



Realignment Overview

1991 Realignment Legislation



1991 Realignment

- State enacted a major change in the state and local relationship
- Shifted funding and program responsibilities from State to counties
- Intent to provide stable funding source, increase local flexibility, foster innovation, create fiscal incentives to control costs



Realignment of Programs

1. Programs transferred to counties

- Mental Health
- Public Health
- Indigent Health
- Local Block Grants

See Figure 1 in Legistar Attachment B, page 3 for detailed program listing.

Cost Sharing Ratios

2. Changed State/County cost sharing ratios

- Health - California Children's Services program
- Social Services programs

See Figure 1 in Legistar Attachment B, page 3 for detailed cost ratios by program.

Realignment Principles

- Provide a dedicated revenue stream to pay for the changes
 - Sales tax revenue
 - Vehicle license fee (VLF) revenues
- Increase County flexibility and discretion
- Provide fiscal incentives to encourage cost control

Recent economic conditions have resulted in:
Declining Realignment revenues (not as stable as originally predicted)
Significant increases in the need for services.

Realignment Accounts

Requirement to establish a Local Health & Welfare fund with three accounts (WIC 17600.10):

- Mental Health Account
- Health Account
- Social Services Account

State controller distributes realignment funds monthly to counties

Funds are subsequently transferred to departments to offset program costs

Realignment Transfer Provisions

County may transfer up to 10% of any account's annual allocation to the other two accounts (WIC 17600.20)

- Reallocation must provide the most cost effective use of funds to maximize client outcomes
- Transfers of 10% were made from EDC Health account to EDC Mental Health account in FY 08/09 and FY 09/10

The Realignment transfer provision allows for some flexibility and discretion at the local level.



Realignment in FY 11/12 Health Services Budget

Realignment dollars are used to fund:

- Programs transferred to counties in the 1991 realignment shift
- County match requirements in mandated and grant funded programs
- Costs of mandated programs where other funding is insufficient

Example of Realignment Use:

Psychiatric Health Facility (PHF) FY 11/12

Program Costs	\$2,501,801
Program Revenues	\$ <u>696,840</u>
Net Program Cost	\$1,801,961

Net Program Cost is funded by Realignment

\$1.8M = 57% of total FY 11/12 Mental Health Realignment funds



Options for funding PHF Costs

1. Increase PHF program revenues
(Maximize census to offset fixed costs)
2. Reduce program costs in other areas to free up realignment funds
3. Transfer 10% from Health realignment account
4. Contribution from General Fund
5. Explore possibility of funding from 2011 realignment program