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TO: Supervisor Dianne Jacob, Chairwoman
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FROM: Walter F. Ekard
Chief Administrative Officer

HIGHLIGHTS OF THE REVISED FISCAL YEAR 2009-10 STATE BUDGET AND POTENTIAL COUNTY IMPACTS

On July 28, the Governor signed a package of bills aimed at closing a $24 billion state budget shortfall – a budget deficit which is on top of the $36 billion gap addressed by the Legislature and Governor in February of this year. The $24 billion in "solutions" include approximately $16.1 billion in spending cuts, $3.4 billion in revenues and revenue accelerations, $2.1 billion in borrowing (including $1.9 billion from local government property tax revenues), $1 billion in fund shifts, and $1.3 billion in other "solutions" (including a one-time savings by deferring the payment of state employees' final paycheck for the 2009-10 fiscal year until July 1, 2010).

Prior to leaving for their August recess, on July 24 the Legislature passed a budget package which fell short of a "balanced" budget. Therefore, the Governor used his line-item veto authority to cut the proposed spending by another $489 million – with the majority of the cuts being made to health and human services programs, including Child Welfare Services and Healthy Families.

Upon their return to Sacramento on August 17, the Legislature will make policy decisions on how to implement the $1.2 billion in cuts to the Department of Corrections and Rehabilitation approved in the revised budget and some members of the Legislature have expressed an interest in revisiting the line-item cuts made by the Governor.

While the fiscal year 2009-10 budget is "balanced" for now, the Administration anticipates a $7 to $8 billion deficit for fiscal year 2010-11 and larger shortfalls projected in out-years. Some of the budget actions taken by the Legislature and/or the Governor to "balance" the budget face legal challenges. On Monday, Senator Steinberg filed a lawsuit against the Governor for abuse of executive power for the Governor's line-item veto actions. Redevelopment agencies are mounting a legal challenge to the taking of the redevelopment property tax collections. Should these or any other budget-related legal challenges prevail, there will be even greater deficits.

The attached document includes highlights of the July revision of the fiscal year 2009-10 state budget and potential impacts to the County of San Diego.

Respectfully,

Walter Ekard

WALTER F. EKARD
Chief Administrative Officer

cc: ACAO, FGGG, HHSA, PSG, LUEG, CSG, CNL, CLK

REVISED FISCAL YEAR 2009-10 STATE BUDGET
POTENTIAL IMPACTS ON THE COUNTY OF SAN DIEGO

MISCELLANEOUS BUDGET

Budget Balancing Solutions (*Governor's Revised Budget Summary)*

- The Revised Budget closes the $24 billion budget gap by reducing expenditures, shifting funds, deferrals, accelerating revenues, and borrowing.
    - Expenditure reductions – cuts to state programs such as education, corrections, Medi-Cal, CalWorks, In-Home Supportive Services, child welfare services, other health and human services programs, state parks, and state employee compensation. *(page 5)*
    - Funding shifts – shift of redevelopment funds. *(page 13)*
    - Deferrals – due to the state's cash flow shortfalls, AB 3632 children's mental health, education and transportation payments have been deferred. *(pages 9 and 32)*
    - Revenue increases – accelerate wage withholdings, accelerate corporate tax payments, privatize the State Compensation Insurance Fund, and other revenue increases. *(page 30)*
    - State reforms – reorganize, consolidate, and eliminate various state agencies or boards. *(page 26)*
    - Borrowing – borrow from local government property tax revenues. *(page 32)*
    - Cash management – the Revised Budget assumes a savings in external borrowing costs due to the adoption of a budget and reducing the size of the Revenue Anticipation Notes (RANs) issued. *(page 27)*

State Mandate Suspensions *(ABX4 1, page 404 and 408 and ABX4 12)*

- The Revised Budget suspends specific reimbursable mandates during fiscal year 2009-10 for a state savings of $65.6 million.

FINANCE AND GENERAL GOVERNMENT

Borrowing from Local Government – Proposition 1A (Prop 1A) Suspension *(ABX4 14 and ABX4 15 and Governor's Revised Budget Summary)*

- The Revised Budget borrows eight percent of the total amount of ad valorem property tax revenues that were apportioned to counties, cities and special districts as property tax revenues for fiscal year 2008-09 ($1.9 billion); this take is effective immediately. *(ABX4 14, page 16)*
- The funds the state borrows under the Prop 1A suspension will be shifted to county-level Supplemental Revenue Augmentation Funds where they will be used to fund K-12 schools, courts, prisons, Medi-Cal, hospital and K-12 school bond expenses that would have otherwise been funded by the state's general fund. (*Governor's Revised Budget Summary, page 32)*

    <u>Estimated County fiscal impact:</u>
    - $67.8 million reduction to County general fund (general purpose revenues).
    - $2.4 million reduction to County library fund.
    - $721,000 reduction to County special districts (i.e. flood control, lighting, some county service areas, some permanent road divisions) that are organized to provide services such as parks and private road maintenance in limited geographic areas. These services are provided or managed by the County and the associated costs are charged to the respective special districts.

    <u>Estimated impact to unincorporated area non-County agencies:</u>
    - $10.5 million reduction to independent special districts (primarily fire and water districts).
- The Revised Budget provides that the state will repay the borrowed funds with interest no later than June 30, 2013 and sets forth the following securitization options for local governments *(ABX4 15, pages 8, 10, 15 and 19)*:
    - Option 1 – A joint powers authority (JPA) may issue bonds backed by the state's repayment obligation and use the proceeds to replace the property taxes diverted from local agencies. The terms and conditions of the JPA's bond issuance are required to be approved by the state's Department of

Finance (DOF) and the state Treasurer. The state will pay the financing costs including interest of up to 8 percent for up to $2.25 billion. The amount will cover the total principal of $1.9 billion plus credit enhancement, which will likely be necessary to sell the bonds. The California Statewide Communities Development Authority (CSCDA) would be the JPA that issues the bonds. *(ABX4 15, pages 8 and 10)*

Potential County impact:

- This would allow the County to receive cash upfront instead of waiting for the state's repayment of borrowed property tax revenues.
- The downside of this option is that we do not know if the bonds could be sold in the current recessionary market. Investors may demand a higher yield and if the credit enhancement is available, it will likely be costly.

- Option 2 – The state is offering an option to encourage local agencies to use existing resources instead of securitizing through the JPA or to issue bonds using the local agency's credit to reduce the state's borrowing costs. Local agencies may choose to take their property tax reduction in fiscal year 2009-10 and be repaid by the state directly at an interest rate that will be set by the DOF, subject to a 6 percent cap. *(ABX4 15, page 19)*

  Potential County impact:

  - As stated above, the impact to the County's general fund is estimated at $67.8 million. If the County uses its own resources, this will reduce reserves and limit the County's flexibility to respond to emergent needs. If the County issues its own bonds securitized by the state's receipts, it is not likely that the cost to the state would be cheaper than using the JPA option.
  - While the state is statutorily obligated to repay the County with interest, currently there is no plan or proposal to guarantee that funding will be available to meet this debt obligation.

- Option 3 – Allows counties to borrow from their redevelopment agencies to cover the suspended amount of property tax revenues. *(ABX4 15, page 15)*

  Potential County impact:

  - This would allow the San Diego County Redevelopment Agency (SDCRA) to make a loan to its legislative body for the payment required under Prop 1A borrowing.
  - The drawback of this option is that the resources of SDCRA are insufficient to provide significant relief to the County's obligation. SDCRA received an annual tax increment of $3.9 million in fiscal year 2008-09, which is used substantially to make debt service payments on bonded indebtedness (Gillespie Field Project Area) and to assist the Lakeside Fire Protection district in the construction and design of its new fire station (USDRIP Project Area). The SDCRA is required to shift approximately $793,000 of its tax increment to schools in fiscal year 2009-10 pursuant to ABX4 26.

- The Revised Budget also includes a Prop 1A hardship provision that allows local agencies that are 1) in bankruptcy proceedings, 2) would likely have to seek bankruptcy as a result of the Prop 1A take, or 3) do not have enough reserves to provide core services, to apply to the DOF for a reduction or elimination of their Prop1A suspension amount. The DOF may grant hardship reductions or eliminations totaling up to 10 percent of the total suspension amount in any county. Any hardship amounts granted by DOF will then be reallocated amongst all of the other local agencies in that county so that the total suspension amount in a region remains unchanged. *(ABX4 15, pages 16 and 17)*
- The Revised Budget allows two or more local agencies in a county to agree to reallocate exclusively among themselves as part of their reduction amounts. *(ABX4 15, page 17)*
- California State Association of Counties (CSAC) plans to pursue "clean up" legislation when the Legislature returns in August to address some needed fixes in ABX4 15 since the dates of the Prop 1A securitization were tied to a bill that did not pass and bond maturity and issuance dates may need to be adjusted in order for CSCDA to be able to access the bond markets.

Redevelopment Shift *(ABX4 26)*

- The Revised Budget takes $1.7 billion in fiscal year 2009-10 and $350 million in fiscal year 2010-11 in property tax revenue from redevelopment agencies (RDA) which will be deposited into a county Supplemental Educational Revenue Augmentation Fund (SERAF) to be distributed to meet the state's Proposition 98 obligations to schools. This shift may be made from reserves or current income, including tax increment, proceeds of land sale or bonds, interest or other earned income, or borrowing the 20 percent of the tax increment that is normally dedicated to the low and moderate income housing fund. A RDA may also borrow from its parent agency. *(ABX4 26, pages 12, 13, 17, 20 and 21)*

County fiscal impact:

- Gillespie Field – $793,000 estimated fiscal year 2009-10 impact for San Diego County Redevelopment Agency, Gillespie Field Project Area. The fiscal year 2010-11 impact is estimated to be $163,000. The Gillespie Field Project Area will be affected by reduced funding to assist in public or private redevelopment projects. There is also a resulting decreased capacity for bond issuance or other debt, to finance potential projects. Overall, any loss or reduction of revenue may impact implementation plans to cure blight and stimulate economic development.
- General fund (general purpose revenues) – there is an estimated $1.4 million fiscal year 2009-10 impact to general purpose revenues received by the County, under the terms of various redevelopment area tax sharing agreements between the County and some cities in the region. These revenues, unless restricted, are recorded as general purpose revenues. The estimated impact for fiscal year 2010-11 is $300,000.
- General fund (Public Safety Group – Poway Agreement) – the estimated fiscal year 2009-10 impact is $3.5 million. The fiscal year 2010-11 impact is estimated to be $700,000. Under the terms of the agreement, these funds are used for the acquisition, construction, maintenance and operational costs of regional criminal justice facilities.
- Library fund – $308,000 estimated fiscal year 2009-10 impact to the library fund. The estimated fiscal year 2010-11 impact is $63,000. Similar to the general fund, the library fund receives tax increment revenue pursuant to certain redevelopment area agreements. This revenue loss will result in reduced services, library materials, and programs for library patrons.
- Upper San Diego River Improvement Project (USDRIP) – due to the use of fiscal year 2006-07 tax increment for the calculation of amounts due, the USDRIP is not expected to be affected by this action.

- 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 fiscal year 2009-10. *(ABX4 26, page 4)*

  County fiscal impact:

  - If all 61 redevelopment projects (for which the County currently receives property taxes) were extended for one year beyond their expiration date, the aggregate impact to the County of San Diego would be a net loss of approximately $111 million, the net present value of which is $46.3 million. The expiration dates range from fiscal year 2017-18 to fiscal year 2053-54.
- The Revised Budget provides that if a RDA borrows and fails to restore their low and moderate income housing funds by June 30, 2010, the RDA will be subject to a 5 percent increase in their required annual housing set-aside. *(ABX4 26, page 4)*
- Last fiscal year, the state attempted to take a lesser amount and the California Redevelopment Association (CRA) successfully sued to prevent it. The fiscal year 2009-10 shift has elements that are supposed to cure the deficiencies of the fiscal year 2008-09 shift; however, the CRA plans to sue again.

COMMUNITY SERVICES

Animal Adoption Mandate Suspension *(ABX4 1, page 404)*

- The Revised Budget suspends the Hayden mandate (Chapter No. 752, Stats. 1998) funded with the SB 90 reimbursement process, which enhanced the previous 3-day minimum animal holding period to 4 business days (not counting the initial day of impound) for San Diego County. When Hayden was adopted, it allowed the County and its contract cities to submit claims to be reimbursed for services that were already mandated and/or in practice by policy before the bill was enacted. As a result of the suspension, those mandates are not eligible for reimbursement but are still required by other state law (such as medical treatment for animals in the department's care) or good business practice (such as being open at least one weekend day).

  County fiscal impact:

  - $250,000 estimated impact for fiscal year 2009-10 as a result of the suspended SB 90 reimbursement. The County will not be reimbursed for costs related to the care and maintenance for impounded stray or abandoned animals that die or are euthanized during the increased holding period while they are held in County shelters, including weekends.

- SB 90 funds are not budgeted and are treated as unanticipated revenue. When payments are received, the resulting fund balance has been used for upgrades and maintenance to the three County animal shelters.

May 19 Special Election

- The Revised Budget does not address the issue of reimbursing counties for their May 19 special election costs.

  County fiscal impact:

  - The May 19 election cost the County of San Diego an estimated $5 million.

HEALTH AND HUMAN SERVICES

In-Home Supportive Services (IHSS) *(ABX4 4 and ABX4 19)*

The Revised Budget approves cost containment measures for a state general fund savings of $263.5 million:

- Eliminates IHSS domestic and related services for recipients with functional index rankings below four. Only those clients that are able to perform a function with substantial human assistance or, cannot perform the function with or without human assistance, will be eligible for domestic and related services. *(ABX4 4, page 49)*
- Eliminates all IHSS services for recipients with functional index rankings below two. Clients that are able to perform a function independently and without human assistance will no longer be eligible for IHSS services. *(ABX4 4, page 51)*

  County impact:

  - Eliminating these services provides the state with $4.5 million in savings for fiscal year 2009-10. The County will save $2.5 million in realignment dollars because the County will not be required to match these funds. There may be some offset to the cost savings due to increased requests by clients for reassessment of services and hours. These actions result in the disqualification of more than 7,000 clients from the program.
- Reduces funding for Public Authority administration. *(ABX4 1, page 12)*

  County impact:

  - These actions provide the state with $900,000 in savings for fiscal 2009-10 by providing a reduced amount to the County for administration. The County will save $500,000 in realignment dollars because the County will not be required to match these funds. This cut will result in reduced staff positions. These positions assist IHSS recipients with finding a provider, investigating the background of potential providers, and training providers.
- The Revised Budget eliminates the state's share-of-cost contribution for recipients receiving a state buyout. *(ABX4 4, page 46)*

  Client impact:

  - There is no direct impact to the County. Approximately 500 IHSS recipients would have to pay a higher share of cost for services.

The Revised Budget enacts the following measures to address IHSS fraud. *(ABX4 19):*

- Requires that all providers go through a criminal background check process, including fingerprinting. *(ABX4 19, pages 7 and 16)*
- Requires recipients to submit a fingerprint to the County for their file. *(ABX4 19, page 3)*
- Requires the provider and recipient to sign timesheets under penalty of perjury and submit fingerprints as part of the timecard submission process. *(ABX4 19, page 5)*
- Establishes a civil penalty for timesheet fraud. Requires providers to sign an acknowledgement of eligible recipient services effective July 1, 2011. *(ABX4 19, page 5)*
- Providers must be given a list specifying the approved duties to be performed for each recipient under the provider's care and a complete list of supportive service tasks available under the IHSS program. *(ABX4 19, page 4)*
- Requires providers to complete an orientation at the time of enrollment. The orientation will be developed by the state and counties. *(ABX4 19, page 4)*
- Requires county social workers to conduct unannounced visits for certain high risk IHSS cases. *(ABX4 19, page 14)*
- Provides counties with the authority to investigate fraud and to share data with the state Department of Health Care Services to prevent fraud. *(ABX4 19, page 21)*

- Provides $10 million statewide for local anti-fraud investigation and activities. Provides additional positions at the state Department of Social Services and Department of Health Care Services for anti-fraud activities. Requires counties to train staff in additional fraud prevention efforts. Requires counties to issue targeted mailings in certain circumstances. Limits the ability of providers to receive a check at a post office box. *(ABX4 19, pages 13 and 16)*

  Unknown County impact:
  - The state has not provided sufficient detail to accurately determine the potential impact of these fraud prevention measures on the County. Based on limited information, it is anticipated that there will be undetermined workload increases associated with fraud activities. Although new funding is identified, it is unclear if the funding would be adequate to cover increased costs for these activities or if local savings can be achieved from these activities.

Child Welfare Services (CWS) *(ABX4 1, page 12 and Governor's Revised Budget Summary, page 22)*
The Revised Budget makes various reductions in funding to the CWS program including:

- Reduces state general fund support to counties for CWS by $80 million.

  County impact:
  - The reduction to CWS is anticipated to result in a loss of $5.5 to $7.6 million to the County and a reduction of staff positions. Impacts include: longer wait times for child abuse hotline calls, increased response times, increased caseloads, children remaining in care longer, reductions in contracted services, and difficulty meeting required court timelines.
- Reduces by 10 percent rates paid to group homes, foster family agencies, and on behalf of seriously emotionally disturbed children.

  Local impact:
  - Reduces by 10 percent rates paid to group homes and foster family agencies for at-risk children and youth. It is anticipated that some private facilities will not be able to absorb the 10 percent rate reduction and will not remain open. As a result, the Polinsky Children's Center may be impacted with additional youth.
- Reduces funding to provide transitional housing services to emancipating foster youth.

  Unknown County impact:
  - There is insufficient information at this time regarding how the reduction in transitional housing services will be implemented.
- Eliminates automatic increases in financial support available to families receiving adoption assistance payments for children with special needs.

  Unknown County impact:
  - The reduction will have an unknown impact on County workload.

Early Periodic Screening, Diagnosis and Treatment Services (EPSDT) *(ABX4 1, page 214)*

- The Revised Budget reduces funding for county EPSDT programs which provide mental health services to children.

  County fiscal impact:
  - Reduced EPSDT funding will result in a loss of $700,000 to the County. If these are allowable Mental Health Services Act (MHSA) programs, MHSA dollars may be used to cover the loss of revenue.

AB 3632 Mandate Suspension *(ABX4 1, page 214)*

- The Revised Budget defers funding for AB 3632 payments to counties for one year. AB 3632 provides payments to counties for special education students requiring mental health services.

  County fiscal impact:
  - This action will result in a delay of $1.1 million to the County.

Mental Health Managed Care Services *(ABX4 1, page 434)*

- The Revised Budget approves a $113.3 million statewide reduction in funding for mental health managed care services.

  County fiscal impact:
  - Reduced funding will result in a loss of up to $7.3 million to the County.

Alcohol and Drug Services *(ABX4 1)*

- Substance Abuse Treatment and Crime Prevention Act (SACPA) (Proposition 36) and the Offender Treatment Program (OTP). *(ABX4 1, pages 229-234)*
  - The Revised Budget eliminated funding for the SACPA ($90 million).
  - The Revised Budget preserves $18 million of state general fund for the OTP.
  - To offset reductions to the OTP and the elimination of Proposition 36 funding, $45 million in American Recovery and Reinvestment Act of 2009 (ARRA) Byrne JAG funds will be added to the OTP and used to provide substance abuse treatment to criminal offenders in a drug court setting. This is a one-time allocation.

    <u>County fiscal impact:</u>
    - The elimination of SACPA would result in a reduction in local funding of $6.3 million (including probation funding of $1.7 million). The augmentation to the OTP will result in an increase of $3.5 million. (It is unknown at this time if these funds can be used by the Probation Department).
    - Additional impacts to the Probation Department are included under the PUBLIC SAFETY heading on page 11 of this document.
- The Revised Budget reduces rates for drug Medi-Cal treatment by 10 percent (substance abuse treatment services for Medi-Cal eligible individuals).

    <u>Local impact:</u>
    - The 10 percent rate reduction may cause contractors to choose not to provide drug Medi-Cal services. This could result in clients waiting longer to receive services.

Public Health Services *(ABX4 1, page 9)*

In a line item veto, the Governor took the following actions:

- Eliminated HIV education and prevention funds to local health jurisdictions.

    <u>County fiscal impact:</u>
    - Potential $1.3 to $2.1 million loss in state and federal funds and the reduction of staff positions. The range is due to an unknown loss in federal funding. This funding pays for contracts that cover education and prevention services including individual and group interventions and social marketing designed to prevent spread of this disease and encourage partner notification. Decreased funding could result in the reduction of up to five provider contracts (a loss of up to 19,000 client interactions) to provide HIV education and prevention services and HIV early intervention services.
- Eliminated Maternal, Child and Adolescent Health programs including local county Maternal Child Family Health Services grants (MCFHS) and the Black Infant Health Program.

    <u>County fiscal impact:</u>
    - Elimination of MCFHS programs will result in the loss of $200,000 to the County and a reduction of staff positions. The loss of the funding will result in fewer prevention services provided to pregnant women and infants. This will lead to delays in medical care and increase the use of emergency rooms impacting our county safety net.
    - Elimination of the Black Infant Health program will result in a loss of $400,000 in contracted services for 240 pregnant women and 600 highest risk children in low income communities. Other impacts include a potential increase in the number of premature and low birth weight infants and maternal and infant mortality for African-American women and babies.
- Eliminates funding for the Immunization Program.

    <u>County fiscal impact:</u>
    - This action results in a one-time reduction of $700,000 to the County. However, if the state backfills with federal stimulus funds, there will be no impact.
- The Revised Budget suspends the children's dental disease prevention program.

    <u>Potential County impact:</u>
    - This action may result in an increase in demand for the County's Child Health and Disability Prevention Program.

Centralization of Eligibility Determinations *(ABX4 4, page 35)*
The Revised Budget authorizes development of a plan to centralize eligibility determinations for the Medi-Cal, CalWORKS, and Food Stamps programs. Implementation of the plan is subject to legislative approval.

Unknown County impact:

- This action has no immediate impact, as there is no plan yet. If the state assumes all responsibility for eligibility and enrollment for these assistance programs, it would result in the elimination of County responsibility for these programs including a significant number of related staff positions.

California Work Opportunity and Responsibility to Kids (CalWORKS) *(ABX4 4 and ABX4 8 and Governor's Revised Budget Summary)*

- The Revised Budget includes a $509.6 million reduction reflecting the following actions:
  - $370 million reduction from prioritizing resources for employment services and child care to recipients who are working. (*Governor's Revised Budget Summary, page 18)*

    County fiscal impact:

    - At this time, there is little information from the state regarding the exact amount that will be reduced from each allocation. The Agency anticipates that the impact of this action may be an estimated $17.5 million loss of funding to the County which would result in a reduction of County staff positions, welfare-to-work contracts, child care provider payments, as well as supportive services for participants.
  - $42.6 million by rejecting mid-year increase based on case load growth to the County's allocation in fiscal year 2008-09 to offset costs in fiscal year 2009-10.

    No County impact.
  - $60.1 million reduction by utilizing ARRA funds to create subsidized employment slots.

    No County impact.
  - $20 million reduction by offsetting employment training funding on a one-time basis.

    No County impact.
  - $16 million reduction by reflecting a reduced caseload projection.

    Unknown County impact.
- Increased sanctions effective July 1, 2011. Allows for deeper grant reductions for noncompliant families than currently provided by law. The noncompliant individual would be subject to graduated grant reductions. *(ABX4 8, pages 5-8)*

  County impact:

  - Caseload impact – the current sanction population is approximately 1,158 individuals. The percentage that would remain non-compliant is unknown.
  - Potential increased workload for County and contract staff. At each interval of noncompliance, a face-to-face interview or home visit is required prior to imposing the grant reduction.
  - Potential cost savings due to decreased grant amounts which could be offset with cost increases due to additional families participating in work activities in order to stay in compliance. Families may require supportive services (ancillary, transportation, child care) to participate and remain in compliance with work requirements at an unknown County cost.
  - Potential costs associated with the need to update the California Works Information Network (CalWIN) program. There is a County share of cost for most changes to the system.
- Self-sufficiency reviews effective July 1, 2011. Requires counties to conduct a self-sufficiency review six months after the determination of eligibility and after each annual re-determination. If the recipient fails to attend the review, it will result in a grant reduction of 50 percent. *(ABX4 8, pages 3-5)*

  County impact:

  - Caseload impact – approximately 5,037 recipients would require review.
  - Staff workload – increased staff workload associated with face-to-face interviews. Additional workload impact due to an increased number of individuals choosing to participate in work activities to avoid grant reductions.
  - Welfare-to-work contracts – due to potential increased workload, contract amendments may be needed. Contractors may request additional funding to serve an increased population.
  - Increased supportive services – individuals may choose to participate in work activities and will require supportive services (ancillary, transportation, child care).
  - Potential CalWIN costs associated with the need to update the program. There is a County share of cost for most changes to the system.

- Limit time on aid effective July 1, 2011. Limits continuous eligibility for CalWORKS to 48 months, after this period the adult grant and CalWORKS services may not be provided for at least 12 months. Maintains current lifetime limit of 60 months of benefits. *(ABX4 8, page 2)*
  County impact:
  - Caseload impact – potential caseload impact is unknown at this time.
  - Staff workload – increased caseloads for eligibility and employment staff due to an increase in case changes, monthly monitoring, tracking, and engaging of participants; increased time on aid tracking requirements; additional training requirements and administrative requirements.
  - Welfare-to-work contracts – due to potential increased workload, contract amendments may be needed. Contractors may request additional funding to serve an increased population.
- Reduces by 25 percent the child only grant for non-work-eligible adults, unless they meet work participation requirements. *(Governor's Revised Budget Summary, page 19)*
  County impact:
  - Caseload Impact – approximately 2,500 to 3,500 individuals may be impacted.
  - Staff workload – these safety-net families are currently not monitored for work participation and can not be sanctioned. By requiring these individuals to participate, the caseloads would increase for welfare-to-work staff and workload would increase for eligibility staff to impose sanctions for those not meeting participation requirements.
  - Welfare-to-work contracts – due to potential increased workload, contract amendments may be needed. Contractors may request additional funding to serve an increased population.
  - Increased Supportive Services – additional individuals may choose to participate in work activities and will require supportive services (ancillary, transportation, child care).
  - Potential CalWIN costs associated with the need to update the program. There is a County share of cost for most changes to the system.
- Exempts from welfare-to-work activities, families with one child under 2 years of age and families with two children under 6 years of age. *(ABX4 4 page 29)*
  County impact:
  - Cost savings due to a potentially larger exemption population with less supportive services being issued.
  - Potential decrease in caseload.
- Cost of Living Adjustment (COLA) Elimination. Eliminates COLA for CalWORKS grants effective fiscal year 2010-11. *(ABX4 8, page 2)*
  Local impact:
  - Clients will not receive an annual increase to their assistance payment.

Medi-Cal *(ABX4 1, ABX4 6 and Governor's Revised Budget Summary)*
The Revised Budget reflects the following adjustments to the program:

- In a line item veto, the Governor made a $60.5 million statewide reduction to counties for administration costs. *(ABX4 1, page 8)*
  Unknown County impact:
  - There is insufficient information at this time to determine the impact to the County.
- Expands efforts to address fraud, waste and abuse in the program. *(Governor's Revised Budget Summary, page 16)*
  No County impact:
  - There is no County workload impact and no cost savings to the County expected as a result of this action as the fraud prevention efforts will not impact County programs.
- Requires the Department of Health Care Services to apply to the federal government for a Medi-Cal waiver in order to implement reforms to the Medi-Cal program including utilizing managed care, or other specialized delivery systems of care, for vulnerable populations including seniors, people with disabilities, children with significant medical needs, and people with behavioral health problems. *(ABX4 6, page 5)*
  County impact:
  - Currently, the aged or disabled individuals receiving Medi-Cal are not subject to managed care enrollment. Patients may have to change providers, which may increase the County's administrative activities associated with enrolling them in health plans.

- Reduces payments by 10 percent to private hospitals and reduces the distressed hospital fund by $23.9 million general fund. *(Governor's Revised Budget Summary, page 16)*

  Local impact:
  - This action may discourage providers from participating in the Medi-Cal program and reduce access to services.

Healthy Families *(ABX4 1, page 10)*

- The Revised Budget includes a reduction of $178 million in state general fund to the Healthy Families program. The Managed Risk Medical Insurance Board (MRMIB), which oversees the program has frozen new enrollments and established a waiting list for the program. The MRMIB will disenroll current beneficiaries from the program at their annual eligibility re-determination as necessary.

  County impact:
  - Many children who are disenrolled or not allowed to enroll, meet Medi-Cal eligibility criteria. This may result in undetermined increases in Medi-Cal and California Children's Services caseloads and costs.

California Children's Services (CCS) *(ABX4 1, page 9)*

- The Revised Budget directs the Department of Health Care Services to convene a workgroup with representation by impacted families, counties, care providers, children's hospitals and medical suppliers to discuss the administrative structure of the CCS program and to identify methods for streamlining and creating administrative cost-efficiencies in the program.

  Unknown County impact:
  - Impact pending the outcome of the workgroup.
- The reduction to Healthy Families and the resulting wait list and disenrollments will result in some clients becoming CCS eligible only, at an increased County share of cost.

  County fiscal impact:
  - Undetermined increased costs.

Aging Services – Linkages Program, Community Based Services Program *(ABX4 1, page 8)*

- In a line item veto, the Governor eliminated the Linkages Program and the Community Based Services Programs.

  County fiscal impact:
  - Elimination of these programs will result in a reduction of $500,000 and staff positions. There will be a loss of case management, nutrition, and respite services for up to 1,700 low income seniors.

Domestic Violence Program *(ABX4 1, page 10)*

- In a line item veto, the Governor eliminated this program which provides funds for domestic violence shelters/centers, transitional housing, legal advocacy, temporary restraining orders, and other support services.

  Local impact:
  - Elimination of this program impacts domestic violence shelters/centers providing emergency and other services to domestic violence victims and their children. As a result, the reduction may put additional demands on County services including the domestic violence hotline, the domestic violence response teams and domestic violence services for families. The proposal may also impact the ability of the County to contract with domestic violence shelter-based agencies in all regions.

LAND USE AND ENVIRONMENT

Highway User Tax Account (HUTA) *(SBX4 16, pages 14 and 15)*

- The Revised Budget does not take or borrow from the local gas tax revenues of the HUTA.
  However, the Revised Budget includes a deferral of local government HUTA payments from July through December 2009 and requires the state to repay the deferrals at an unspecified date in the future sometime after January 10, 2010.

County fiscal impact:
  - $20 million in fiscal year 2009-10 revenue deferred.

- There are conflicting opinions regarding when the state is required to make payment of the deferred local government HUTA funds—some think existing law would require the state to pay within the fiscal year (no later than June 30, 2010) while others believe the state may have up to three years to pay the funds.
- Stakeholders have plans to pursue "clean up" legislation when the Legislature returns in August that would allow Proposition 1B funding received to be used to backfill HUTA payment deferrals and to ensure deferred HUTA payments will be repaid no later than June 30, 2010 (preferably in January 2010).

Proposition 42 (Prop 42) *(ABX4 16)*

- The Revised Budget defers the first two quarterly payments of Prop 42 (Oct. 2009 and Jan. 2010 payments) to counties and cities until May 2010.

  County fiscal impact:
  - Approximately $10 million deferred.
- As of now, counties and cities are slated to receive their third and fourth quarterly Prop 42 payments on schedule (April and July 2010).
- The Prop 42 deferral is not a loan and repayment is not required to include interest.
- The Revised Budget authorizes a county or a city to temporarily make use of any cash balances in its road fund, including certain transportation bond act funds, for local street and road maintenance, provided the cash is replaced once the payments from the state's transportation investment fund are received.

Proposition 1B Local Streets and Roads (Prop 1B) *(ABX4 1 and ABX4 16)*

- The Revised Budget appropriates the remaining $700 million of Prop 1B funding for counties and cities. *(ABX4 1, page 412)*
- The Revised Budget imposes new requirements in order for counties and cities to access fiscal year 2009-10 Prop 1B appropriations. A county or city must have: received its full allocation for fiscal year 2007-08, submitted annual reporting information to the state for fiscal year 2007-08, agree that the fiscal year 2009-10 funds will be used for projects that are not currently funded with a dedicated funding source or sources, agree to encumber the funds before July 1, 2010, report to the DOF the total balance of unencumbered funds in the road fund, certify that the total balance of unobligated or unencumbered funds in the road fund is no more than the sum of the balance of three months of anticipated apportionments from HUTA and Prop 42, and revert any of Prop1B funds back to the state if they have not been allocated by July 1, 2010. *(ABX4 1, pages 413-414)*

  County fiscal impact:
  - $31.7 million potential revenue increase.
  - However, under the new conditions imposed in ABX4 1, the County of San Diego may not qualify to receive this funding because of a new requirement that the balance of unobligated or unencumbered funds in the road fund must be less than the sum of the balance of three months of anticipated apportionments from HUTA and Prop 42. Furthermore, based upon the definition of "unobligated " and "unencumbered" in ABX4 1, the County's road fund balance may be even higher if activities such as planning, review, and design cannot be considered as part of the obligated road fund balance. It is prudent to maintain an overall fund balance in the road fund equivalent to three months of revenue from all sources to offset fluctuations in revenues that are influenced by changes in the economy and budgetary decisions made by the state of California and federal government.
  - Other concerns include: state's ability to go to the market and sell bonds, 2009-10 Prop 1B funding cannot go towards projects currently underway, and the June 30, 2010 encumber date may be challenging to meet depending upon when the County receives the funds because sufficient time is needed to go through the appropriate Board and procurement processes.
- The Revised Budget provides counties and cities with the ability to backfill the Prop 42 deferrals with Prop 1B funds during the period of the deferral as long as the local Prop 1B funds are made whole upon Prop 42 deferral repayment by the state. *(ABX4 16, pages 413-414)*
- CSAC plans to pursue "clean up" legislation when the Legislature returns in August that would remove counties from under the three month HUTA/Prop 42 fund balance requirement in order to access the fiscal year 2009-10 Prop 1B appropriation. An alternative would be to define when a county must certify a fund balance and via what process in order to set criteria that would allow as many counties as possible to access their Prop 1B funding allocations.

CALFIRE Funding Reduction *(ABX4 1 pages 117-119)*

- The Revised Budget reduces $27 million of funding for the state's Department of Forestry and Fire Protection (CALFIRE). These cuts reflect a delay in vehicle and equipment replacements, a cancellation of existing DC-10 aircraft contracts, and a reduction to the resource management program.

  Unknown County impact:
  - This reduction in state funding may result in an impact to the existing agreements the County has with CALFIRE to provide fire protection in the unincorporated area.

Mobile Home Inspection Program *(ABX4 12, page 31)*

- DEH regulates mobile home parks within the unincorporated area of the county through a delegation from the state's Department of Housing and Community Development. Previous permit fees for mobile home and recreational vehicle parks that were set in statute have been insufficient to fund a full staff position.
- The Revised Budget increases the permit fees that can be charged from $25 per park and $6 per space to $140 per park and $11 per space.

  County fiscal impact:
  - Estimated annual revenue increase of $77,000.

PUBLIC SAFETY

Substance Abuse Treatment and Crime Prevention Act (SACPA) (Proposition 36) and the Offender Treatment Program (OTP) *(ABX4 4, pages 229-231)*

- The Revised Budget eliminated funding for the SACPA ($90 million).
- The Revised Budget preserves $18 million state general fund for the OTP.
- To offset reductions to the OTP and elimination of Proposition 36 funding, $45 million in ARRA Byrne JAG funds will be added to the OTP and used to provide substance abuse treatment to criminal offenders in a drug court setting. This is a one-time allocation.

  County fiscal impact:
  - $1.7 million fiscal impact to the Probation Department. On July 21, 2009, the Board of Supervisors acted on a workforce reduction plan due to this loss of state funding.
  - State law continues to require the Probation Department to carry out certain activities for persons convicted of non-violent drug possession offenses and to continue to supervise these offenders using local resources. The required probation services are determined by the state court. There are a total of 1,426 current supervised cases (1,125 felony offenders and 301 misdemeanors). For additional impacts see Alcohol and Drug Services under the HEALTH AND HUMAN SERVICES heading on page 6 of this document.

Trial Courts – Court Security *(SBX4 13, pages 12, 14 and 15)*

- The Revised Budget approved a one-day per month court closure as a cost cutting measure to absorb reductions to the judicial branch budget. The court closure will impact court security contracts between the Sheriff's Department and the local court as the measure requires negotiation of court security contracts to reduce compensation due to the Sheriff's Department for court security services by 4.62 percent. The closure provisions are operative through the end of the fiscal year.
- The Revised Budget limits, for purposes of court security funding, the cost of services to the average cost of salary and benefits for court security officers (based on equivalent classifications within the individual county) rather than actual costs. The Revised Budget also excludes the cost of retiree health benefits from the definition of "benefits" used in the context of allowable court security costs.

  County impact:
  - Information on impacts is pending discussions with the local court and county criminal justice departments. A reduction in compensation for court security of 4.62 percent, the exclusion of retiree health benefits and other state reductions to court security equate to a reduction of $2.3 million.

Sexually Violent Predators and other Mandate Suspensions *(ABX4 1, page 404-406)*

- Funding is deleted for the Sexually Violent Predators and the Crime Victim Rights mandates. The Legislature will seek to redraft the law in such a way as to let various voter-approved initiatives take effect and remove the requirement for state reimbursement.

  County impact:

  - The District Attorney and the Public Defender will continue to be required to perform certain activities in the prosecution and defense of Sexually Violent Predators without state reimbursement. Details of those required activities may not be known until the Legislature takes action. Lost reimbursement equals approximately $600,000 annually.
  - Several mandates are suspended, including: Peace Officers Procedural Bill of Rights, AIDS/Search Warrant, Developmentally Disabled Attorneys' Services, Mentally Disordered Offenders' Extended Commitments Proceedings, Mentally Disordered Sex Offenders' Recommitments, Not Guilty by Reason of Insanity and Stolen Vehicle Notification. County departments are currently evaluating the impact of these suspensions and changes to required activities.

Reductions to Corrections *(ABX4 1, page 285)*

- The Revised Budget approved $1.2 billion in unallocated cuts to the Department of Corrections and Rehabilitation. The Legislature is expected to consider a prison population reduction package in August.

  Unknown County impact.
- Certain actions taken in the Revised Budget, along with authorities vested through the Constitution, permit the implementation of the following state reductions without further action on the part of the Legislature:
  - Rehabilitative program reductions – $175 million in savings associated with eliminating or scaling back of rehabilitative programs for prison inmates and parolees.

    Unknown County impact.

    - Rehabilitative program reductions may impact funding for County prisoner re-entry initiatives.
  - Select commutation and deportation of undocumented persons in state prison – $182.1 million in savings.
  - Operational savings – $147.6 million in a one-time reduction for facility repairs, efficiencies within the state juvenile justice systems and other operational savings.
  - Contract medical rates – $50 million associated with a cap on contract reimbursement rates for inmate medical services.

    No County impact as a result of these actions.
- The remaining state savings needed, approximately $631 million, which includes the unallocated $400 million cut the Governor imposed in February at the time of the initial enactment of the fiscal year 2009-10 budget, will be achieved through the reforms to be discussed when the Legislature returns in August. Some of the cost savings proposals that have been discussed include: parole reforms, sentencing/credit earning changes, reductions of property crime thresholds and the conversion of some wobblers to misdemeanors.

  Unknown County impact.

Byrne-JAG Federal Stimulus Funding *(ABX4 1, page 47)*

The Revised Budget contains language directing the California Emergency Management Agency (CalEMA) to distribute $135 million statewide in Byrne-JAG federal stimulus funding. These are one-time funds that may be spent over three years. Funds will be made available to counties, however, at this time, it is unknown whether funds will be made available (or how much will be available) to San Diego County. ABX4 1 outlines the specific programs and funding distribution levels. Summarized below are programs that will potentially provide funding to San Diego County:

- Adult Probation Services – CalEMA is directed to distribute $45 million proportionately to all county probation departments that submit a qualifying application based on each county's population of adults aged 18 to 25 years. These funds are the intended to serve as "seed money" to get the probation incentive funding program, which will be established pursuant to SB 678 (Leno and Benoit), up and running. The Administrative Office of the Courts is to receive $424,000 off the top of the overall allocation for the provision of technical assistance to recipient county probation departments.
- Offender Treatment Program (OTP) – to offset reductions to the OTP and the elimination of Proposition 36 funding, $45 million in Byrne JAG funds will be added to the OTP and used to provide substance abuse treatment to criminal offenders in a drug court setting. CalEMA is to provide $600,000 through an interagency agreement with the State Department of Alcohol and Drug Programs (DADP) to administer the OTP funds.

- Anti-Drug Abuse (ADA) Enforcement Program – $19.75 million dedicated to support multi-jurisdictional drug task forces that combat mid-level drug sales, manufacturing, and distribution at the local level.
- Reentry Courts – the Judicial Council is to receive $10 million to create, in partnership with California Department of Corrections and Rehabilitation, collaborative reentry courts with enhanced supervision and services for parole violators.
- California Multi-jurisdictional Methamphetamine Enforcement Teams (Cal-MMET) Program – $4.5 million in funding to combat mid-to-high level methamphetamine manufacturing and drug trafficking organizations.
- Human Trafficking Task Forces – $3.75 million in funding to increase coordination among law enforcement agencies, district attorneys, victim services groups, and others to improve or increase training in human trafficking cases and investigation and prosecution of such cases.
- Firearm Trafficking Programs – $3.3 million to increase coordination among state, federal and local law enforcement agencies in California's border region.
- Regional Anti-Gang Intelligence-Led Policing Program – $2.1 million to establish a statewide network of anti-gang coordinators among law enforcement agencies and community anti-gang efforts to support intelligence-led policing focused on gang violence.