

State Budget Status

On July 29, 2009 the Governor signed the budget bills necessary to balance the State's FY 2009/10 budget.

Overall the State General Fund budget following the Governor's line-item vetoes is \$85 billion, which includes a reserve of \$500 million and 7% less than the prior year.

Budget deficit (\$24 billion) is closed with expenditure reductions, some one-time solutions and a reduction to the reserve balance:

	FY 08/09	FY 09/10	Total (in millions)
Expense Reductions (RDA shift)	\$3,708	\$12,417	\$16,125
Fund Shifts	6	999	1,005
Revenue Increases		3,492	3,492
Borrowing (Prop. 1A)		2,182	2,182
Other		1,355	1,355
Total Solutions (in millions)	\$3,714	\$20,445	\$24,150

Shortly after completing, the Department of Finance announced that an initial deficit of \$7 to \$8 billion is expected for the FY 2010/11 budget.

- This figure assumes that the economy will begin to rebound in the 4th Quarter and the State will end the fiscal year without a deficit (\$3.4 billion deficit in FY 08/09)
- Some are estimating the problem to be in the \$15 to \$20 billion range

Line-Item vetoes affecting counties include (State General Fund reductions):

- \$80 million to counties for child abuse
- \$60 million to Medi-Cal administration (eligibility service reduction)
- \$50 million to Healthy Families program (low cost health care for children in families that don't qualify for Medi-Cal)
- \$52 million to AIDS prevention program (HCA contracts)
- \$28 million from Williamson Act program (open space funding)
- \$6 million from State parks (some parks will close)

Impacts to Orange County are estimated at \$100 million:

Borrowing from local government – The budget plan includes \$2 billion in Proposition 1A borrowing from local government to be repaid with interest by June 30, 2013. The budget package includes several elements that make it securitization friendly:

- Authorizes securitization through JPA

- State pay cost of issuance, including credit enhancement, COI, and interest capped at 8%
- Repayment is priority behind education and General Obligation debt payments

The Orange County impact is estimated at \$49 million

- General Fund impact at \$37 million
- OC Parks impact at \$4.1 million
- OC Libraries impact at \$3.1 million
- Flood Control District at \$5.3 million

Transfer from local government – The budget plan includes \$2 billion in shifts from redevelopment agencies (\$1.7 billion in FY 09/10 and \$350 million in FY 10/11).

- Local Auditor-Controller calculate proportional amount of transfer and shift funds to schools within project area, then reduce property taxes to those schools by equal amount (language is an attempt to address issues raised during lawsuit on unsuccessful RDA transfer attempt during FY 08/09)
- RDAs is not required to allocate funds to low-mod housing fund and must repay by June 30, 2015

The OCDA impact is estimated at \$10.6 million

- FY 2009/10 impact of \$8.8 million
- FY 2010/11 impact of \$1.8 million

Health and Human Services

Overall this budget includes cuts and policy changes that result in reduction in eligibility and/or reduced service levels for health and social programs.

CalWORKs – Statewide savings of \$375 million by reducing county administration funding as well as direct welfare to work services and child care. Also reduces number of consecutive months an adult may receive a cash grant and gradually increases sanctions for cases that do not meet program requirements. The estimated funding reduction to Orange County is \$12,742,145 to SSA, \$967,378 to HCA for public health nurses serving CalWORKs clients, \$925,480 for Cal Learn cuts, and \$3,966,962 for mental health and substance abuse services.

CalWORKs and SSI/SSP – Eliminates automatic cost of living adjustments.

CalWINN Consortium – Reduced Orange County funding for maintenance and operation of the CalWINN system by an estimated \$236,882.

In-Home Supportive Services (IHSS) – State budget eliminates all IHSS services for recipients with functional index (FI) below 2 and eliminates all domestic services. The budget also reduces the IHSS Public Authority Administration funding to \$10 million statewide. Orange County impacts related to change in eligibility are difficult to estimate. The reduction in authorized hours for domestic services will potentially reduce

provider wages. However, it is anticipated that clients will appeal these cuts by appealing their functional ranking. While the appeal is pending, the client will continue to receive benefits. Orange County's Public Authority funding reduction is estimated at \$578,397. Orange County will receive an estimated \$210,000 in revenue with \$90,000 County match requirement for fraud investigation.

Child Welfare Services – Funding is reduced to counties by 10% or \$80 million statewide. Funding reduction will impact staffing levels and contract services. The estimated funding reduction to Orange County is \$5,000,000.

Foster Care Assistance – State budget includes reduction in the basic rate by 10% or \$27 million statewide. Reduced rates could promote the closure of some placements and limit services. The estimated funding reduction to Orange County is \$1,476,294.

Transitional Housing Program Plus – State budget includes funding reduction of \$5 million statewide. The reduction will affect our ability to help establish permanency and independence among former foster youth who have emancipated. The estimated funding reduction to Orange County is \$313,877.

Medi-Cal Administration – State budget includes \$60 million in reduction from county administration which will result in an additional \$60 million reduction in federal funds.

Healthy Families Program – The budget includes reduction in funding statewide by \$173 million resulting in a cap on enrollment effective July 17, 2009. All new applicants will be placed on a waiting list for enrollment. Also eliminates up to \$60 to contractors for helping individuals enroll and remain in Medi-Cal and Health Families programs. The estimated funding reduction to Orange County is \$1,806,145.

Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) – State budget reduces funding statewide by \$14.6 million. The estimated funding reduction to Orange County is \$470,066.

Children's Dental Disease Prevention – The State budget suspends the program and eliminates all funding. Orange County's estimated funding reduction is \$240,219.

Adolescent Family Life Program – The State budget reduces funding for case management services to pregnant and parenting teens. The estimated funding reduction to Orange County is \$550,762.

AIDS/HIV Program – The budget reduces \$77 million in funding for AIDS education, prevention, testing, therapeutic monitoring, and counseling programs. The estimated funding reduction to Orange County is \$2,246,383.

Mental Health Managed Care – The budget reduces funding by \$113 million statewide. The funding supports access to specialty mental health services when medical necessity

criteria are met. The estimated funding reduction to Orange County is \$4,313,800. Prop. 63 funding is available to support the State cut.

Privatizing Eligibility – The State will consider development of a comprehensive plan to privatize eligibility for CalWORKs, Medi-Cal, and Food Stamp programs.

Proposition 36 – Eliminates all funding for Prop. 36 and reduces Offender Treatment Program to \$63 million. Orange County's estimated funding reduction is \$4,300,309 to HCA, \$328,483 to District Attorney, \$328,483 to Public Defender, and \$1.1 million to Probation.

Administration of Justice

The largest reduction within the Administration of Justice program is the unspecified \$631 million cut that the State will address when the Legislature return in August. The Governor has indicated that these reductions will target cost savings from reduced prison and parole populations.

Judicial Branch – The budget includes \$169 million reductions to trial courts resulting in one day per month court closure and increases to certain fees.

Other Programs

Proposition 42/Highway User Tax Account – State budget defers the first two quarterly payments of Proposition 42 until May 2010 and defers six monthly payments of HUTA to be repaid sometime after January 2010. The estimated Orange County impact is a deferral of \$8.5 million for Prop. 42 and \$9 million for HUTA.

Proposition 1B Local Streets and Roads Account – The State budget appropriates \$700 million in Prop. 1B funds with \$442 million for counties. The budget allows counties to temporarily borrow from Prop. 1B funds to backfill the Prop. 42 deferrals. The estimated Orange County allocation is \$27.3 million with disbursement expected in FY 09/10.

Election Reimbursements – The budget does not specifically include provisions to reimburse counties for the May Special Election. Orange County's cost estimate is \$4.5 million.