

LOS ANGELES COUNTY

Governor's FY 2012-13 Proposed Budget Executive Summary

**Approximately half of the Governor's Proposed Cuts
Fall Directly on County Health and Human Services Programs**

Overview

Today, Governor Brown released his FY 2012-13 Proposed Budget, five days ahead of the January 10th constitutional deadline. The Proposed Budget projects a deficit of \$4.1 billion in the current year and \$5.1 billion in FY 2012-13 for a **total deficit of \$9.2 billion** through June 30, 2013. The Governor's Proposed Budget addresses the 18-month budget deficit through:

FY 2012-13 PROPOSED BUDGET SOLUTIONS	
Expenditure Reductions	\$ 4.2 billion
Tax Revenue Increases	\$ 4.7 billion
Other Solutions (Borrowing, Repayment Extensions, etc.)	\$ 1.4 billion
Total Budget Solutions	\$ 10.3* billion

**Solutions include a \$1.1 billion State Budget reserve.*

Two major elements of the Governor's Plan are:

- **Expenditure Reductions:** \$4.2 billion in funding reductions which include: health and human services (\$2.0 billion), education and child care (\$1.3 billion), repeal or suspension of State mandated programs (\$828.3 million), and other miscellaneous program reductions (\$27.3 million).
- **Governor's November 2012 Ballot Initiative:** The Proposed Budget relies on approximately \$6.9 billion in revenue through a temporary 0.5 cent increase in State Sales and Use tax and a temporary increase in the income tax rates for persons earning over \$250,000, subject to voter approval in the November 2012 General Election. After accounting for the Proposition 98 funding guarantee, the temporary tax increases are expected to provide \$4.4 billion to the State General Fund. The Governor's measure also includes constitutional protections for the 2011 Public Safety Realignment funding for counties.

Major Proposals Affecting County Programs: The Proposed Budget funding reductions would affect various County programs. We are working with affected departments to determine the impact of the reductions including:

Public Social Services:

- \$1.4 billion reduction to the CalWORKs Program which includes establishing a 24-month time limit, reducing eligibility, among other significant changes to the program. **The Department of Public Social Services (DPSS) estimates that this proposal could result in a reduction of benefits to approximately 179,000 families in the County.**
- \$163.8 million reduction to the In-Home Supportive Services Program 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 recipients statewide beginning July 1, 2012. **DPSS estimates that over 105,000 IHSS consumers would be impacted in the County.**

State Mandates:

- \$828.3 million reduction from the suspension, repeal, or making permissive State mandates to local governments including: suspension of various mandates except those related to law enforcement or property taxes (\$728.8 million), and the deferral of the FY 2012-13 State mandates payment for costs incurred prior to FY 2004-05 (\$99.5 million).

Medi-Cal:

- \$842.0 million reduction to the Medi-Cal Program from merging service delivery for persons eligible to both Medi-Cal and Medicare and requiring all eligible persons to enroll in managed care health plans.

Child Support Services:

- \$34.5 million reduction statewide from suspending the county share of child support collections. **The Child Support Services Department indicates that the County retains and collects approximately \$3.8 million in collections per year which would be suspended under the Governor's Budget proposal.**

Public Health:

- \$14.5 million reduction from increasing the client share of cost for the AIDS Drug Assistance Program.

Child Care:

- \$293.6 million reduction by eliminating CalWORKs benefits for families who fail to meet Federal work participation requirements.

Juvenile Justice Realignment: The Governor's Budget delays the collection of Division of Juvenile Justice (DJJ) fees from counties imposed under the December 2011 Trigger Cuts, and permanently shifts responsibility for housing youthful offenders from the State to counties. **The DJJ would cease accepting new commitments beginning January 1, 2013.** The Proposed Budget provides \$10.0 million in funding to assist counties in planning for this shift.

Redevelopment: On December 29, 2011, the California Supreme Court upheld ABX1 26 of 2011, the law eliminating Redevelopment Agencies (RDAs) and invalidated ABX1 27 of 2011, the law which would have created a Voluntary Alternative Redevelopment Program. RDAs will be dissolved on February 1, 2012.

As a result, the Governor's Budget reflects an estimate 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 and RDA debts are retired. Additional revenues will also be distributed in the next several years as RDA assets are monetized.

Trigger Cuts if Ballot Initiative Fails: The Governor's Budget includes \$5.4 billion in triggered budget reductions that would be enacted if the November 2012 Ballot Initiative to increase revenues fails to pass. **Those triggered reductions would be effective January 1, 2013 and primarily impact education, the courts, and State public safety programs.** Specifically, the trigger cuts include:

- \$4.8 billion reduction to K-12 schools and community colleges;
- \$400.0 million reduction to University of California and California State University;
- \$125.0 million reduction to the courts, or the equivalent of court closures three days per month;
- \$15.0 million reduction to the Department of Forestry and Fire Protection impacting firefighting capabilities including emergency air response;
- \$6.6 million reduction in flood control programs reducing channel and levee maintenance; and
- Reductions to the California Departments of Parks and Recreation and Fish and Game, and elimination of State lifeguards.

Future State-County Realignment Efforts. The Governor's Budget does not recommend realignment of additional programs at this time; however, the Administration indicates that the budget plan lays the foundation for further realignment and notes that CalWORKs and child care restructuring emphasizes support for those individuals who meet Federal work requirements and counties will be the leaders in implementing these changes. The Proposed Budget also indicates that as the State implements Federal health care reform, there will be a natural shift of health care costs from the county indigent health system to Medi-Cal. Therefore, the Administration indicates that it will make sense for the State to assume more responsibility for health care funding, while shifting other programs to the local level.