

Budget Action Bulletin No. 5

2008-09 Proposed State Budget

Week of July 7, 2008

Via Electronic Mail

DATE: July 9, 2008

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

FROM: Paul McIntosh, Executive Director
Jim Wiltshire, Deputy Director

RE: **Budget Action Bulletin #5**

With temperatures in Sacramento breaking the 100-degree mark, things have also heated up inside the Capitol this week. The Budget Conference Committee completed its work and shut down late Tuesday night, leaving but a handful of items unresolved. The big news from last night is that the Committee adopted a revenue package on a party-line vote that includes \$8.2 billion in revenue for 2008-09 and \$1.5 billion in 2007-08. Details include:

- Creating a 10 percent and 11 percent tax bracket for high earners; those couples earning above \$321,000 a year would be within the 10 percent tax bracket, and the 11 percent rate would apply to couples earning more than \$642,000 annually. **Estimated revenue would be \$5.6 billion per year.**
- Restoring the Franchise Tax rate for businesses from 8.4 percent to 9.3 percent. **Estimated revenue would be \$470 million per year.**
- Suspending the net operating loss deduction for businesses for three years. **Estimated revenue would be \$1.1 billion.**
- Rolling back for one year the dependent income tax credit for households with adjusted gross incomes of more than \$150,000 per year. **Estimated revenue would be \$215 million.**
- Eliminating the annual inflation indexing of state income tax brackets for one year. **Estimated revenue would be \$815 million.**
- Adopting a tax amnesty proposal that provides \$125 million in penalty relief, which is anticipated to generate a net of **\$1.5 billion** in revenues to accrue to 2007-08.

As expected, the unveiling of the specifics on the tax proposal generated significant discussion among conferees, which likely reflect the difficult road this proposal may face if it is put to a vote in both houses. Senator Ducheny and Assembly Member Laird noted that the revenue package was necessary to prevent further cuts in education, public safety and health care. Senator Dutton and Assembly Member Niello both expressed concern with the package. Senator Dutton further indicated that more work needs to be done on cuts and delaying implementation of new programs contemplated in the budget. Assembly Member Niello expressed concern about how the tax package would further burden the struggling economy.

The Committee also took action on the lottery proposal, rejecting the Governor's plan to securitize future lottery proceeds, primarily because the proposal would not generate revenue in the 2008-09 fiscal year. Assembly Member Laird expressed support for the Assembly proposal to use the lottery securitization for

California State Association of Counties (CSAC)

1100 K Street, Suite 101 • Sacramento, CA • 95814

state debt repayment and encouraged staff to continue working on the proposal for potential out-year solutions.

Rumors continue to swirl around the Capitol about potential budget solutions. Clearly, the Conference Committee report will not be the final version of the budget. Further discussion and negotiation among legislative leadership and the Governor will continue. Cuts and revenues could change as these negotiations proceed. CSAC continues to point out that a suspension of either Proposition 1A or Proposition 42 represent short-term fixes that create out year budget pressures.

The following summarizes actions taken by conferees since July 1, the date of our last publication. For full details of all the actions taken by the Conference Committee that affect counties, please see the attached Budget Watch.

WHAT YOU SHOULD DO:

There is still a long way to go before a state budget is crafted that will garner a 2/3 vote of the Legislature. Negotiations with the legislative leaders and Governor are expected to continue over the coming weeks. Though the Conference Committee restored funding for a number of county programs, counties should anticipate that everything would be on the table as legislative leaders work to close a deal. Items may be re-opened or modified, and new proposals could emerge. Please continue to talk to your legislative delegation about what additional cuts will mean to your county and your priorities.

WHAT'S BEEN HAPPENING:

ADMINISTRATION OF JUSTICE

As the budget conferees concluded their discussions over the last week, they closed out the remaining justice items. Although the full budget story has yet to be written, we summarize below the recent actions taken in the public safety/corrections area. Of note is that funding was zeroed out for two programs: the small and rural sheriffs grant program funding was eliminated, as was local detention facility subvention (booking fee alternative revenue). However, on the latter item, we would note that the conferees made no amendments to AB 1805 (Chapter 78, Statutes of 2006). Additionally, the conferees adopted a modified corrections reform proposal, which is largely based on the Senate package that emerged during its June 5 full budget committee hearing. Details on the corrections package are outlined more fully below, along with a summary of the remaining justice items that were closed out by the conferees. It should also be noted that the Republican members on the conference committee voted against each public safety proposal adopted and summarized below.

Citizens' Options for Public Safety (COPS)/Juvenile Justice Crime Prevention Act (JJCPA). The conferees adopted a conference compromise, funding the package at \$200 million, or \$100 million for each program component in 2008-09.

Juvenile Probation and Camp Funding (JPCF). The conferees adopted the Assembly version of the budget on JPCF funding, which effectively approves the Governor's proposal to reduce the program funding by 10 percent and shift a majority of the funding source (\$151 million) from the general fund to Temporary Assistance to Needy Families (TANF). Program funding for 2008-09 would be \$181 million. In addition, the conferees adopted technical trailer bill language to carry out this action, the details of which are not yet known.

Local Detention Facility Subvention (Booking Fee Alternative Revenue). The conferees eliminated funding for the booking fees subvention, which represents funds that, under the provisions of AB 1805, come to counties for purposes of supporting jail operations and maintenance in lieu of levying booking fees. Although there was continued discussion among conferees regarding whether county authority to charge booking fees should be eliminated, no action was taken in that regard. CSAC continues to

advocate for continuation of the full set of provisions adopted in AB 1805, which have been effective for just over a year.

Small and Rural Sheriffs Local Assistance Grants. The conferees zeroed out funding for the small and rural sheriffs program, which eliminates grants that in previous years have provided \$500,000 in resources to each sheriff department in the 37 smallest counties. The Governor’s proposed budget would have reduced these grants to \$450,000.

Mentally Ill Offender Crime Reduction Grant (MIOCRG). The conferees eliminated funding for the MIOCRG program. CSAC is currently researching a question as to the timeframe for county expenditure authority regarding these funds. Budget bill language in the 2007-08 budget extended county authority to encumber and expend MIOCRG through September 30, 2008; how this language squares with the action taken to eliminate the MIOCRG program remains unclear at this time. Further information will be forthcoming once this point is clarified.

California Methamphetamine Enforcement Teams (CAL-MMET). The conferees adopted the Senate version of the budget, which will provide \$9.5 million in funding for the 2008-09 budget year to CAL-MMET teams operating in 41 counties.

Corrections Reform Package. In taking action to adopt a series of correction reform measures, the budget conference committee estimates that the collective package will produce several hundred million dollars in savings. We are in the process of seeking additional details as to what cost estimates are attached to each element of the package below. The set of reforms adopted by the conferees reflects a slightly modified version of the corrections package unveiled by the Senate in early July. Also note that the full scope of the package may not be fully understood until language becomes available. For example, it is not clear whether the sentencing changes also incorporated certain conversions of wobblers to misdemeanors adopted in the Assembly version. We will communicate any and all clarifications we are able to identify in the coming weeks.

Parole reform	<ul style="list-style-type: none"> ▪ Authorize direct discharge — the functional equivalent of summary parole, in that the offender receives no supervision — to only those offenders whose current and prior offenses are non-serious, non-violent, and are not a sex offense. ▪ Authorize earned discharge from parole; non-serious, non-violent offenders (prior offenses must be non-violent and non-serious) would be discharged after five months of clean time. Serious, violent offenders would be discharged after 16 months of clean time. (Sex offenders and inmates serving indeterminate life in prison sentences would be ineligible.); ▪ Increase funding to parole to reduce caseloads from 70:1 to 50:1, with an assumption of a smaller amount of funding (\$5 million) needed in the first year of implementation. ▪ Assume savings given the reduced need for contract jail beds; ▪ Assume savings associated with various parole administrative functions – e.g., Board of Parole hearings, case records, and parole academy; ▪ Establish a ten-court pilot program — based on a drug court model — to divert parolees to alternative community sanctions, modeled on the Parole Violation Intermediate Sanctions Program (SB 391, Ducheny, 2007); approved language to mandate use of alternative sanctions for certain parole violators including work crews, GPS, house arrest, and shock incarceration.
Credit Reform	<ul style="list-style-type: none"> ▪ Implement a comprehensive day-for-day credit earning status for offenders currently eligible for credit earning; ▪ Authorize enhanced credits (up to four months total) to offenders who complete rehabilitation, educational, or vocational programs in prison; ▪ Authorize the award of one-month credit for every four months of good

	behavior in state prison.
Thresholds for property crimes	<ul style="list-style-type: none"> ▪ Adjust the value thresholds for certain property crimes — grand theft, forgery/fraud; receiving stolen property; other property crimes — by inflation; these levels have not been adjusted in 26 years.
Additional sentencing changes	<ul style="list-style-type: none"> ▪ Change petty theft with a prior from a wobbler to a misdemeanor.

AGRICULTURE AND NATURAL RESOURCES

Williamson Act. The Budget Conference Committee approved the Governor’s proposed ten percent cut to the Williamson Act Subvention funding. Conference Committee rejected the LAO’s recommendation to include a phase-out provision, with the intention of eliminating the program over the next ten years.

Emergency Services. The Budget Conference Committee closed out the Governor’s Emergency Response Initiative and the LAO State Responsibility Area (SRA) fee proposal, voting to accept the Governor’s proposed surcharge on homeowners insurance policies, with the caveat that trailer bill language will increase the amount of the surcharge to 2.8 percent on policies in high risk zones and 1.4 percent on policies in low risk zones. This is an increase of about 50 percent from the Governor’s May Revision of the Budget and would generate approximately \$280 million. The Conference Committee also voted to reject the LAO proposal, which would establish fees on private landowners in state responsibility areas (SRA) to augment the California Department of Forestry and Fire Protection (CAL FIRE) budget.

State Parks. The Budget Conference Committee voted to accept the Governor’s proposal in the May Revision, which proposes \$11.8 million General Fund and \$1.5 million from increased state park fees to keep parks open. The fee increases will range from \$1 to \$2 at selected state parks where the effect on attendance would be minimal. Assembly Member Laird vowed to continue to pursue his proposal to fund state parks outside the budget process. Assembly Member Laird’s alternative proposal includes a new funding stream for California’s state parks by instituting a \$10 surcharge on vehicle license fees of all non-commercial vehicles and a subset of commercial vehicles in California. In exchange for paying the fee, Californians will be provided free day-use access to virtually all state parks, no day-use or parking fees required.

GOVERNMENT FINANCE AND OPERATIONS

Mandate Deferrals. The Budget Conference Committee voted to defer the annual \$75 million payment of pre-July 2004 mandate claims. The Governor proposed this deferral in his May Revision. Proposition 1A (2004) requires that this debt “be paid over a term of years, as prescribed by law.” Current law proposes to pay the debt off by 2020.

HEALTH AND HUMAN SERVICES

The following is a summary of the Conference Committee actions on health and human services items of interest to counties.

CalWORKs. Since July 3, 2008, the Conference Committee took a series of actions on the CalWORKs items before them.

- **Work Incentive Nutritional Supplement (WINS).** The Committee adopted trailer bill language to begin the automation process changes necessary to establish a \$40 per month additional Food Stamp benefit.

- **Pre-Assistance Employment Readiness System (PAERS).** The Committee adopted trailer bill language to consider the creation of a pre-assistance program in light of current and potential federal statute and regulations.
- **Self-Sufficiency Reviews for Sanctioned Cases.** The Committee rejected the reviews.
- **Revised Income Disregard.** The Committee did not adopt a revised income disregard.
- **Pay for Performance Incentive Funding.** The Committee adopted \$10 million in Pay for Performance funding for employment services.
- **County Single Allocation Funding.** The Committee adopted the \$20.6 million reduction to the single allocation and language to specify that the reduction would be backfilled with unspent performance and fraud incentive funding already earned by counties. The language specified that the reduction will be the less of \$20.6 million or the amount actually available in unspent funds.
- **Funding for the California Alliance of Boys and Girls Clubs.** The Committee did not adopt the Governor's proposal to provide \$5 million in funding to Boys and Girls Clubs in exchange for being able to count \$88 million of their expenditures towards the CalWORKs Maintenance of Effort.
- **TANF Reserve.** The Committee adopted the proposal to eliminate the TANF reserve.
- **TANF/General Fund Swaps.** The Conference Committee adopted the May Revision proposal to swap TANF for General Fund spending in the following areas: 1) \$223 million in CalGrants, 2) \$151.8 million in probation, 3) \$50.4 million in Emergency Foster Care, and 4) \$22.2 million in Department of Developmental Services Title XX.

Stage 2 Child Care Funding. Budget Action Bulletin No. 4 indicated that Stage 2 child care would not be paid without a state budget. Updated information from the Controller's Office indicates that Stage 2 will be treated like an entitlement and *will* be paid without a state budget. Only Stage 3 child care will not be paid until a state budget is enacted.

Medi-Cal. The remaining Medi-Cal issues were also closed out.

- **County Administration.** The Conference Committee rejected the proposal to reduce funding provided to counties for new caseload growth within the Medi-Cal program and restored the \$41.3 million (\$20.6 million General Fund) in funding. Please recall that the committee also adopted the trailer bill language to suspend the state's penalty on counties for not meeting certain performance measures in processing Medi-Cal applications. The Governor proposed over \$150 million in cuts to county administration of Medi-Cal. The Legislature adopted one – the elimination of the Medi-Cal COLA for \$64.3 million (\$32.3 million GF).
- **Semi-Annual Reporting.** The Conference Committee adopted a compromise proposal to require semi-annual status reporting for children enrolled in the Medi-Cal program. Please recall that adults are already required to report semi-annually. They also adopted trailer bill language to sunset the requirement on children by December 31, 2011; to codify existing exemptions to semi-annual reporting (for example, eligibility based on pregnancy or based on qualifying for Aid for Adoption of Children); and to require reporting on the impact of the new reporting requirement.
- **Provider Rates.** The Conference Committee restored the 10 percent Medi-Cal provider rate cuts effective September 1, 2008. Please recall that the Legislature and Governor adopted the 10 percent cut as part of the Special Session in February that took effect July 1, 2008. Since that time, a group of providers filed a lawsuit against the state.

Healthy Families Program. The Conference Committee adopted premium increases paid by families of children enrolled in the Healthy Families Program. For families with incomes from 151 to 200% of the

Federal Poverty Level (FPL), the premiums will increase \$3 per child per month. For families with incomes over 200% FPL, the premiums will increase \$2 per child per month.

In-Home Supportive Services (IHSS). The Conference Committee rejected the reduction to county administration of IHSS and restored \$7.7 million in General Funds.

Food Stamps. The Conference Committee rejected the reduction to county administration of Food Stamps and restored \$14.4 million in General Funds.

Supplemental Security Income/State Supplemental Payment (SSI/SSP). The Conference Committee adopted the suspension of the June 2009 cost of living adjustment.

HOUSING, LAND USE AND TRANSPORTATION

Spillover. The Conference Committee compromised on the issue of spillover funds and the State Transit Assistance (STA) Program – funding the STA at \$559 million.

Proposition 42. The Conference Committee closed without taking any action to jeopardize the funding of Proposition 42 valued at \$1.4 billion for FY 2008-09 and slated for investment in state highway improvements, local streets and roads maintenance, and transit. However, counties must remain vigilant as Prop 42 is not safe until a final budget is passed.

Proposition 1B: State Local Partnership Program (SLPP). The Conference Committee passed the Senate version of the differing house actions with respect to the SLPP, which includes budget trailer bill language to implement the program (language that has yet to be drafted) as well as budget bill language that authorizes an additional \$50 million appropriation from the account on top of the \$153 million included in the Governor's Budget proposal.

WHAT'S GOING TO HAPPEN NEXT:

Budget negotiations will continue for the foreseeable future and we will continue to update counties as new information becomes available. Please keep in mind that there is no final budget deal and individual elements from the conference report are subject to change.

Stay tuned for the next Budget Action Bulletin!

If you would like to receive the Budget Action Bulletin electronically, please e-mail Faith Conley, CSAC Legislative Analyst, at fconley@counties.org. We're happy to accommodate you!

State Budget Watch

July 9, 2008

This document outlines action taken by both houses and the Budget Conference Committee as they completed action on July 8, 2008.

ADMINISTRATION OF JUSTICE

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Budget Conference Committee Action	Impact on Local Government
Item 0820-001-0001 Issue 309 Page 41 Department of Justice (DOJ) Forensic Lab Fees	No action	Reduced state General Fund by \$32 million. Adopted budget bill language to charge local agencies fee for DOJ forensic lab services.	Adopted Senate action on 6/12.	Up to \$32 million in increased costs to counties that avail themselves of DOJ forensic lab services. Budget bill language will also permit the state to take a portion of counties' Proposition 172 funds to cover any unpaid fees.
Item 9210-101-0001 Issue 201 Page 423 Local Government Financing Citizens' Option for Public Safety (COPS)	\$107 million	Eliminated funding.	Approved \$100 million in funding on 7/7.	Reduction in funding for support of jail operations, prosecution, and front-line enforcement services.
Item 9210-101-0001 Issue 201 Page 423 Local Government Financing Juvenile Justice Crime Prevention Act (JJCPA)	\$107 million	Eliminated funding	Approved \$100 million in funding on 7/7.	Reduction in funding for support of local, community-based public safety programs serving youth at-risk and youthful offenders.

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Budget Conference Committee Action	Impact on Local Government
Item 9210-607-0001 Issue 203 Page 425 Local Government Financing Small/Rural Sheriffs Grant Program	\$1,000	Eliminated funding	Adopted Senate version on 7/8.	Elimination of funding (proposed at \$16.7 million in Governor's budget or \$450,000 per county) that supplements county sheriffs' law enforcement efforts in 37 smallest counties.
Item 9210-103-0001 Issue 202 Page 424 Local Government Financing Local detention facility subventions (booking fee "replacement" revenue).	\$1,000	Eliminated funding	Adopted Senate version on 7/8.	Loss of \$31.5 million (as proposed in Governor's budget) in subvention funds dedicated to jail operations and maintenance. Conference committee action did not otherwise amend the provisions of AB 1805 (2006).
Item 5225-101-0001 Issue 001/201 Page 328 Department of Corrections and Rehabilitation Juvenile Probation and Camps Funding (JPCF)	\$181 million	Eliminated funding	Adopted Assembly version on 7/7, with technical trailer bill language.	Reduction in funding for support of core juvenile probation services and county ranches and camps.
Item 5225-101-0001 Issue 001/202 Page 328 Department of Corrections and Rehabilitation Mentally Ill Offender Crime Reduction Grant (MIOCR)	\$5 million	Eliminated funding	Adopted Senate version on 7/3.	Reduction of the \$41 million investment would abolish/threaten multi-agency projects and services aimed at curbing recidivism and promoting long-term stability among mentally ill offenders.

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Budget Conference Committee Action	Impact on Local Government
<p>Items 5225-001-0001, 5225-002-0001, and 5225-101-0001 Pages 304-312 Department of Corrections and Rehabilitation</p> <p>Various sentencing and parole reforms</p>	<p>Adopted revised wobbler to misdemeanor conversion and Governor's summary parole proposal.</p>	<p>Adopted comprehensive package of corrections reforms addressing sentencing/credit reform; discharge of infirmed inmates; direct parole discharge; and a 10-court parolee diversion pilot program.</p>	<p>Adopted slightly modified Senate version on 7/8.</p>	<p>Various direct and indirect impacts on counties related to 10-court pilot program, changes in parole policies, and sentencing changes.</p>

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Budget Conference Committee Action	Impact on Local Government
<p>Item 5225-301-0001 Page 330 Department of Corrections and Rehabilitation</p> <p>Reentry Facilities Program Study and Acquisition</p>	<p>No action</p>	<p>\$6 million</p>	<p>Adopted LAO compromise on 6/27, which, among other things, will earmark \$3 million in resources from AB 900 (2007) to support CDCR reentry site acquisition activities and will require counties to reimburse the state for due diligence expenditures related to properties that ultimately are found to be not viable, if the county should reasonably have known about the issues that prevented the property from being developed as a reentry site.</p>	<p>Unknown impact on counties that are in midst of the due diligence process related to the citing of reentry facilities. Trailer bill language to carry out these provisions is not yet available, and it is not clear how the language would be applied to actual situations in counties.</p>
<p>Item 0690-002-0001 Issue 322a Page 29 Office of Emergency Services</p> <p>California Methamphetamine Enforcement Teams (CAL-MMET)</p>	<p>\$9.6 million</p>	<p>\$9.5 million</p>	<p>Adopted Senate version on 7/7.</p>	<p>Reduction in funding distributed to task forces operating in 41 counties that support enforcement of methamphetamine eradication efforts.</p>

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Budget Conference Committee Action	Impact on Local Government
Item 0250-111-0001 Issue 307 Page 12 Judicial Branch Trial Court Security	No augmentation.	Approved \$20 million augmentation to address current shortfall.	Adopted Senate version on 6/27, with direction that the funds be taken from the trial court reserve. (No 2008-09 state general fund impact.)	Additional resources are needed to address growing gap between actual costs of providing court security and state support for this program. In addition, other reductions to state judicial branch funding may result in a proportionate reduction being applied to the trial court security budget.
Item 8885-295-0001 Issue 205 Page 407 Commission on State Mandates Sexually Violent Predator (SVP) Mandate	Adopted trailer bill language to direct Commission to reconsider its decision on the SVP mandate.	Did not hear item.	Adopted Assembly version on 6/18.	If the Commission reverses its decision regarding SVP mandate, counties would no longer be permitted to seek reimbursement. (However, note that a pending court case will need to be resolved before the Commission could undertake this review.)

AGRICULTURE AND NATURAL RESOURCES

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Budget Conference Committee Action	Impact on Local Government
<p>Item 9100-101-0001 Page 424 Tax Relief Williamson Act</p> <p>The May Revise proposed no additional cuts to Williamson Act Subventions in the Governor's May Budget Revision, maintaining the 10% reduction proposal from his January proposal.</p>	<p>Approved the Governor's 10 percent General Fund reduction</p>	<p>Reduced program funding to \$1,000 to place the issue in conference</p>	<p>On July 8, the conferees adopted the Assembly version</p>	<p>Loss of discretionary dollars will impact county's ability to provide important public health and safety services.</p>
<p>Item 0690-001-0001 Issue 252, 253 Page 25 Office of Emergency Services</p> <p>Emergency Response Initiative (ERI)</p> <p>The Governor's May Revise proposed the Emergency Response Initiative (ERI), which would provide a two-tiered approach to fund enhanced emergency response capabilities of California Department of Forestry and Fire Protection (CAL Fire), the Office of Emergency Services (OES) and the Military Department by placing a surcharge on homeowners insurance.</p>	<p>Approved the ERI, including the backfill to Mutual Aid. Also approved \$2.9 million and 10 positions related to the increased workload fro administering ERI</p>	<p>No action on the ERI, but approved a backfill to Mutual Aid</p>	<p>On July 8, the conferees adopted the Assembly version, with the caveat that trailer bill language will increase the amount of the surcharge to 2.8 percent on policies in high-risk zones and 1.4 percent on policies in low risk zones.</p>	<p>The new surcharge formula is expected to generate \$69.3 million, as compared to \$104.9 million as proposed in the Governor's January budget due to delayed implementation.</p>

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Budget Conference Committee Action	Impact on Local Government
<p>Item 3480-001-0001 Issue 301 Page 26</p> <p>State Responsibility Area Fee</p> <p>The LAO, in response to the Governor's Emergency Response Initiative, proposed their own solution in a State Responsibility Area Fee</p>	<p>The Assembly approved trailer bill language creating an SRA fee to offset General Fund costs</p>	<p>The Senate did not approve the fees</p>	<p>On July 8, the conferees adopted the Senate version, rejecting the SRA fee proposal.</p>	<p>The LAO proposal includes reimbursement to counties for administrative costs. CSAC is opposed to this item based on policy issues.</p>
<p>Item 3860-001-0001 Issue 202 Department of Water Resources</p> <p>Integrated Regional Water Management (IRWM)</p> <p>The Governor proposed \$350,025,000 in Proposition 84 bond funds for the IRWM program.</p>	<p>Assembly approved \$150 million for IRWM projects with trailer bill language.</p>	<p>Senate rejected the proposal, except for \$8 million for CALFED science.</p>	<p>On July 7, the conferees adopted the Senate version. Senator Ducheny noted that this item could come up outside the budget process in the form of a bill.</p>	<p>Department of Water Resources IRWM Grant Program encourages development of integrated regional strategies for management of water resources by providing funding, through competitive grants. Cuts in this program will result in less grant funding available to local jurisdictions.</p>
<p>Item 3860-001-6052 Issue 202 Page 153 Department of Water Resources</p> <p>Stormwater Flood Management</p> <p>The Governor's proposal was for \$102 million for stormwater flood management.</p>	<p>Assembly approved \$150 million for stormwater flood management to be disbursed through competitive grants.</p>	<p>Senate rejected the proposal</p>	<p>On July 7, the conferees adopted the Senate version.</p>	<p>Like the IRWM Program, cuts in Stormwater Flood Management grant funding will result in less funding available to local jurisdictions.</p>

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Budget Conference Committee Action	Impact on Local Government
<p>Item 3860-101-6051 Issue 202 Page 156 Department of Water Resources</p> <p>FloodSAFE</p> <p>The Governor proposed \$459,559,000 (\$371,759,000 for local assistance and \$87,800,000 for state operations) of which \$220.3 million is in Proposition 1E and \$239.2 million in Proposition 84 bond funds.</p>	<p>Assembly approved the Governor's budget proposal for the FloodSAFE program. Assembly also approved trailer bill language be used to fund general levee projects throughout the Delta and budget bill language related to the flood control subventions program.</p>	<p>Senate rejected the proposal</p>	<p>On July 7, the conferees adopted the Assembly version, minus \$155 million. This provides the program slightly less than the Governor's original proposal.</p>	<p>FloodSAFE is a long-term initiative to reduce flood risk in California by using integrated statewide approach to manage California's aging flood control system and to consider changing climate conditions and a growing population.</p>
<p>Item 3860-001-6051 Issue 202 Page 154 Department of Water Resources</p> <p>Multi-Benefit Planning</p> <p>The Governor's proposal was \$61,725,000 in Proposition 84 bond funds over 5 years, of which \$15,784,000 was for 2008-09.</p>	<p>Assembly approved \$8 million for climate change water planning, \$9.1 million for flood and water system integration, \$8 million for Delta Vision implementation, and trailer bill language for surface storage and climate change programs.</p>	<p>Senate rejected the proposal</p>	<p>On July 7, the conferees adopted the Senate version.</p>	<p>The Senate's reduction in funding will result in a total budget of \$45.9 million in Prop 84 funds.</p>

GOVERNMENT FINANCE AND OPERATIONS

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Budget Conference Committee Action	Impact on Local Government
<p>Item 8885-299-0001 Page 410 Mandate Deferrals</p> <p>Proposes deferral of the annual \$75 million payment of old mandate claims (pre-July 2004).</p>	<p>Approved the deferral and in the Assembly's approval of the Lottery securitization, \$550 million in 2008-09 would fund accelerated payment of old mandate claims.</p>	<p>Rejected proposed deferral.</p>	<p>Adopted the Assembly version.</p>	<p>\$75 million delayed payment if the deferral is adopted.</p>
<p>Item 0890-108-0001 Page 64 Presidential Primary</p> <p>May Revise requested \$89.6 million for reimbursement to counties for the February Presidential Primary election.</p>	<p>Reduced appropriation to \$48 million and adopted a placeholder Budget Bill language to authorize the expenditure for each county based on specific cost information submitted by counties.</p>	<p>Approved the \$89.6 million and placeholder Budget Bill language to schedule reimbursement to each county and placeholder trailer bill language to require the State Controller to audit the county costs.</p>	<p>On 6/20, the conferees adopted the Assembly version + \$37.7 million, for a total of \$85.7 million in reimbursements to counties. The State Controller also adopted budget bill language that schedules actual payments to each county, contingent upon audit.</p>	<p>SB 113 (2007) moved the Presidential Primary to February and provided intent language to fully reimburse counties for costs resulting from the presidential elections in February. Counties have aggregated their costs and submitted additional detailed information requested by the Budget Subcommittees.</p>

HEALTH AND HUMAN SERVICES

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Budget Conference Committee Action	Impact on Local Government
<p>Item 4260-101-0001, Issues 320 and 321 Page 215 Medi-Cal Caseload Growth</p> <p>The Governor’s budget included three proposals to reduce funding for county administration of Medi-Cal. The proposal to eliminate funding for new caseload growth in Medi-Cal is before the Conference Committee. This proposal is a reduction of \$41.3 million (\$20.6 million GF).</p>	<p>The Assembly adopted the reduction.</p>	<p>The Senate rejected the Governor’s proposal.</p>	<p>The Committee adopted the Senate version, which provides funding for new caseload growth in Medi-Cal.</p>	<p>This reduction of \$41 million would be in addition to proposal to reduce funds historically provided to counties for cost-of-doing business increases in the Medi-Cal program, which was already adopted by the Legislature. Together these reductions to county administration of Medi-Cal would be \$105 million.</p> <p>Reductions to county administration of Medi-Cal will impact current Medi-Cal recipients and new applicants. The county administrative funds proposed to be cut by the Governor would fund more than 1,000 eligibility workers statewide. Staff will juggle higher caseloads – which will adversely affect the time it takes to determine initial and ongoing eligibility, and access to health care will be delayed. Additionally, eligibility staff will likely focus on processing new applications in a timely manner, while annual redeterminations may be delayed – which could increase the state’s costs as ineligible individuals remain on Medi-Cal.</p>

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Budget Conference Committee Action	Impact on Local Government
<p>Item 4260-101-0001, Trailer Bill Language Page 214 Medi-Cal County Administrations</p> <p>Although the Governor's budget proposed over \$150 million in reductions to county administration of Medi-Cal, it does not propose any changes to the state's performance penalties for county administration of Medi-Cal.</p>	<p>No action.</p>	<p>Senate adopted trailer bill language to suspend the state's penalty on counties for not meeting certain performance standards when this cost adjustment is not provided.</p>	<p>The conferees adopted the Senate Trailer Bill Language on June 14.</p>	<p>Counties are concerned that the administrative cuts will hamper our ability to meet state performance measure for processing Medi-Cal applications. Counties received full funding in 2003-04 for Medi-Cal administration as part of an agreement that included performance standards for processing applications and annual renewals. Counties have worked in good faith to meet these measures in the intervening years. If the funding for Medi-Cal eligibility operations is cut, counties must be relieved of state penalties linked to the performance standards.</p>
<p>Item 4260-111-0001, Issue 902 Page 234 California Children's Services</p> <p>The Governor proposed a 10 percent reduction to California Children's Services (CCS) Medical Therapy Program. CCS' Medical Therapy Program provides evaluation, treatment, consultation and case management services to children up to 21 years of age with conditions such as cerebral palsy, spina bifida, and other neurological and musculoskeletal disorders.</p>	<p>Adopted the 10 percent reduction.</p>	<p>Adopted a 5 percent reduction.</p>	<p>The Committee adopted a reduction of \$3.854 GF from CCS and \$2.421 million Federal V was used to partially backfill for this reduction, for a net reduction of \$1.433 million GF to Medical Therapy. This equates to approximately a 4.5 percent reduction to Medical Therapy.</p>	<p>The CCS Medical Therapy Program would be reduced by \$3.8 million. Los Angeles County alone could lose up to 2,000 direct therapy hours per month if a 10% reduction in the program is adopted. Counties are in ongoing discussions with the Department of Health Care Services (DHCS), but still have not received complete information on how the Medical Therapy Program reduction would be implemented. Under a methodology currently being considered by the Department, the impact on county Medical Therapy Programs could be far greater than the levels of reduction being considered by the Budget Conference Committee. The Department's current proposal would first establish a new, capped base for Medical Therapy Program, and then apply the 10% reduction. The result could be reductions to the current level of funding to county programs far greater than any reduction approved by the Legislature.</p>

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Budget Conference Committee Action	Impact on Local Government
<p>Item 5180-111-0001, Issues 030 and 430 Page 290 In-Home Supportive Services (IHSS)</p> <p>The Governor’s budget proposes to reduce county administrative funding for the In-Home Supportive Services (IHSS) program by \$15.4 million (\$7.7 million General Fund).</p>	<p>The Assembly adopted the proposal and adopted Trailer Bill Language to suspend focused eligibility reviews of county IHSS while the administrative funding is cut.</p>	<p>The Senate rejected the reduction.</p>	<p>The Committee adopted the Senate version, which provides funds for county administration of IHSS.</p>	<p>This 10 percent cut to county administration of IHSS would come on top of the state’s failure to adequately fund actual county administration costs since 2001. This funding reduction would eliminate 91 social workers in the IHSS program. The state’s multi-years-long failure to fund county administration of the IHSS program, estimated by the Administration at \$78.2 million (\$32.6 million General Fund), has negatively impacted counties’ ability to administer the program. On top of that, caseloads in the IHSS program have been rising steadily. With already razor-thin budgets and rising caseloads, counties are concerned about any further cuts to the IHSS county administration funding and the possible degradation of services to clients.</p>

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Budget Conference Committee Action	Impact on Local Government
<p>Item 5180-141-0001, Issues 025 and 425 Page 291 Food Stamps Program</p> <p>The Governor’s budget proposes to reduce county administrative funding for the Food Stamps program by \$34.9 million (\$14.4 million General Fund).</p>	<p>Assembly adopted the reduction and Trailer Bill Language to suspend the county share of penalties when funding is inadequate to meet program requirements.</p>	<p>The Senate rejected the reduction.</p>	<p>The Committee adopted the Senate version, which provides funding for county administration of Food Stamps.</p>	<p>Counties are concerned that the funding reduction will exacerbate the difficulties we are currently experiencing due to the historical practice of underfunding the administration of Food Stamps. The Administration’s proposed cut translates to the loss of an estimated 253 Food Stamp eligibility workers statewide. Counties believe the proposed cut will result in delayed eligibility for an estimated 100,000 parents and children. Previous underfunding, combined with increasing caseload, is already causing longer waits for families to get benefits.</p> <p>To date, counties have struggled to operate this critical program, not only because of the \$84 million annual funding shortfall, but also as a result of recent quarterly reporting requirements, a lack of outreach funding, difficulties in retaining staff, and rising caseloads. Counties are also concerned about increased errors due to inadequate staffing, the loss of federal funds, and possible federal penalties due to rising error rates. Counties would have to pay 90 percent of any penalties the federal government levies against California due to Food Stamp performance.</p>

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Budget Conference Committee Action	Impact on Local Government
<p>Items 5180-101-0001 and 5180-141-0001 Page 298 County CalWORKs Single Allocation Funding, Issue 838</p> <p>The Administration proposed to reduce the county CalWORKs single allocation by \$20.6 million and specified that the cut would be backfilled with unspent performance incentive and fraud funding.</p>	<p>The Assembly adopted the Governor's budget.</p>	<p>The Senate reduced the single allocation by \$10.3 million.</p>	<p>The Committee adopted the Assembly version.</p>	<p>The reduction of \$20 million would fund 150 CalWORKs eligibility workers.</p> <p>County administration of CalWORKs has not received a cost of doing business increase since 2000.</p>
<p>Items 5180-101-0001 and 5180-141-0001 Page 299 Pay for Performance</p> <p>The Administration proposed to eliminate \$40 million in county Pay for Performance funding for 2008-09 as part of the May Revision.</p>	<p>The Assembly adopted the proposal.</p>	<p>The Senate adopted the elimination of the Pay for Performance funding but provided \$10 million to counties for employment services.</p>	<p>The Committee adopted the Senate version.</p>	<p>The Senate funding of \$10 million is equivalent to 73 workers.</p>

HOUSING, LAND USE AND TRANSPORTATION

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Budget Conference Committee Action	Impact on Local Government
Item 2660 Proposes to fully fund Proposition 42.	No action.	No action.	Not in conference.	Counties would receive nearly \$300 million in Proposition 42 proceeds for maintenance, rehabilitation, and storm damage repair to improve the local transportation system.