

GOVERNOR'S FY 2012-13 PROPOSED BUDGET**Health**

Dual Eligibles. The Governor's Budget proposes a series of initiatives to improve care coordination for persons receiving both Medi-Cal and Medicare to be phased in over a three-year period beginning January 1, 2013 for savings of \$678.8 million in FY 2012-13 and \$1.0 billion in FY 2013-14. The Administration estimates that there are 1.2 million dual eligibles in California, and that the majority of the 423,000 In-Home Supportive Services (IHSS) recipients are dual eligible beneficiaries, and represent some of the most expensive and medically complicated cases. The Governor's proposal would:

- **Promote Coordinated Care** – Provide managed care plans with a blended payment consisting of Federal, State, and county funding for the delivery of the full array of health and social services to dual eligible beneficiaries.
- **Enhance the Quality of Home and Community-Based Services** –
 - 1) Coordinate medical services within the full continuum of long-term care services, including IHSS, Community-Based Adult Services, and nursing home services;
 - 2) Merge long-term care services into managed care to increase access to home and community-based care to allow beneficiaries to remain in their own homes and out of institutions; and
 - 3) Coordinate with behavioral health services when necessary.

In year one, IHSS and other community-based services, and nursing home care funded by Medi-Cal, would become managed care benefits. The IHSS Program would continue to operate as it currently does, except all authorized IHSS benefits would be included in managed care rates. Over time, managed care plans would take on increased responsibility for home and community based services, including the IHSS Program.

The Administration assumes that delivering Medi-Cal services through managed care plans would make the State the single point of entry for services to these beneficiaries and that important issues must be considered including, but not limited to: 1) consumer protections for acute, long-term care, and home and community-based services within managed care; 2) development of a uniform assessment tool for home and community-based services; and 3) consumer choice and protection when selecting an IHSS provider. The Administration would work with counties and other stakeholders to develop this proposal.

The Administration assumes that savings would be generated due to a reduction in hospitalization and nursing homes costs. However, because Medi-Cal is budgeted on a cash basis, there would be a delay in realizing these savings. To accelerate these savings in FY 2012-13, the Governor's Budget proposes a payment deferral and alignment of payments policies for all managed care counties. **This office is working**

with the Departments of Health Services, Mental Health and Public Social Services to determine the impact of this proposal to the County.

Healthy Families Shift to Medi-Cal. The Governor's Budget proposes transferring approximately 875,000 Healthy Families beneficiaries to Medi-Cal over a nine-month period beginning in October 2012. **The Department of Health Services indicates that this proposal would have a minimum impact to its department.** The Department of Mental Health (DMH) indicates that this proposal may expand eligibility for the Early Periodic Screening, Diagnosis, and Treatment (EPSDT) Program to individuals between 19 and 20 years of age, and that an additional 900 clients in the County may be eligible for EPSDT. **This office is working with DMH to determine the impact of this proposal to the County.**

Mental Health

County Bed Adjustment Rate. The Governor's Budget proposes \$20.0 million in State General Fund savings from an increase in the bed rates charged to counties for civil commitments of individuals needing specialized mental health services. **The Department of Mental Health estimates that this proposal would result in an additional annual cost of approximately \$8.0 million.**

Public Health

AIDS Drug Assistance Program (ADAP). The Governor's Budget proposes \$14.5 million in State General Fund savings by increasing the client share of cost in the ADAP to the maximum allowed under Federal law which would result in average monthly co-payments ranging from \$28 to \$385, depending on the client's income. **The Department of Public Health indicates that this proposal would not have a direct impact to the department, but would impact persons receiving ADAP benefits.**

Social Services

CalWORKs. The Governor's Budget proposes a statewide reduction of \$1.4 billion which includes a net \$946.2 million reduction in FY 2012-13 as a result of the proposed significant and complex changes to the program that include: 1) restructuring the program into two components, CalWORKs Basic and CalWORKs Plus; 2) retroactive eligibility determinations; 3) time-limit clock stopper and sanction changes; 4) implementing a 27.0 percent reduction to child-only grants; and 5) other key changes. **The Department of Public Social Services (DPSS) estimates that this proposal could result in a CalWORKs Program loss of approximately \$302.8 million in FY 2012-13. This proposal will affect the vast majority of the 179,000 families, including 342,000 children, in the County who will experience a loss of CalWORKs benefits. In addition, there may be an administrative impact to DPSS.**

The major proposed changes are described below:

- **Restructure of CalWORKs Program.** Restructures the program into two components, CalWORKs Basic and CalWORKs Plus.
 - **CalWORKs Basic:** The CalWORKs Basic program would be similar to the existing CalWORKs Program, with the significant difference being a reduction in the time limit from 48 months to 24 months. CalWORKs recipients would be in the CalWORKs Basic Program if they are not meeting Federal work participation requirements (WPR) fully through unsubsidized employment. All supportive services, including child care, would be available to CalWORKs Basic recipients until their 24-month clock is exhausted. The CalWORKs Basic Program would take effect in October 2012, if enacted in March 2012 as proposed by the Governor.
 - **CalWORKs Plus:** CalWORKs recipients who are meeting the Federal WPR fully through unsubsidized employment would be in the CalWORKs Plus Program. All supportive services, including child care, would be provided through the CalWORKs Plus Program and recipients would receive a higher earned income disregard (first \$200 earned and 50.0 percent of subsequent income disregarded) than in the Basic Program. The adult portion of the assistance grant would continue to be provided to CalWORKs Plus recipients for 48 months, and after this time, the adult portion of the grant is removed, although eligibility for child care and the higher income disregard would remain for the child-only case as long as the parent continues to meet the Federal WPR through unsubsidized employment.
- **Retroactive Eligibility Determinations.** Eligibility for CalWORKs Basic and CalWORKs Plus would be determined on a retroactive basis. Months of assistance already provided to existing CalWORKs recipients would count toward the 24 and 48 month time limits.
- **Time-Limit Clock Stopper and Sanction Changes.** All time-limit clock stoppers would be eliminated under this proposal, except those few required by Federal law. Although welfare-to-work exemptions would continue to be granted under CalWORKs Basic, being exempt would no longer stop the time clock. Nor would being in sanction status stop the time clock. In addition, recipients sanctioned for three cumulative months, in any 12 month period, would no longer be eligible for CalWORKs Basic, and would be moved to the new Child Maintenance Program.

This office is working with DPSS to determine the impact of the above proposals to the County.

- **CalWORKs Child-Only Grants Reduction for CalWORKs Maintenance Program.** Reduce child-only grants by 27.0 percent beginning in October 2012, decreasing the average monthly grant by about \$72 per month. The Governor estimates that the grant reduction would impact approximately 296,000 families statewide. **DPSS estimates this proposal would affect approximately 91,460 families in the County.** Adult participants in the Child Maintenance Program who meet the Federal WPR and who have not exhausted 48 months of aid would be able to re-enter CalWORKs Plus.

The Governor also proposes to eliminate the temporary CalWORKs welfare-to-work exemptions for families with young children and the associated reduction in CalWORKs Single Allocation which have been in effect since FY 2009-10. The CalWORKs Single Allocation funds eligibility administration, employment services, and CalWORKs Stage One Childcare. The Governor is proposing other reductions in the Single Allocation, as a result of the proposed restructuring to the CalWORKs Program. The detail and the extent of the Governor's reduction to the Single Allocation is unknown at this time.

In-Home Supportive Services (IHSS) Reduction. The Governor's Budget proposes a statewide reduction of \$163.8 million in State General Funds to IHSS by eliminating domestic and related services to persons living in shared living arrangements and minors living with an able and available parent. This reduction is estimated to impact approximately 254,000 consumers statewide beginning July 1, 2012. **DPSS estimates that over 105,000 IHSS consumers would be impacted in the County. If enacted, the reduction would result in a program reduction of approximately \$180.2 million, comprised of State and Federal funding, and a net County savings of approximately \$32.0 million in FY 2012-13.**

Furthermore, the Governor's Budget assumes that the 20.0 percent across-the-board trigger cut to IHSS would be implemented April 1, 2012. However, a court injunction has precluded implementation. The Proposed Budget also includes a set-aside to fully fund the IHSS Program in the event the court permanently upholds the injunction.

LEADER Replacement System. The Governor's Budget proposes to fund the LEADER Replacement System (LRS) at \$35.3 million in FY 2012-13. DPSS indicates that since development and implementation of LRS is pending Federal approval, funding for FY 2012-13 would be determined when final Federal approval of the project is received and the project start date, applicable Federal financial participation rates, and cost allocation formulas have been determined.

Child Support Collections Suspension. The Governor's Budget proposes to suspend the county share of child support welfare collections in FY 2012-13 which is estimated to be \$34.5 million statewide. Under this proposal, the entire non-Federal portion of child support welfare collections would be retained by the State. **The Child Support Services Department (CSSD) indicates that approximately \$3.86 million of that amount would be from Los Angeles County collections. These funds are important in that they provide the basis for drawing down additional Federal matching funds at a 2:1 ratio. The \$3.86 million, using an enhanced Federal**

Financial Participation Rate, results in an additional \$7.5 million in Federal dollars, for a total of \$11.36 million in the CSSD budget. CSSD indicates that it is working with the State Department of Child Support Services to mitigate the impact of this proposal to the County.

Child Care and Development Programs. The Governor's Budget proposes to restructure all child care and child development programs except part-time State preschool programs for a \$446.9 million statewide reduction in child development programs funded from non-Proposition 98 General Fund and a \$69.9 million statewide reduction in Proposition 98 General Fund expenditures for part-day State preschool by:

- Limiting subsidized child care only to those individuals who meet Federal work participation requirements, whether or not the family ever participates in the CalWORKs Program;
- Shifting the eligibility determination and payment functions for subsidized child care programs (except part-day State preschool programs) from the Alternative Payment Programs and California Department of Education (CDE) - contracted centers to the counties beginning in FY 2013-14. Counties would be allowed to contract with the existing agencies to perform the payment function. Once fully implemented, the new structure would replace the three-stage CalWORKs child care system for current and former CalWORKs recipients and replace programs already serving low-income parents with a work-based subsidized child care system administered by county welfare departments.
- Reducing the income eligibility cap for subsidized child care which would result in fewer spaces for children of low-income families; and
- Reducing the reimbursement rates paid to child care and development programs required to meet higher standards of quality as well as voucher-based programs that allow for families to select either licensed or license-exempt providers.

This office is working with the Department of Public Social Services and the CEO Office of Child Care to determine potential impact.

General Government

State Mandates. The Governor's Budget proposes a \$728.8 million reduction from the suspension, repeal, or making permissive State mandates to local governments except those related to law enforcement or property taxes. **Based on information currently available, the suspension of State mandates would result in an estimated County loss of \$16.5 million in FY 2012-13.**

The Governor's Budget also proposes the deferral of pre-2004 mandate obligations totaling \$99.5 million. This would be accomplished by deferring the FY 2012-13 payment for costs incurred by counties prior to FY 2004-05, which is statutorily required to be fully paid by FY 2020-21. **Based on information currently available the**

deferral of the pre-2004 mandate payment would result in an estimated County loss of \$13.0 million in FY 2012-13.

Economic Development

Redevelopment Agencies. The Governor's Budget proposal includes a summary of the recent California Supreme Court (Court) decision which upheld ABX1 26 of 2011, which eliminated Redevelopment Agencies (RDAs), and invalidated ABX1 27 of 2011, that would have created Voluntary Alternative Redevelopment Programs, if cities and counties elected to make voluntary payments primarily to fund schools. These payments were expected to generate \$1.7 billion in Proposition 98 General Fund savings in FY 2011-12.

The California Redevelopment Association and other entities challenged both bills before the Court in the case *California Redevelopment Association et al. v. Matosantos et al.* In a ruling released on December 29, 2011, the Court upheld ABX1 26, but ruled that ABX1 27 was invalid. In accordance with the Court's order, RDAs will be dissolved on February 1, 2012. Revenues that would have been directed to the RDAs will be distributed to make pass-through payments to local agencies that they would have received under prior law and to successor agencies for retirement of the RDAs' debts and for limited administrative costs. The remaining revenues will be distributed as property taxes to cities, counties, school and community college districts and special districts under existing law.

As a result of the dissolution of RDAs, the Governor's Budget proposal estimates that approximately \$1.05 billion in additional property tax revenue will be received by K-14 schools in FY 2011-12, which will offset the State's Proposition 98 General Fund obligation. Additional property tax revenues are estimated to provide:

- \$340.0 million for counties;
- \$220.0 million for cities; and
- \$170.0 million for special districts.

According to the Governor's Budget, these amounts are expected to increase as property values increase and debts are retired. Additional revenues will also be distributed in the next several years as RDAs' assets are monetized. The CEO Operations Cluster indicates that any tax increment remaining after the payment of former RDA enforceable legal obligations, pass-through payments and limited administrative costs will be distributed to the taxing entities as property tax. At present, the annual net loss to all RDAs for the County General Fund is approximately \$453.0 million. Additionally, the annual loss to RDAs for the Fire District is \$51.0 million, \$18.0 million for the Flood Districts and \$8.5 million for the Public Library District.

The Chief Executive Office Operations Cluster indicates that the breakdown of the estimated \$340.0 million by county is unknown at this time. This office will work with County Counsel and the Auditor-Controller to determine the impact of this proposal when further details are released by the Administration.

Enterprise Zone Program Reform. The Governor's Budget proposes to introduce legislation to reform the Enterprise Zone Program.

Single Sales Factor. The Governor's Budget proposes to introduce legislation to move to a mandatory single sales factor for apportioning multistate business income.

Environment and Natural Resources

State Parks Reduction. The Governor's Budget proposes a State General Fund reduction of \$11.0 million to the California Department of Parks and Recreation (CDPR) in FY 2012-13. The proposed reduction, which when combined with the \$11.0 million cut from FY 2011-12, achieves \$22.0 million in ongoing State General Fund savings, would necessitate the closure of up to 70 parks effective July 1, 2012.

Last year, CDPR issued a list of State parks to be closed to achieve the reductions in the current year and in FY 2012-13. Five of the 70 State park units scheduled to close are located in Los Angeles County. The affected State parks are: 1) Antelope Valley Indian Museum; 2) Los Encinos State Historic Park; 3) Pio Pico State Historic Park; 4) Saddleback Butte State Park; and 5) Santa Susana Pass State Historic Park. **As previously reported, the Departments of Beaches and Harbors and Parks and Recreation indicate that the closure of State park units operated by CDPR may have an undetermined indirect impact on the County due to an expected increase in attendance at surrounding County-operated park and beach facilities which may lead to an increase in operation and maintenance costs.**

Department of Food and Agriculture Baseline Reduction. The Governor's Budget proposes a State General Fund reduction of \$12.0 million to the California Department of Food and Agriculture (CDFA) in FY 2012-13, as part of a two-year effort to achieve \$31.0 million in ongoing State General Fund savings. The proposal includes reductions to State border agricultural inspection stations, pest prevention, and food safety activities. Some of these activities are proposed to be backfilled by new revenue programs. The Department of Agricultural Commissioner/Weights and Measures (ACWM) indicates that this proposal includes \$2.4 million in cuts that are yet to be finalized by CDFA. **According to the ACWM, while approximately \$9.6 million of the cuts will not directly affect funding of County programs, the remaining \$2.4 million in reductions are all but certain to come from local assistance to county agricultural commissioner departments, likely from funding for Pest Detection Programs and High Risk Pest Exclusion activities for which CDFA contracts with county agricultural commissioners.** ACWM is continuing discussions with CDFA and agricultural industry representatives to identify these reductions and minimize the potential impact to the County.

Exposition Park/California Science Center. The Governor's Budget proposes expenditure levels for the California Science Center (CSC) and the Office of Exposition Park Management (OEPM) to remain approximately even with the current year, with OEPM's expenditure level at approximately \$5.7 million in FY 2012-13. The Natural History Museum (NHM) indicates that a key concern remains how much of these expenditures are to be supported by the draw-down of the Exposition Park Improvement Fund (Fund) and how much of that goes to actual Exposition Park management services as opposed to being diverted to the operations of the CSC. According to NHM, it appears the Fund will continue to decline at a rate of approximately \$2.0 million a year and it seems that all of that draw-down being applied to CSC's increasing reliance on the Fund instead of on State General Funds. NHM indicates that this is both unsustainable over more than one to two more years given the Fund balance and a diversion of funds each year from funding that was to be used to support park-wide services including those that benefit NHM. **This office is working with NHM to fully determine the County impact of this proposal as further details become available.**

Consolidating, Restructuring, and Reorganizing State Government

The Governor's Budget proposes to reorganize, consolidate, and eliminate two State agencies, 39 State entities, and nine State programs. According to the Governor, the proposal would make State government less costly and more efficient, more sensible and easier to manage effectively. Recent media reports indicated that the Governor also proposes to reduce the State workforce by approximately 3,000 positions, mostly from the Department of Corrections and Rehabilitation.

The major proposals for reorganization of interest to the County would:

- Eliminate the California Department of Boating and Waterways, transferring the functions into the California Department of Parks and Recreation;
- Eliminate the Commission on the Status of Women;
- Reduce the number of Regional Water Boards from nine to eight, as well as, reducing the number of members on the boards from nine to seven;
- Consolidate CalTrans, the Department of Motor Vehicles, the High Speed Rail Authority, the California Highway Patrol, the California Transportation Commission and the Board of Pilot Commissioners into a new Transportation Agency;
- Consolidate the Departments of Consumer Affairs, Housing and Community Development, Fair Employment and Housing, Alcoholic Beverage Control, and the newly restructured Department of Business Oversight into a new Business and Consumer Services Agency;
- Transfer the functions of the California Housing Finance Agency to the Department of Housing and Community Development; and
- Transfer the Infrastructure Bank, the Film and Tourism Commissions, the Small Business Centers and the Small Business Guarantee Loan Program to the Governor's Office of Business and Economic Development.