



County of El Dorado

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Date: January 12, 2011

TO: Board of Supervisors

FR: Laura Schwartz, Principal Administrative Analyst

RE: Governor's proposed FY 2011-12 budget

LATE DISTRIBUTION

Date 6:48 pm, Jan 12, 2011

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Summary of Budget Deficit

- FY 2011-12 project State deficit of \$25.4 billion
- Proposed budget cuts total \$12.5 billion; major ones are:
 - \$1.7 billion to Medi-Cal
 - \$1.5 billion to CalWORKs
 - \$0.75 billion to the Department of Development Services
 - \$0.58 billion to state operations and employee compensation
 - \$0.5 billion to the University of California
 - \$0.5 billion to the California State University
- Revenue proposals of \$12 billion
 - 5 year extension of temporary tax increases scheduled to expire in 2011 (\$11.2 billion over 18 months, \$5.9 billion for local governments)
 - Require all multistate businesses to calculate their tax liability solely on sales in California (\$1 billion)
 - Eliminate Enterprise Zones and similar tax benefits (\$924 million)

Key assumptions behind the Governor's proposed budget

- All necessary statutory changes to implement budget solutions will be adopted by the Legislature and signed by the Governor by March
- Special election in June 2011
- Voters to decide whether to extend the temporary taxes that expire in 2011 for an additional 5 years
- If voters reject taxes, Governor Brown indicated that to balance the budget the State would be required to go through the cuts and multiply by two (primarily in universities, prisons and K-12 education).

Governor's Proposed Realignment

- Restructure more than \$10 billion in public services, shifting responsibility from the State to Counties
- Eliminate duplicative administration of services and allow for local determination of priorities
- Services would be funded by the extension of the temporary taxes
- No identified funding source after the 5-year tax extension

The chart below displays Phase One Realignment programs and funding for FY 2011-12 and upon full implementation in FY 2014-15.

| Program | 2011-12 | 2014-15 |
|---|----------------|----------------|
| Fire and Emergency Response | 250.0 | 250.0 |
| Court Security | 530.0 | 530.0 |
| Public Safety Programs | 506.4 | 506.4 |
| Local Jurisdiction for Lower-level Offenders and Parole Violators | | |
| Local Costs | 298.4 | 908.1* |
| Reimbursement of State Costs | 1,503.6** | 0 |
| Realign Adult Parole to Counties | | |
| Local Costs | 113.4 | 409.9* |
| Reimbursement of State Costs | 627.7** | 0 |
| Realign Remaining Juvenile Justice Programs | | |
| Local Costs | 78.0 | 242.0 |
| Reimbursement of State Costs | 179.6** | |
| Mental Health Services | | |
| EPDST *** | - | 579.0 |
| Mental Health Managed Care *** | - | 183.6 |
| AB 3632 Services *** | - | 104.0 |
| Existing Community MH Services | - | 1,077.0 |
| Substance Abuse Treatment | 184.0 | 184.0 |
| Foster Care and Child Welfare Services | 1,604.9 | 1,604.9 |
| Adult Protective Services | 55.0 | 55.0 |
| Unallocated Revenue Growth | - | 621.1 |
| Total Appropriations | 5,931.0 | 7,255.0 |
| 1% Sales Tax | 4,549.0 | 5,567.0 |
| 0.5% VLF | 1,382.0 | 1,688.0 |
| Total Revenues | 5,931.0 | 7,255.0 |

* The allocation in 2014-15 is different than the amount allocated in 2011-12 due to a phased-in implementation

** During the transition, estimated state costs will be reimbursed from realignment revenues

*** In FY 2011-12 these programs would be funded with Mental Health Services Act (Proposition 63) funds. This would be a one time use of these funds. Beginning in FY 2012-13 these programs, as well

as community mental health services currently funded with realignment funds, would be funded through the 5-year tax extension.

Please see attachment A from Chief Probation Officer Greg Sly detailing the impacts of realignment on the Probation department.

Implementation of national health care reform is linked with Phase Two of this realignment proposal. Phase Two assumes that the state will become responsible for costs associated with health care programs, including California Children's Services and In-Home Supportive Services, while the counties assume responsibility for CalWORKs, food stamp administration, and child support.

Health and Human Services – Impacts to County of El Dorado

Loss of the Multipurpose Senior Service Program (69 clients currently, approximately 800 clients per year). More people will have to go into residential care sooner. Loss of associated staff: 1 nurse, 1 case manager, 1 program assistant.

A 13% reduction to CalWORKS grant levels AND a reduction of eligibility from 60 to 48 months placing more families further into poverty and more reliant upon non-profit community services and churches.

Reduction in IHSS hours and participation due to a 12% reduction across the board in hours, the elimination of domestic service hours for recipients whose care provider lives in the same house, and the requirement that recipient get a medical letter verifying need. This will cause the program to shrink in size and scope while still serving those most in need.

Loss of Child Support Collections that reimburse DHS costs associated with those families who are on DHS cases (Less than \$375,000.)

Transition of Transitional Housing Programs from the current THP+ to the services envisioned under AB 12 slated to start in January 2012 which would move the program from being fully state funded to being federal/state/county under Title IV-E funding.

Reduce SSI/SSP grants to federal minimum. \$15 per month loss for an individual.

10% reductions to Medi-Cal reimbursements will make it harder than ever for clients to find outpatient and inpatient medical care. The US Supreme Court will likely decide the state's ability to do this sometime this spring or summer. Additional co-pays to be required for services will reduce monies available for other needs.

Elimination of Vision from Healthy Families and an increase in premiums and copayments will result in fewer kids getting the quantity and quality of health care they need to be successful in school and in life.

Realignment of Foster Care and Child Welfare Services to the Counties is a big unknown in terms of how that would look, how that would work and how that would be funded. I am not sure the federal government will allow the state to step too far back from their role in this as the federal government does not want to deal with 58 individual counties. It will be interesting to see how this develops but CSAC and CWDA need to guard against more unfunded mandates.

Mental Health - Below is a list of concerns from the California Mental Health Directors Association (CMHDA) regarding questions about Mental Health proposals in the Governor's budget:

** CMHDA's Preliminary Questions and Concerns **

While CMHDA supports the Governor's goals of bringing services "closer to the people," achieving savings by reducing unnecessary duplication, and providing flexibility at the local level, we have identified the following preliminary questions and concerns about this realignment proposal. We will be further refining and describing our position on the proposal in subsequent correspondence.

- Can the Legislature change the state's MHSAs maintenance-of-effort and non-supplantation requirements through 2/3 vote of the Legislature rather than via ballot measure with the electorate?
Note: When CMHDA asked representatives of the Department of Finance this question, their response was that it is not necessary to obtain voter approval because the MHSAs maintenance-of-effort requirements would be met with the new revenue source, and the proposal would further the service integration goals contained in the Act.
- What obligations would counties continue to have for the previously realigned mental health programs (institutional care and SMI/SED)?
- What is intended for the existing mental health realignment funding, which is currently about \$1 billion annually and comprises nearly one-quarter of the funds provided to the community mental health system?
- What would be the process to ensure a dedicated revenue stream is provided for the new realigned responsibilities once the proposed new revenues cease in five years?
- Will competition be created for the new revenues, creating compliance problems for the programs proposed to be realigned? Will there be competition for the limited revenues between:
 - The three federal entitlement programs proposed to be realigned (AB 3632, EPSDT, Medi-Cal Managed Care)?
 - The two federal entitlement programs that serve children (AB 3632, EPSDT) and the one that serves adults (Medi-Cal Managed Care)?
 - The full dozen or so programs and services proposed to be realigned in phase one?
- Does it make good policy sense to realign AB 3632 to county mental health departments given that it is a federal education entitlement program?
- Since the proposal could impact the current mental health waiver and state plans, will CMS need to be notified and approve of these changes in state and county obligations?
- Is it possible to prevent the one-time use of MHSAs funds in 2011-12 from having a negative impact on current and future MHSAs service commitments?

- How will the second proposed realignment phase impact the community mental health system?
- How will the Administration and Legislature ensure county mental health departments and CMHDA are engaged in the crafting of required legislative language?

Other Reductions

Permanent reduction of all State funding for County Fairs – El Dorado County would lose approximately \$200,000 or 20% of the fair budget.

Eliminate General Fund Support for County Veteran Service Offices – Reduction of \$28,500 in State funding to El Dorado County

Reduction to Public Library Fund – Reduction of \$60,000 to El Dorado County library budget

Elimination of Redevelopment and Enterprise Zones

- *Provide improved options to fund local economic development with voter approval:* Constitutional amendment to provide for a 55% voter approval for limited tax increases and bonding against local revenues for development projects currently done by Redevelopment Agencies (RDAs).
- *Shift existing redevelopment taxes to core local services:* Prohibit existing RDAs from creating new contracts or obligations effective upon enactment of urgency legislation. By July 1, existing agencies would be disestablished and local agencies would be required to use the property tax that RDAs would otherwise have received to retire RDA debts and contractual obligations
- *Use housing balance for housing:* Amounts in the RDA balances reserved for low-moderate income housing would be shifted to local housing authorities for low and moderate income housing
- *Funding for core local services increases as debts are paid off:* After 2011-12, the money available after payment of RDA debt would be distributed to schools, counties, cities, and non-enterprise special districts for general uses.

Attachment A

EL DORADO COUNTY PROBATION DEPARTMENT M E M O R A N D U M

TO: Terri Daly, Laura Schwartz and Kelly Webb, CAO Office

FROM: Greg Sly, Probation Department

DATE: January 12, 2011

RE: Proposed State Realignment Budget and Impacts Related to Probation Department

The Probation Department management team and I continue to review possible impacts to budget, resources and liability related to the State's effort to realign many State programs and responsibilities to the local level. As I am currently appointed as the Chief Probation Officer and Correctional Administrator for Electronic Monitoring Programs, I continue to communicate with justice system partners related to all aspects of our local justice system.

It is important to note that if some or the entire realignment proposal did in fact take effect, the Probation Department will be one of the very most impacted County Departments. Although I am not taking any action to commit El Dorado County to new service responsibilities and will not do so without first communicating with the CAO, Board of Supervisors and Superior Court, I am working with the Chief Probation Officers of California (CPOC) Association to inform and educate the Governor's Office and State Legislature on issues related to such a huge system change proposal. CPOC is working hard to ensure that if Probation Departments do receive new service responsibilities that all related issues, concerns and budget needs are discussed, considered and hopefully addressed in a manner that will result in successful realignment for the citizens we serve in our County jurisdictions. This is very important as any State effort will greatly affect public safety and all aspects of both the Juvenile and Adult Justice Systems.

This said, I recommend the Board of Supervisors give special consideration to the realignment proposals related to the follow program areas:

- Juvenile justice supervision programs
- Juvenile detention facilities (affects and potential for facility construction)
- Juvenile ranch and treatment programs
- Juvenile parole (now referred to as juvenile probation supervision after DJJ commitment)
- Adult parole system changes (supervision, revocation, local incarceration, treatment, medical and residential / housing responsibilities)

- Impacts to the adult jail populations / capacity related to system change that will prohibit many adult offenders from being committed to prison
- Impacts to community corrections measures like Electronic Monitoring and the need for adult offender community-based treatment (Adult Day Reporting Center) to mitigate resulting local jail overcrowding

Budget Impacts for Probation Department:

1) VLF: (Probation Department \$832,500)

If VLF funding sunsets June 30, 2011 as scheduled, the Probation Department stands to lose revenue for juvenile probation programs in a total amount of approximately **\$832,500**. This includes \$402,500 in juvenile supervision funding that funds our CART Program, providing mandated supervision of juvenile probationers as well as assistance to local high schools with Deputy Probation Officers placed on campuses (5FTE). It also includes \$385,000 in juvenile detention facility funding that funds ten (10) of forty (40) Juvenile Hall beds in the Placerville facility (4 FTE). Finally, it includes \$45,000 in treatment funding for the Challenge Ranch Program in the Juvenile Treatment Center in SLT. Loss of ranch treatment funds will place the Challenge Program at risk and could result in increased commitments to out-of-county ranch programs at a cost to the El Dorado County Care and Support (Probation Budget) which could exceed \$500,000 annually.

Realignment proposals may secure this funding for Counties beyond the June 30, 2011 sunset.

2) Youthful Offender Block Grant: (Probation Department \$485,000)

At this time, the State is not proposing any program or funding changes to this funding source. We continue to plan for this revenue that funds ten (10) of thirty (30) detention beds in the Juvenile Treatment Center in SLT (4 FTE) as well as a portion of the Juvenile Electronic Monitoring Program costs and contract ranch commitment costs.

3) STC Funding:

STC Peace Office training funds for the Probation Department remain funded at this time.

4) DJJ Parole Realignment:

On January 19, 2011, DJJ Parole Realignment will be in effect. Payments to counties in arrears will be in effect. For each juvenile involved, the County will receive \$15,000 annually for two years for Probation Department supervision. If the Juvenile Court places the minor outside of the home, the County would be eligible for up to \$115,000 per involved ward. El Dorado County currently has only two minors eligible for this program, the first minor due to be released in 2012. Thus, this will minimally affect our County.

5) SB 678 Funding:

This involves funding for Evidence Based Adult Supervision programs under the direction of the Chief Probation Officer. First funding will be received in FY 11/12 as soon as the State approves a budget. The exact allocation of funding for El Dorado County Probation will be established and noticed in May 2011.

Other Realignment Targets that will Effect Probation Funding and Programs:

6) Mental Health Services Funding:

If cut or reduced will endanger service delivery to the Juvenile Hall and JTC of mandated and much needed psychiatric evaluation and care and mental health counseling. This will require funding regardless of the availability of non-general fund revenues.

7) Substance Abuse Treatment:

Proposed realignment of funding and service delivery responsibility to the County. This affects Prop 36 / Adult Felony Drug Court Programs as well as juvenile treatment services.

Adult Parole, Adult Custody and Juvenile Custody Major Considerations:

If proposed realignment of the adult and juvenile justice system was to be implemented, huge impacts will be realized in the areas of parole supervision and jail and juvenile halls management.

The realignment of adult parole involves many areas of concern. At first glance, the Probation Department would be designated to take over supervision of approximately 350 adult parolees (best current estimate of offenders residing in El Dorado County / 75 of the 350 in SLT). Parole caseloads are recommended to be supervised at a ratio of approximately 45 parolees to each officer. This would require the addition of one Division to the department. Equipment, to include law enforcement vehicles, would be required. However, this issue is far larger and will include residential placement and treatment requirements for parolees, medical considerations, sex offender populations, legal representation during revocations, and jail impacts. Exact impacts will depend on the model the State Legislature would actually enact in the law addressing this realignment.

Local jail facilities, the Juvenile Hall and the JTC will also be greatly impacted. The jails will most likely experience over population with numbers far greater than historically experienced. El Dorado County will need to expand Community Corrections measures to manage custody populations to include expansion of the use of the Electronic Monitoring Program and consideration of the development of a West Slope (and possible SLT) Adult Day Reporting Center facility.

SB 81 Juvenile Detention Facility funding is being expanded to include an additional \$200 million in funding for local juvenile detention center construction. The new RFP will be released

sometime during spring 2011 allowing El Dorado County the opportunity to apply for funding to replace the Placerville Juvenile Hall facility.

The JTC in SLT, opened in 2004, is in good shape and well-designed to take on the challenges of the future and the associated possible realignment. However, the 1971 Juvenile Hall in Placerville remains in need of replacement and is not a suitable facility to manage the increased and more serious juvenile offender populations associated with the realignment proposals, to include addressing juvenile parolees locally, no ability to commit serious juvenile offenders to State facilities, and the proposed closure of DJJ in 2014.

SB 81 will require a portion of local project match funding, but could offset most of the project costs for such a facility replacement if selected for State bond funding. Associated project start dates could occur as late as 2017. Although match funding may not be available now, in future years we may be able to plan for and achieve the match funding that could offset 80% of the facility replacement costs. As we will need to replace the facility in Placerville within the next ten years, this funding source should not be overlooked. I strongly recommend the El Dorado County Board of Supervisors consider applying for this funding. The Probation Department is ready to assist DOT facilities staff in managing such a project and leading the effort to apply for applicable funding.

Thank you for your consideration.