adoption of the Enacted State Budget. Also, the Assessor/Clerk Recorder did submit the claim for reimbursement to the State Controller as requested a few months ago. This shortfall in this budget will impact the overall net fund balance carryover anticipated for FY 2009-10 and is included on the Final Budget worksheet as net revenue available for FY 2009-10.**

Health and Human Services

CalWORKS

- ◆ Rejects the Governor's May Revision proposal to eliminate the CalWORKs program and instead cuts roughly \$528 million from the program (\$375 million of which is from the county single allocation), primarily from allowing local control to streamline services to meet current economic realities. Rejects the grant reduction, safety net elimination, and child-only elimination. **The impact to**

Mendocino County is:

Proposed Cut: \$375,000,000

Local Impact: Approximately \$1,125,000

FTE's Effected: Approximately 7 layoffs –budget cuts already in Recommended Budget

Potential Impacts to Services: See Below:

Overall Impacts

- Projected reduction in staffing included in proposed budget is potentially offset via the use of ARRA funds, attrition, or layoffs if necessary. HHSA attained BOS approval of possibly laying off seven (7) staff. A list of positions has been sent to MERIT Systems for compilation of a seniority list to be used if needed.
 - The changes to CalWORKs enacted in the state budget will have overall impacts to the agency, clients and families and to the community. Reductions to administrative funding are expected to increase the staff workload significantly as staff numbers are reduced through MTO, attrition and possible layoffs.
 - A reduction in funding for Welfare-to-Work support services, including child care and transportation.
 - CW funding reductions could, partially and retroactively, be offset by ARRA/ECF project funds. ECF implementation involves spending money first to develop the program, then receiving an 80% reimbursement.
- ◆ Commencing July 1, 2011, requires counties to conduct a self-sufficiency review with individuals in CalWORKs who are required to participate in welfare-to-work activities. Requires the county to provide the department with an evaluation of the implementation of the self-sufficiency reviews and would require those evaluations to be sent to the Legislature upon receipt from all counties. **The impact to Mendocino County is:**

Proposed Cut: Dollar amount undetermined at this time.

Local Impact: Anticipated savings due to reduced caseloads after July 1, 2011.

FTE's Effected: Unknown at this time.

Potential Impacts: See Below:

- **Mid-Year Self-Sufficiency Reviews** – Workers will experience an increased overall workload as “safety-net” cases, which are not now a part of WTW services, will be included in the development of WTW plans and services.
- ◆ Commencing July 1, 2011, revises the CalWORKs procedures for imposing

sanctions on specified families receiving cash assistance and other services under the CalWORKs program, by including reductions, at specified intervals, in the grant amount of a family that includes a noncompliant individual, in some cases with the maximum grant reduction of 50 percent after the noncompliance has persisted for nine months. **The impact to Mendocino County is:**

Proposed Cut: Dollar amount undetermined at this time.

Local Impact: Anticipated savings in reduced caseloads after July 1, 2011.

FTE's Effected: Unknown at this time.

Potential Impacts: See Below:

Graduated sanctions and cuts in benefits:

- Workers will experience a workload increase to implement, track, review and remediate sanctions. Increased client contact is expected. This process will involve “safety net” and child-only cases, which were not previously involved in the sanction process.
 - Graduated cuts in benefits for child-only cases in which parents are not meeting the mandated WTW participation hours – Workers will experience an increase in workload due to needing to implement and track grant reductions in the 61st month, then additional reductions after 3 months of non- participation in WTW.
- ◆ Commencing July 1, 2011, revises the CalWORKs time limits applicable for receipt of aid with respect to adults in assistance units to provide that the adult may not receive aid for more than 48 months in any 60-month period. The bill would authorize the adult's return to the assistance unit 12 months after receiving aid for 48 months. In the absence of a sanction, the bill would require the assistance unit's full grant to be restored when the adult returns to the assistance unit. **The impact to Mendocino County is:**

Proposed Cut: Dollar amount undetermined at this time.

Local Impact: Anticipated savings in reduced caseloads after July 1, 2011.

FTE's Effected: Unknown at this time.

Potential Impacts: See Below:

- **Time Limit on Aid** – The establishment of a new 48-month time limit, within the existing 60-month time limit, will result in an increased workload for staff, as they will need to track 48 months, then the 12 month period when the client is removed from the grant, and then add the client back to the grant after 12 months. Increased work due to tracking and updating the 60-month calendar, especially if the client(s) have had aid in multiple counties. Due to noticing requirements, increased client contact is expected.
- Makes the cost-of-living adjustments in CalWORKs and SSI/SSP

inoperative unless the Legislature takes action in a future year to change this. **The impact to Mendocino County is:**

Proposed Cut: Dollar amount undetermined at this time.

Local Impact: Increased costs to Hospitals, Community partners, etc.

FTE's Effected: N/A

Potential Impacts: See below:

- This will affect the most vulnerable members of the community, i.e. the blind, aged, and disabled, etc.

In Home Support Services (IHSS)

- ◆ Rejects the May Revision proposals to eliminate virtually all funding for the In-Home Supportive Services (IHSS) Program and to reduce state participation in wages to the minimum wage, but includes savings of over \$100 million for various changes to the program. Effective October 1, 2009, eliminates the Share of Cost state buyout program for those who received it after July 1, 2009. Effective September 1, 2009, limits domestic and related services for recipients with FI rankings in these services below 4, with critical exemptions for high-need recipients, and eliminates services for those with FI scores below 2, again with critical exemptions for high-need and medically fragile recipients. **The impact to Mendocino County is:**

Proposed Cut: Dollar amount undetermined at this time.

Local Impact: Decreased services to IHSS recipients.

FTE's Effected: Approximately 1.75 FTE's due to reduction in caseloads.

Potential Impacts: See below:

- The approximation of the 1.75 FTE's is in relation to less Individual Provider hours needed due to a reduction in cases served. The current provider list is over 1,400. This .1% (.00125) was not accounted for in the proposed budget but must be dealt with in the IHSS Provider negotiations. This does not result in agency layoffs.
- Approximately 55 consumers (cases) will experience a higher share of costs due to the elimination of the Share of Cost buyout program.
- An additional 610 consumers (cases) would realize minor reductions in their time allotment for services. While there is no direct impact on HHSA the community impact will be increased requests for Meals-on-wheels for 215 seniors. (88 Ukiah, 65 Fort Bragg, 12 South Coast, 50 Willits)
- Approximately 250 – 400 consumers (cases) will lose all IHSS services because of their Functional Index ranking.
- Makes various changes in IHSS to prevent and combat fraud in the

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program, including requirements of unannounced visits, fingerprinting clients, background checks of providers, making timecard changes, additional provider training, and providing additional resources to the Department of Health Care Services, the Department of Social Services, and to counties to bolster fraud investigation and quality assurance efforts.

The impact to Mendocino County is:

Proposed Cut: Increase in allocation of approximately \$30,000.

Local Impact: Increased Fraud investigations on IHSS recipients and providers.

FTE's Effected: Approximately .375 FTE increase in Fraud Investigators/Support.

Potential Impacts: See below:

- This increase in allocation was not budgeted but will be used to mitigate cuts in other fraud activities.
- Increased ability to investigate fraud.

AODP

- ◆ The budget package eliminates all \$90 million in General Fund support for Proposition 36 Substance Abuse and Crime Prevention Act programs, but maintains \$18 million General Fund for the Offender Treatment Program. The budget includes \$45 million of Edward Byrne Memorial Justice Assistance Grant program funding provided through the ARRA for the Offender Treatment Program. This is a one time fund source. Therefore, \$63 million is available in 2009-10 for the Offender Treatment Program. **Impact to Mendocino County is:**

Proposed Cut: \$90,000,000.

Local Impact: \$460,000.

FTE's Effected: Approximately 2.75 FTE's. Note – the Byrne Grant backfills approx. half the cut. However, it is not clear how the allocation methodology will be applied. The budget revision assumes \$200,000 Byrne funds.

Potential Impacts: See below:

- The Agency is using a combination of past attrition and Byrne funding in reaction to the cut. We received approval from the Board of Supervisors on June 23, 2009 to proceed with layoffs, if needed, in order to address State cuts.
- Loss of drug treatment services for approximately 90 individuals County-wide.
- The loss of up to one counselor each at the three AODP sites.
- The loss of approximately 968 1.5 hour groups provided to Prop 36

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and non-prop 36 clients County-wide.

- The loss of 2,340 drug tests provided. (1 per client per week)
- Decreased ability to collaborate with Court and Probation; potential loss of probation staff to Prop 36 mandated probationers.
- Decreased ability to provide data for Probation, Court and State on Prop 36 mandated individuals.
- Increased waiting list by approximately 90 clients with decreased ability to serve non-Prop 36 mandated clients.

Foster Care

- ◆ The budget packages does not include the May Revision proposal to reduce Child Welfare Services funding by \$70 million or reduce the Supplemental Clothing Allowance and Specialized Care Increment rates, but it does make a number of cuts and changes to related programs. **Impact to Mendocino County is:**
 - Reduces rates for Group Homes, Foster Family Agencies, and Seriously Emotionally Disturbed programs by 10 percent for savings of \$26.6 million General Fund (before federal stimulus funds are taken into account).

Proposed Cut: \$26,600,000

Local Impact: \$156,000

FTE's Effected: N/A

Potential Impacts: See below:

- Our local Foster Family Agencies (True to Life, Tapestry and Redwood Children's Services) may need to reduce their bed capacity to address their 10 percent reduction. This could result in more children needing out of county placements, which requires additional county staff time to meet the mandate for monthly contacts.
- Depending upon organizations capacity to absorb the 10% cut, there may be a reduced number of available placements. This increases competition for the available beds, allows providers to be more selective in whom they accept and can ultimately result in placement in a higher level of care at an increased cost to the County.
- Adopts a one time \$5 million General Fund cut to the Transitional HousingProgram – Plus (THPPlus).

Proposed Cut: \$5,000,000

Local Impact: \$67,190

FTE's Effected: 0

Potential Impacts: See below:

- The Children's System of Care approved \$20,000 in supplemental funding to give Redwood Children's Services time to seek additional funding. Without additional funding there will be a reduction (1-2) in the number of former foster youth who can receive these services.
- There will be an increase in the numbers of former foster youth who are homeless, who require hospitalization and/or locked facilities for mental health crisis, and who become involved with the criminal justice system.
- Reforms the Adoption Assistance Program to tie benefit levels to need, rather than increase grants based on age. This proposal is estimated to save the state \$900,000 General Fund.

Proposed Cut: Not determined as of yet.

Local Impact: Not determined as of yet.

FTE's Effected: 0

Potential Impacts: See below:

- Families who have adopted children in Mendocino County may see a reduction in their monthly assistance.

Mental Health

- ◆ **Early Periodic Screening Diagnosis and Treatment (EPSDT) Program. Per AB4x-** The budget package includes the Administration's proposal for EPSDT funding 2009□10. The total amount of adjustment approved for EPSDT funds is \$364.8 million (with an additional \$674.1 million expected for federal reimbursements), which overall reflects a reduction over the current year of \$14.6 million. **Impact to Mendocino County is:**

Proposed Cut: Not determined as of yet.

Local Impact: Not determined as of yet.

FTE's Effected: 0

Potential Impacts: See below:

- EPSDT is State General Fund dollars, with the temporary increase in federal match for Medi-Cal services the State will not be required to match the same amount as in previous years. This would not impact our ability to be reimbursed if all services throughout the state remained at the same level. As in previous years, when EPSDT is under funded the State will issue deferments or they could wait until

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final cost report settlement 3 years later to reconcile. This limits our ability to serve more children since revenue would not be seen in the year the expense is incurred.

- ◆ **Prior Year Cost Settlement for EPSDT.** The budget package defers funding a deficiency that the state owes counties for cost report settlements in the amount of \$15.8 million for 2006-07. The budget package, defers payment of the deficiency to 2010-11. **Impact to Mendocino County is:**

Proposed Cut: Not determined as of yet.

Local Impact: Not determined as of yet.

FTE's Effected: 0

Potential Impacts: See below:

- The final cost settlements for 06/07 should be scheduled in 10/11. EPSDT is State General Fund dollars that were under funded in previous years. The amount owed is undetermined as yet but in the final audit process these services will be the focus.
- ◆ **Medi-Cal Managed Care.** The budget essentially cuts in half (from \$225 million to \$113.4 million) the allocation to counties for the Medi-Cal Managed Care program. . **Impact to Mendocino County is:**

Proposed Cut: \$113,400,000

Local Impact: Loss of \$575,000 allocation for Medi-Cal services.

FTE's Effected: 0

Potential Impacts: See below:

- Based on projections made by Mental Health's State Association prior to the proposed budget the Agency budgeted approximately half of the potential cut. To account for the remaining portion once known Agency management is inquiring about ways to shift, or reduce, services where legally possible.
- Loss of allocation for matching outpatient services by community providers. The hospitalizations have been decreasing over the past 3 years; much of this is due to use of other services to maintain clients in the community. Should the number of hospitalizations increase along with the number of days the County is responsible for all charges.

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- ◆ **Defer \$52 Million in AB 3632 Mandate Payment to Counties.** The budget package includes a deferral of \$52 million of the \$104 million that is in the approved 2009-10 budget to pay counties for past mandate claims (2006-07 and 2007-08). **Impact to Mendocino County is:**

Proposed Cut: Not determined as of yet.

Local Impact: Not determined as of yet.

FTE's Effected: 0

Potential Impacts: See below:

- No impact at this time to Mendocino County due arrangement with Mendocino County Office of Education and the use of Federal IDEA funds.
- ◆ **Proposition 63 Funding.** The budget defers \$300 million in Proposition 63 funding to counties during the 2009-10 fiscal year. **Impact to Mendocino County is**

Proposed Cut: Not determined as of yet.

Local Impact: \$1.7 million in our 09/10 CSS allocation will be deferred 60 days.

FTE's Effected: 0

Potential Impacts: See below:

- The deferral at this time is about 60 days past our expected time frame. Revenue has not been an issue but is reducing the amount of interest the program could gain for providing extra services.

Public Health

- ◆ In addition, the Governor vetoed \$16.3 million from the Domestic Violence Program; \$9.0 million from the Adolescent Family Life Program; and \$3.0 million from the Black Infant Health Program. **Impact to Mendocino County is:**

Proposed Cut: \$10.8 million AFLP; \$2.1 Million Maternal Child/Adolescent Health.

Local Impact: \$88,235 AFLP; \$63,475 Maternal Child/Adolescent Health.

FTE's Effected: AFLP 1.05 FTE; MC/AH .55 FTE.

Potential Impacts: See below:

- The agency received approval from the Board of Supervisors on June 23, 2009 for layoffs of these positions, if needed, to respond to State cuts.

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- **AFLP:** Staff will only be able to provide PHN case management services to 25 pregnant and parenting teens per month. Down from 58 per month in FY 2008/09. As a result, fewer pregnant and parenting teens and their children will access health, education, and other needed services resulting in poorer health outcomes.
- **MCAH:** The loss of a half-time PHN position in our Willits office will result in loss of case management services to families with pregnant women or high-risk children resulting in decreased access to 45 individuals from health and human services causing poorer health outcomes. There will be times when no PHN services will be available in Willits and North County offices.

Aging

- ◆ The Governor cut funding by \$6 million for various aging programs. The cuts include elimination of funding for the Linkages program. This program provides comprehensive care management to allow frail seniors to remain in their homes. In addition, the Governor also eliminated funding for other Community Based Services programs, including the Brown Bag program (monthly donated food to seniors), Senior Companions, caregiver respite care, and Alzheimer's Day Care Resource Centers. **Impact to Mendocino County is:**

Proposed Cut: \$6,000,000

Local Impact: \$105,253 Linkages; \$55,604 Alzheimer's Day Care Resource; \$17,638 Senior Companion; \$4,695 Respite.

FTE's Effected: .5 FTE

Potential Impacts: See below:

The potential impacts are the elimination of the following:

- This cut was not included in the Recommended Budget and will be accomplished via attrition or the shifting of staff to a funded vacant position.
- Case management for vulnerable seniors.
- Services needed to maintain independent living.
- Adequate and quality daycare for vulnerable seniors.
- Educational and consumer-related programs and resources for family members who are caregivers.

Child Support

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- ◆ AB4X 4 calls for a new \$25 administrative fee on child support collections to increase the speed and efficiency of child support enforcement efforts. The language in the bill is hopeful at best, promising to incur no state or county costs due to the projection of increased collections and welfare recoupment funded by the fee. This provision would be implemented by October 1, 2010. The language also specifies that 100 percent of the new funds must be used by a local child support agency to maintain staffing levels in order to stabilize child support collections. Once collected, the funds will be distributed based on two performance measures:
 - Collections on 21 current support and cases with collections in arrears.
 - Custodial parties must collect at least \$500 annually for the \$25 administrative fee to kick in.

Impact to Mendocino County is not applicable to this fiscal year. Provisions on this bill are still being discussed, but there may be some revenue which will funnel down to the local agencies from the State.

Transportation

- ◆ **AB 30xxxx – Highway Users Tax Account (HUTA) Redirection** – While revisions to the 2009-10 state budget ultimately did not take the local share of the gas tax, also known as the Highway User Tax Account (HUTA), monthly payments are being deferred from July through December 2009 to be repaid at an unspecified date in the future sometime after January 10, 2010 (contained in AB 4X 16). **The impact to Mendocino County is the deferrals of payments for 6 months for \$1.3 million for each fiscal year 2009-10 and 2010-11. The repayment is unknown at this time but draft language proposed expects payments to be repaid in 5 months. Mendocino County has some cash reserves fund balance to cover this deferral of funds.**
- ◆ **Proposition 42** -The 2009-10 state budget defers the first two quarterly payments of Proposition 42 (the October 2009 and January 2010 payments) to cities and counties until May 2010. These deferrals total \$288 million dollars, \$144 million of which is a direct hit to counties. At this point in time, cities and counties are slated to receive their third and fourth quarterly payments on schedule (April and July 2010). Please note that this action is a deferral and not a loan, thus the Proposition 1A protections for Proposition 42 funds are not triggered and the State will not pay back the funds with interest. **Impact to Mendocino County is 6 months delay in funds for \$470,000 per each FY 2009-10 and 2010-11 to be repaid the same years or within 6 months.**

- ◆ **Proposition 1B** -The remaining \$700 million in Proposition 1B Local Streets and Roads (LSR) monies were appropriated in the 2009-10 budget revisions with approximately \$442 million for counties. The budget trailer bill provides cities and counties the ability to backfill the Proposition 42 deferrals with LSR funds during the period of the deferral as long as Proposition 1B is made whole upon repayment by the State. The budget trailer bill package did not provide this same authority for cities and counties to backfill the HUTA deferrals with LSR funds so language will have to be addressed when the Legislature returns in August.
Impact to Mendocino County is \$2.88 million which can backfill for the HUTA deferral and some of Prop 42 deferral of funding.

Governor's Line Item Vetos

Agriculture and Natural Resources

- ◆ **Williamson Act.** Reduces state subventions to local governments under the Williamson Act Program 2009-10 Budget Act. Under this longstanding program, the state backfills a portion of the revenue lost by local governments when they enter into contracts with land owners to limit property tax assessments for lands that are maintained as open space or agriculture lands. The Governor line item vetoed funding for this program leaving in only \$1,000. **There is no additional impact to Mendocino County. This revenue was previously taken out of the Auditor's revenue projections for FY 2009-10 during the Recommended Budget.**

HEALTH AND HUMAN SERVICES

Child Welfare Services

- ◆ The Governor line item vetoed a total of \$124 million (\$80 million General Fund) from Child Welfare Services, which is more than the \$70 million cut he had proposed in his May Revision, including:
 - \$60.9 million unallocated reduction to county CWS programs. This cut affects 56 counties. The funds cut by the Governor would fund 755 social workers caring for abused and neglected children. The funding reduction comes without direction about how to implement the cut – all state requirements related to the child welfare system remain in place. Counties are expected to do the same amount of work with significantly less funds, putting children at great risk of harm.

Impact to Mendocino County is:

Proposed Cut: \$124,000,000

Local Impact: \$372,000

FTE's Effected: 4.65

Potential Impacts: See below:

- ◆ The cut was not included in the Recommended Budget and will be accomplished via attrition or the shifting of staff to vacant but funded positions, or both, if necessary.
- ◆ Increasing the workload of Social Workers will reduce their ability to meet mandates for monthly contacts, respond to referrals of abuse within timeframes, complete timely court reports, and either reunify children with their families or do the investigation and assessment necessary to provide long-term permanency for children.

Medi-Cal Administration

- ◆ The Governor vetoed \$120 million (\$60 million General Fund) in funding for county administration of the Medi-Cal. The funding reduction essentially eliminates funding to account for the increased workload due to the up tick in Medi-Cal applications related to the down economy. **Impact to Mendocino County is:**

Proposed Cut: \$120,000,000

Local Impact: \$360,000

FTE's Effected: 4.5 FTEs

Potential Impacts: See below:

- The cut was not included in the Recommended Budget and will be accomplished via attrition or the shifting of staff to vacant but funded positions, or both, if necessary.
- Increased workload as caseloads increase and staff reductions occur through attrition and possible layoffs. Because more people are losing health insurance as they lose jobs, Medi-Cal caseloads are rising. In 1/09, there were 5900 open Medi-Cal cases county-wide. In 6/09, the caseload increased to 6158.
- As Medi-Cal caseloads rise to 500 per worker, or more, it is expected that workplace stress will increase. This may result in increased illness and loss of productivity due to increased sick leave days.

In Home Supportive Services (IHSS)

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- ◆ The Governor line item vetoed an additional \$37.5 million from the IHSS program, including:
 - **Domestic Services for Medically Fragile Recipients.** The Governor vetoed \$28.9 million and included language eliminating domestic and related services for all IHSS recipients. The budget as passed by the Legislature (ABX4 4) had eliminated these services for all but those receiving paramedical services, protective services, and 120 or more overall hours per month; the Governor's action today eliminates domestic services for these recipients as well. **Impact to Mendocino County is:**

Proposed Cut: Dollar amount undetermined at this time.

Local Impact: To be determined.

FTE's Effected: IHSS providers hours will be reduced yet to be determined.

Potential Impacts: See below:

- ◆ Approximately 610 IHSS clients will suffer from service hour reductions.
- **Public Authorities.** The Governor also cut \$8.7 million from IHSS Public Authority Administration, leaving \$10 million General Fund in 2009-10. **Impact to Mendocino County is:**

Proposed Cut: \$8,700,000.

Local Impact: Approximately \$119,727

FTE's Effected: Approximately .5 FTE.

Potential Impacts: See below:

- The approximation of the .5 FTE's was not included in the Recommended Budget but must be dealt with in the IHSS Provider negotiations.
- In preparation for this type of legislative action the Agency has historically maintained an administrative level well below the maximum administrative cap. Due to this action and the application of the FMAP funds the estimated cut in administrative FTE's was mitigated drastically.

Governor's 2009-10 May Revise State Budget Proposal
State Budget Impacts FY 2009-10