



**2011-12 State Budget
Week of June 27, 2011**

June 29, 2011

TO: CSAC Board of Directors
County Administrative Officers
CSAC Corporate Associates

FROM: Paul McIntosh, CSAC Executive Director
Jim Wiltshire, CSAC Deputy Executive Director
Jean Kinney Hurst, Legislative Representative

RE: **Budget Action Bulletin No. 5**

Late last night, the Legislature finalized action on the 2011-12 state budget, sending eight new bills and some previously approved bills to the Governor for his consideration. The package was approved on a majority-vote basis, largely along party lines. The budget plan includes the Governor's proposal to realign many public safety and health and human services to counties, along with funding to do so. Regrettably, the Legislature did not take action to provide the constitutional protections counties were seeking. The Governor, however, has continued his commitment to constitutional protections at a later date and trailer bill language approved last night reinforces that commitment.

This *Budget Action Bulletin* represents our initial review of the budget and accompanying trailer bills; please understand that these bills were only just available in print this morning. Expect additional information from CSAC as more details become available. A list of trailer bills is provided at the end of this document.

Realignment

Realignment Financing. 2011 Realignment is funded with a dedicated portion of state sales tax revenue and Vehicle License Fees (VLF). A few measures include components of realignment financing, recognizing that additional work to refine the financing structure will take place over the remainder of the legislative session.

AB 118 outlines the financial structure for allocating funds to a variety of accounts (programs) for realignment. It establishes the Local Revenue Fund 2011 (Fund) for purposes of receiving revenues and continuously appropriates funds from that account

to counties. Counties are also directed to create local accounts to receive these funds. Specific allocations by program are, for the most part, prescribed in the statute and, in some instances, capped at a specific dollar amount.

In addition, AB 118 directs the deposit of revenues associated with 1.0625 percent of the state sales tax rate to be deposited in the Fund.

AB 118 also establishes a reserve account should revenues come in higher than anticipated. Funds will be allocated from that reserve account to entitlement programs (Foster Care, Drug Medi-Cal, and Adoption Assistance). The realignment trailer bill is silent as to what happens if revenues come in lower than expected.

Intent language in the bill directs two additional steps in the future to implement realignment more permanently: first, that the Legislature intends that new allocation formulas be developed using appropriate data and information for the 2012-13 fiscal year and each fiscal year thereafter. Second, that the Legislature intends for sufficient protections be in place to provide ongoing funding and mandate protection for the state and local government.

SB 89 also contains a variety of provisions related to financing the realigned programs, including the dedication of a portion of VLF to the Fund. Specifically, SB 89 dedicates the amount of VLF remaining after the allocation to 1991 realignment programs to the Local Law Enforcement Services Account in the Fund for allocation to local agencies. This revenue comes from two sources: freed up VLF previously dedicated to DMV administration and VLF that was previously dedicated to cities and the County of Orange for general purpose use. The estimated total amount of VLF revenue now dedicated to realignment is \$453 million.

Also related to realignment, AB 114, the education trailer bill, includes language that the new 1.0625 percent of the state sales tax is not “General Fund Revenues” for purposes of calculating the Proposition 98 guarantee. Further, the bill indicates that this section is operative only if one or more ballot measures approved before November 17, 2012 that authorizes the dedication of state revenue to realignment and provides funding to school districts and community college districts in an amount equal to that which would have been provided if the revenues had been “General Fund Revenues”. If not, the state must provide funding to school districts and community college districts in an amount equal to what they would have received had realignment not occurred.

Realignment Financing Summary

Program	2011-12	2012-13	2013-14	2014-15
Court Security	\$496.4	\$496.4	\$496.4	\$496.4
Local Public Safety Subventions	489.9	489.9	489.9	489.9
Local Jurisdiction of Lower-level Offenders and Parole Violators				
Local Costs	239.9	581.1	759.0	762.2
Reimbursement of State Costs	956.7	0.0	0.0	0.0
Realign Adult Parole				
Local Costs	127.1	276.4	257.0	187.7
Reimbursement of State Costs	262.6	0.0	0.0	0.0
Mental Health Services				
EPSDT	0.0	629.0	629.0	629.0
Mental Health Managed Care	0.0	183.7	183.7	183.7
Existing Community Mental Health Programs	1,083.6	1,119.4	1,119.4	1,119.4
Substance Abuse Treatment	183.6	183.6	183.6	183.6
Foster Care and Child Welfare Services	1,567.2	1,567.2	1,567.2	1,567.2
Adult Protective Services	55.0	55.0	55.0	55.0
Existing Juvenile Justice Realignment	97.1	104.1	103.2	103.3
Unallocated Revenue Growth*	0.0	339.0	624.5	1,063.9
Total	\$5,559.1	\$6,024.8	\$6,467.9	\$6,841.3
VLF Funds	\$453.4	\$453.4	\$453.4	\$453.4
1.0625% Sales Tax	\$5,105.7	\$5,571.4	\$6,014.5	\$6,387.9

**This amount will be subject to discussion and is intended to cover county costs and reimburse reasonable state costs.*

2011 Realignment Accounts Summary

LOCAL REVENUE FUND 2011	
Accounts	Subaccounts
1. Trial Court Security Account	
2. Local Community Corrections Account	
3. Local Law Enforcement Services Account	
4. Mental Health Account	
5. District Attorney and Public Defender Account	
6. Juvenile Justice Account	<ul style="list-style-type: none"> ▪ Youthful Offender Block Grant Subaccount ▪ Juvenile Reentry Grant Subaccount
7. Health and Human Services Account	<ul style="list-style-type: none"> ▪ Adult Protective Services Subaccount ▪ Foster Care Subaccount ▪ Child Welfare Subaccount ▪ Adoptions Subaccount ▪ Adoption Assistance Program Subaccount ▪ Child abuse prevention Subaccount ▪ Women and Children’s Residential Treatment Services Subaccount ▪ Drug Court Subaccount ▪ Nondrug Medi-Cal Substance Abuse Treatment Services Subaccount ▪ Drug Medi-Cal Subaccount
8. Reserve Account	

Health and Human Services Realignment. The health and human services programs included in the Governor’s realignment plan will be realigned in 2011-12 and 2012-13. The health and human services realignment is effective July 1, 2011. The following chart details which programs realign in which fiscal year:

2011-12	2012-13
Foster Care	Mental Health Managed Care
Community Mental Health (1991 Realignment)	Early Periodic Screening, Diagnosis and Treatment (EPSDT)
Child Welfare Services	
Adoptions	
Adoption Assistance Program	

2011-12	2012-13
Child Abuse Prevention Intervention and Treatment (CAPIT)	
Adult Protective Services	
Drug Medi-Cal	
Perinatal Drug Services	
Drug Courts	
CalWORKs	
Non-Drug Medi-Cal Services	

Please note that the 2011 Realignment changes the funding source – not the allocation – for the community mental health programs that were realigned in 1991.

AB 118 contains the provisions that move the funding for community mental health programs from 1991 realignment into 2011 realignment. The funds that would have otherwise been deposited into the Mental Health Subaccount are directed to be deposited into the Social Services Subaccount. AB 118 specifies that these new funds will be used for an increased county share of CalWORKs grants. The measure does not specify how the funds get distributed to the Social Services Subaccount or what the new county share of CalWORKs grants will be. Presumably, this further specification will be part of the implementing legislation. Our understanding from conversations with the Administration is that their intent is for a statewide share of CalWORKs grants – not a county-by-county share.

Allocations

The allocations for health and human services programs are based on what the state would have otherwise expended for those programs in 2011-12.

Cash Advances

The state advances cash to counties for administration and grants for many of the health and human services programs slated for realignment on July 1. Those cash advances have already been sent to counties. The state will need to pay itself back for the July advances out of the 2011 realignment fund.

1991 Realignment. SB 89 contains language to ensure that the delay in sending out VLF notices does not impact the 1991 realignment accounts in 2010-11. When DMV stopped mailing out notices that were due on or after July 1, 2011, people that would have paid them in the current fiscal year (even though they weren't due until July) are not paying them, so there is a shortfall. This issue is particularly problematic for 1991 realignment because what is received in current year becomes the base in the next year.

VLF is allocated to counties based on monthly receipts. The delay in sending out DMV notices would create a base shortfall of several hundred million dollars for 2010-11 and artificial growth for 2011-12. In realignment, base revenues are distributed differently than growth and each year's base plus growth equals the following year's base; therefore, the artificial growth in 2011-12 would permanently change how VLF is distributed in future years.

The measure contains language that allows the Controller to calculate the difference between VLF collected in 2009-10 and 2010-11 and directs him to deposit that amount as if it had been received in 2010-11.

AB 109 Public Safety Realignment Implementation. AB 117 enacts several key changes to AB 109, which, as counties will recall, provides a framework for the adult offender population shifts – low-level offenders, new population supervised locally under “post-release community supervision,” and a local revocation process. (See additional information below on the juvenile justice realignment.) Further, AB 118 creates and funds a Community Corrections Grant Program, as required in AB 109, making operative the provisions of public safety realignment.

The key technical and substantive changes contained in AB 117 are noted below:

- Delays the implementation/operative date of AB 109 to October 1, 2011.
- Delays the court’s responsibility for handling the parole revocation process for state parolees until July 1, 2013; however, the court will assume responsibility for imposing sanctions on state inmates placed on Post Release Community Supervision (PRCS) on October 1, 2011. (The Board of Parole Hearings will continue to be responsible for the revocation hearing function for state parolees through 2012-13.)
- Requires counties to inform the California Department of Corrections and Rehabilitation (CDCR) by August 1, 2011 as to the designated supervising entity (or entities, if a county intends to employ a hybrid model) for inmates discharged from prison and placed onto the PRCS program, including appropriate the local points of contact.
- Eliminates the existing sunset in Penal Code Section 4011.10 that provides that where a medical contract does not exist between a county and a private hospital, a hospital may not charge counties more than 110 percent of average actual costs as reported to Office of Statewide Health Planning and Development (OSHPD) for emergency treatment provided to county jail inmates. Further, the section is amended to extend this cap on hospital costs to non-emergency care provided to county jail inmates.

- Adds Penal Code Section 4115.55 to authorize counties to contract with public community correctional facilities to house county jail inmates; this authority would sunset in three years.

We would note that we are continuing to work through the specifics of AB 117 and will provide additional updates on its provisions in the coming days and weeks. Further, we anticipate that additional technical clean-up to AB 109 will be necessary before the 2011 legislative session ends.

Public Safety Realignment Allocations. CSAC will be working to furnish counties with additional details on program-specific allocations for public safety realignment as quickly as possible. AB 118 makes clear that allocation formulas apply only to the first year of realignment; methodologies for 2012-13 and beyond are open to review and revision. Of particular note in the near-term:

- AB 118 outlines the county shares for AB 109 programmatic allocation; these shares are consistent with the allocation formula shared with counties earlier this month. Note that with delayed implementation of AB 109, 2011-12 programmatic funding will be \$354.3 million. The smallest of counties that benefit from the minimum grant will each receive approximately \$77,000 in 2011-12.
- AB 118 outlines a separate allocation (using the same designated county shares developed for the programmatic aspects of AB 109, described above) for the \$12.7 million designated for district attorney and public defender responsibilities in 2011-12 associated with the local revocation process for those on PRCS. AB 118 further provides for equal distribution to the district attorney and public defender offices at the local level.

One-time startup/training funds. The main budget bill, SB 87, also provides counties with a one-time appropriation of \$25 million, distributed using the AB 109 allocation formula, to cover costs associated with hiring, retention, training, data improvements, contracting costs, and capacity planning pursuant to each county’s AB 109 implementation plan. Additionally, each county will receive a one-time grant (depending on county size) for purposes of supporting the CCP in developing its implementation plan. The Corrections Standards Authority will administer these grants, which will be distributed based on population, as follows:

County population	CCP planning grant
Up to 200,000	\$100,000
200,001 to 749,999	\$150,000
Over 750,000	\$200,000

Finally, there will be additional financial support to provide for statewide training on both the technical aspects of AB 109 as well as best community correctional practices as counties explore ways to manage new offender populations locally.

Juvenile Justice Realignment. Given that additional time was needed to establish a construct and contracting model to facilitate this piece of realignment, AB 117 eliminates placeholder language previously enacted in AB 109, effectively removing the shift of responsibilities for the remaining youthful offenders at Division of Juvenile Justice (DJJ). We anticipate further work in the coming months to address this remaining piece. In the meantime, a provision in SB 92 would require – only if “trigger cuts” are necessitated – that counties pay, on an annual basis, \$125,000 per youthful offender committed to a state juvenile detention facility.

Community Corrections Partnership (CCP) Executive Committee. The composition and duties of the CCP and its Executive Committee, as previously enacted in AB 109, were further revised in AB 117. These changes resulted from negotiations among stakeholders in recognition of the responsibilities assigned to the CCP to develop and present an AB 109 implementation plan to the board of supervisors. The changes are noted below:

- Recasts the CCP Executive Committee to include the following seven members: 1. chief probation officer as chair; 2. presiding judge or designee; 3. district attorney; 4. public defender; 5. sheriff; 6. a chief of police; and 7. one of the following: the head of the county department of social services, mental health, or alcohol and substance abuse programs, as designated by the board of supervisors.
- Specifies that the executive committee vote on the final AB 109 implementation plan that is to be presented to the county board of supervisors.
- Provides that the county board of supervisors can reject the AB 109 implementation plan as submitted by the CCP with a four-fifths vote of the board; if the plan is rejected it is referred back to the entire CCP for revision.
- Gives the board of supervisors the flexibility to appoint a designee (other than the CAO or a board member) to the 14-member CCP.

Two additional points regarding the revised CCP structure: 1) the board of supervisors retains exclusive authority for allocating funds; the role of the CCP and its Executive Committee is to develop an implementation (not a spending or allocation) plan for the adult offender population shifts; and 2) the CCP and its Executive Committee is subject to provisions of the Brown Act. Counties should seek the guidance of their county counsel as they convene meetings of their CCP and Executive Committee.

Local Public Safety Subventions. As covered in an earlier section, the budget provides alternative funding for the local public safety programs previously supported through the dedication of 0.15 percent of the Vehicle License Fee. However, counties should note one detail: AB 118 dedicates \$489.9 million to the newly established Local Law Enforcement Services Account, approximately \$15 million less than the expected funding amount. AB 121 contains a related “trigger cut” associated with the funding for the Vertical Prosecution Grant Program. If the trigger is not pulled, those grant awards would be funded out of the California Emergency Management Agency budget.

Other Aspects of Public Safety Realignment. As outlined previously, the budget also funds other public safety aspects of realignment as conceived in the Governor’s overarching structure. Funding through the 2011 realignment also will support all of the following:

- **Court security.** Funding to support court security (\$496.4 million in 2011-12) will come directly to counties through the 2011 realignment, with an expectation of a dollar-for-dollar dedication of resources to support county sheriffs’ service to the courts. (The two counties that maintain a marshal system will continue to receive funding through the judicial branch for court security purposes.) AB 118 prohibits administrative charges to the court security account. Counties should note that there will be additional resources available to support court security services associated with the local revocation process for the PRCS population; those funds have yet to be allocated.
- **Previously realigned juvenile justice components.** Both the Youthful Offender Block Grant and DJJ juvenile parole reimbursement (AB 1628, signed in 2010) will be funded through the current allocation methodology through 2011 realignment funding.

Restructuring of Corrections Standards Authority (CSA). SB 92 renames and restructures the Corrections Standards Authority effective July 1, 2012. The current CSA will be replaced by a newly composed Board of State and Community Corrections (the Board), which will operate outside of the California Department of Corrections and Rehabilitation (CDCR). Beginning July 1, 2012, the newly formulated Board will assume all the authority now vested with the CSA, as well as the functions and duties that now reside with the California Council on Criminal Justice (CCCJ) and Office of Gang and Youth Violence Policy. Those latter two entities will be dissolved June 30, 2011, pursuant to SB 92.

The mission of the Board will be to provide statewide leadership on the adult and juvenile criminal justice systems as well as gang violence and to provide technical assistance to promote effective partnerships at the local and state level. The Board will

also have the responsibility to collect from each county's CCP its AB 109 implementation plan within two months of the plan's adoption by the county board of supervisors.

The composition of the Board will be somewhat leaner, reduced from the current CSA structure of 19 members to 12 members. Each member will serve terms of three years and are to be appointed by the Governor and confirmed by the Senate, unless noted otherwise. Board membership is constructed as follows:

- Secretary of CDCR, who will serve as chair;
- Director of Division of Adult Parole Operations for CDCR;
- County sheriff with detention facility capacity of 200 or less inmates;
- County sheriff with detention facility capacity over 200 inmates;
- County supervisor or county administrative officer;
- Chief probation officer from a county with a population over 200,000;
- Chief probation officer from a county with a population under 200,000;
- A judge appointed by the Judicial Council;
- A chief of police;
- A community provider of rehabilitative treatment or services for adult offenders, appointed by the Speaker of the Assembly;
- A community provider or advocate focusing on at-risk youth and juvenile offenders to be appointed by the Senate Committee on Rules; and
- A public member.

Trigger Cuts

Counties will be particularly interested in the so-called "trigger cuts" mechanism, by which the state will enact mid-year budget reductions should state revenues not achieve anticipated targets. By December 15, 2011, the Director of Finance will determine whether revenues meet the forecast. The Director may use the Department of Finance forecast or the Legislative Analyst's Office forecast, whichever is higher. SB 73 and AB 121 accomplish the trigger reductions, some of which may impact counties directly.

SB 73 contains additional statutory direction on how the cuts to In-Home Supportive Services (IHSS), Developmental Services and Medi-Cal Managed Care would be effectuated. The measure contains detailed provisions on the appropriation of the 20 percent reduction in authorized hours for IHSS recipients. SB 73 also establishes an IHSS Care Supplement application for recipients who believe he or she is at serious risk of out-of-home placement due to the reduction in hours. The state will develop an assessment tool for counties to use to determine who is at risk of out-of-home placement.

Trigger Cuts Summary

Tier 0	
If the State receives \$3 - \$4 billion of the \$4 billion projected revenues, there will not be additional cuts. Any shortfall will be rolled into 2012-13.	
TOTAL	\$0
Tier 1	
If the State receives \$2 - \$3 billion of the projected revenues, nearly \$530 million in cuts will go into effect:	
▪ University of California	\$100 million
▪ California State University	\$100 million
▪ 20 percent reduction in authorized hours for In-Home Supportive Services recipients	\$100 million
▪ Department of Developmental Services unallocated reduction	\$100 million
▪ \$10/unit fee hike for community colleges	\$30 million
▪ Across-the-board cut to child care funding	\$23 million
▪ Department of Corrections and Rehabilitation	\$20 million
▪ Reduction to California State Library for library grants	\$16 million
▪ Medi-Cal Managed Care Plan payment reductions	\$15 million
▪ Vertical Prosecution grants	\$15 million
▪ Anti-fraud grants provided to counties for the IHSS program	\$10 million
TOTAL	\$529 million
Tier 2	
If the State receives \$0 - \$2 billion of the projected revenues, up to \$1.9 billion in cuts will go into effect, proportionate to revenues:	
▪ Reduction to K-12 schools that allows districts to drop seven classroom days. The school year would be reduced to 168 days – down from 180 days three years ago.	\$1.5 billion
▪ Elimination of school bus transportation	\$248 million
▪ Reduction to community colleges	\$72 million
TOTAL	\$1.82 billion

Other Non-realignment Budget Issues

Some components of the majority-vote budget previously approved by the Legislature (and not mentioned otherwise in this *Budget Action Bulletin*) are maintained in this version. Those include:

- \$150 million cut each to the University of California, California State University
- \$200 million in “Amazon tax” online tax enforcement

- \$2.8 billion in deferrals to K-12 schools and community colleges

Other components of that package are expressly NOT included:

- \$1.2 billion from selling state buildings
- \$900 million from “Single Flip”
- \$1 billion from First Five Commissions
- \$540 million deferral to University of California
- \$700 million in federal funds for Medi-Cal errors

The new budget package includes some new items:

- Moves about \$1 billion in child care programs (non-preschool) outside of Proposition 98 guarantee
- \$448 million unallocated reduction to Medi-Cal and Healthy Families
- \$36 million cut in Department of Justice
- \$11.5 million in water fees to pay for the State Water Resources Control Board

ADMINISTRATION OF JUSTICE

Outside of the realignment-related aspects of the budget, the other justice-related budget item of note relates to additional reductions to the courts. The main budget bill, SB 87, reflects two additional, deep cuts to the judicial branch affecting both operations and court construction. There is a \$150 million reduction to the judicial branch, with explicit authority to give the Judicial Council maximum flexibility to apply the reduction across programs and funds. Secondly, SB 87 takes just over \$300 million from the Immediate and Critical Needs Account of the state courthouse construction fund. This sweep is expected to have an as-yet unknown impact on project timelines. The Administrative Office of the Courts will be evaluating these impacts and communicating with courts and counties about delays that might result.

AGRICULTURE AND NATURAL RESOURCES

SB 87, the main budget bill, approved a \$50 million reduction to California Department of Forestry and Fire Prevention’s (CAL FIRE’s) budget, to be backfilled with new revenues from a State Responsibility Area (SRA) Fee to be paid by homeowners within the SRA.

In addition, SB 87 includes language that would direct CAL FIRE to convene a working group, consisting of legislative staff, Department Executive staff, a representative from the Department of Finance, and at least two fire chiefs – one from Northern California and one from Southern California and from both rural and urban districts. The purpose of the working group would be to discuss options for future funding, realignment and

possible changes to the State's management of wildland firefighting. The bill dictates that the group shall meet no less than three times before the end of the year. Finally, SB 87 assumes \$12.8 million in savings to CAL FIRE's Fire Protection Program resulting from the department's risk-reduction strategy reviews.

ABX1 29, passed by the Legislature on June 15, 2011, includes the SRA proposal. This bill would impose an annual \$150 fire prevention fee on structures located in the SRAs.

Other resource-related items included in the budget bill are: a cut of \$155 million in energy efficiency programs funded by the Gas Consumption Surcharge Tax; approved cuts of \$11 million to State Parks and \$10 million to Off-Highway Vehicle Parks; and, \$11 million in savings from new water quality fees.

GOVERNMENT FINANCE AND OPERATIONS

Redevelopment. ABX1 26 and ABX1 27 have been signed by the Governor. Counties will recall that the Legislature previously approved these measures that provide for the elimination of redevelopment agencies and the subsequent ability for a redevelopment agency to continue under certain circumstances. Please see our previous [Budget Action Bulletin](#) for more information.

HEALTH AND HUMAN SERVICES

As noted above, the final and full 2011-12 budget picture can only be seen by cobbling together a series of bills passed on both June 15 and June 28. We attempt to delineate which enacted policies are contained in which trailer bills below.

Also, for a full discussion of the enacted realignment proposal, please see the Realignment section in the beginning of this document.

Mental Health Services for Special Education Students, AB 3632

The June 28 budget includes the Governor's proposal to eliminate the mandate on counties to provide mental health services to special education students (AB 3632). The education trailer bill (AB 114) and budget bill (AB 87) contain the pertinent language and were sent to the Governor yesterday. As of July 1, schools will be responsible for funding mental health services for special education students. The budget rebench Proposition 98 with an additional \$222 million to reflect this change. The budget also includes \$80 million in 2010-11 to partially backfill for the AB 3632 funding Governor Schwarzenegger vetoed last fall. Additional language surrounding the elimination of the AB 3632 mandate on counties can also be found in AB 114, the education trailer bill passed on June 28.

CalWORKs

The June 28 budget includes the restoration of \$90 million to prevent additional grant cuts for safety net and child only cases that exceed 60-months and restores \$50 million of the single allocation cut.

Healthy Families Shift to Medi-Cal

The final June 28 budget continues to assume savings from the Governor's proposal to shift all children in the Healthy Families Program (HFP) to the Medi-Cal Program, but appears to assume a longer transition period for HFP children into Medi-Cal. The budget documents indicate the Legislature scored \$22 million in savings (rather than \$30 million). Please note that there is no trailer bill language associated with the proposal. It appears the details of the transition will move in a bill through the policy committee process.

Medi-Cal

The major Medi-Cal provisions include the following:

- \$448 million unallocated reduction to Medi-Cal and HFP. No detail is available.
- Includes a fee on the intergovernmental transfers used by counties to operate Medi-Cal manage care plans. The fee would be equal to 20 percent of the transferred funds to offset state General Fund costs by \$34.2 million in 2011-12. (Provisions are in AB 102, which was signed by the Governor today.)
- Authorizes the Department of Health Care Services to obtain federal approval to transfer federal funds from within the Health Care Coverage Initiative portion of the Medicaid Waiver ("Bridge to Reform" Medicaid Section 1115 Demonstration Waiver) to the Safety Net Care Pool to be expended for uncompensated care provided by the State (AB 102). In order to achieve the full \$400 million in savings, the state is proposing to use surplus certified public expenditures (CPEs) from public hospitals on a volunteering basis in the current year. The budget includes \$98 million in General Fund savings to reflect the use of the local CPEs.
- Assumes \$320 million in savings from extending the hospital fee for one year (SB 90, Statutes of 2011).

In-Home Supportive Services

The June 28 budget restores \$10 million General Fund for IHSS anti-fraud activities pursuant to approved county plans. These funds would be eliminated under trigger cut provisions

First 5

The Legislature's June 28 budget does not rely on a \$1 billion First 5 fund shift to the state to pay for Medi-Cal services to children. However, AB 99, the bill passed in March

requiring local First 5 Commissions to send \$950 million to the state by June 30, 2012, remains in effect.

Child Care

The June 28 package restores approximately \$200 million in child care cuts by taking the following actions:

- Restores the 10 percent Standard Reimbursement Rate cut to the Title V contracts.
- Reduces contracts by 11 percent – instead of 15 percent.
- Restores funding for child care services for 11- and 12-year olds.
- Restores the changes to family fees, which would have increased fees by 10 percent.

Section 1115 Medicaid Waiver – Low-income Health Programs (LIHP)

The Legislature passed SB 92 yesterday, and it contains language regarding state inmate participation in the county LIHPs. This language has been modified somewhat since it first appeared in a legislative bill (AB 1066), and clarifies the liability of the Department of Corrections for costs incurred by LIHPs for enrolled inmates.

Maddy Funds

The March budget bill (SB 69) had referenced a reduction of \$55 million General Fund by shifting a portion of Maddy Funds to the State to offset General Fund support within the Medi-Cal Program. However, the necessary statutory changes to affect this change *did not occur* in trailer bill language and the funding is restored, accordingly.

LEADER

The June 28 budget authorizes a 1-year, \$14 million “reversion” of funding from Los Angeles County’s Eligibility, Automated Determination, Evaluation and Reporting Replacement (LEADER Replacement) system (SB 87).

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ACTION

2011-12 Budget and Trailer Bills

Bills sent to Governor on 6/28	Description
SB 87	Enacts main 2011-12 budget bill
SB 89	Directs \$453 million into the Local Law Enforcement Services Account of the 2011 Local Revenue Fund to partially support 2011 Realignment Fund by <ol style="list-style-type: none"> 1. Freeing up \$300 million in VLF revenues previously dedicated to DMV administration by making a corresponding \$12 registration fee increase 2. Redirecting 25.1% of existing VLF revenue (0.65 rate) that previously went to cities and the County of Orange
AB 114	Makes various statutory changes to K-12, higher education and child care programs associated with the 2011-12 budget; includes \$1.8 billion in Proposition 98 cuts that are triggered if mid-year revenues come in below projections.
SB 92	Makes various statutory changes to public safety and correctional programs, including the creation of the Board of Community Corrections, a successor agency to the existing Corrections Standards Authority established as an entity separate from the Department of Corrections and Rehabilitation.
AB 118	Directs approximately \$5 billion (1.0625% of the state rate) of state sales tax to support 2011 Public Safety Realignment. Creates the Community Corrections Grant Program for purposes of funding and making operative the provisions of AB 109. Provides for the allocations for various realigned programs, including AB 109.
AB 117	Makes various technical changes to AB 109, including: <ol style="list-style-type: none"> 1. Moving operative date to October 1, 2011; 2. Revising the composition of the Community Corrections Partnership Executive Committee; 3. Maintaining state administrative hearings for state parole revocation process through June 30, 2013; and 4. Eliminating the realignment of DJJ population to counties (expected to be addressed at a later date).
AB 121	Gives the Department of Finance authority to make up to \$2.5 billion in additional expenditure reductions ("trigger cuts") if revenue falls short of projections in December 2011.
SB 73	Makes various statutory changes needed to implement \$200 million in health and human services reductions that are part of the \$2.5 billion in trigger cuts outlined in AB 121