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May 18, 2010

To: Supervisor Gloria Molina, Chair
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Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE – GOVERNOR’S FY 2010-11 MAY REVISION ANALYSIS

On Friday May 14, 2010, Governor Schwarzenegger released his May Revision to the FY 2010-11 Proposed State Budget, which projects an overall \$19.1 billion deficit comprised of shortfalls of \$7.7 billion in the current year and \$10.2 billion in the budget year, and recommends a year-end reserve of \$1.2 billion. The May Revision proposal fully funds K-12 Education consistent with the Proposition 98 guarantee, increases funding for Higher Education, and avoids further reductions to Child Welfare Services, Foster Care, and public safety programs. The revised State Budget proposal does not contain any significant revenue solutions or tax increases, and as previously indicated by the Administration, it relies heavily on “*absolutely terrible cuts*” to Health and Human Services programs to address the budget shortfall. At the unveiling of the May Revision, Governor Schwarzenegger emphasized that he would not sign the budget until the State’s broken systems are fixed, and pension reform and budget reform is included in the final package.

May Revision Budget Solutions

The May Revision proposes to solve the \$19.1 billion deficit primarily through: 1) \$12.4 billion in expenditure reductions (64.65 percent); 2) \$3.38 billion in increased Federal assistance (17.7 percent); and 3) \$3.39 billion in alternative funding options and fund-shifts (17.7 percent).

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The Governor's major expenditure solutions include:

- \$1.6 billion from the elimination of the CalWORKs Program;
- \$1.2 billion from the elimination of child care and development programs;
- \$637.1 million from unspecified cuts to the In-Home Supportive Services (IHSS) Program;
- \$602.0 million from the redirection of County Mental Health Realignment funds to offset State General Fund costs;
- \$523.0 million in State savings from the proposed implementation of various Medi-Cal cost containment measures;
- \$446.0 million in State savings from imposing an unpaid floating furlough day per month for all State employees;
- \$243.8 million in State General Fund savings from the transfer of non-violent, non-serious, and non-sex offenders with felony sentences to local jails;
- \$73.6 million from the elimination of the Cash Assistance Program for Immigrants; and
- \$52.0 million reduction due to the suspension of the AB 3632 Program mandate which provides mental health services to special education pupils.

Estimated County Impact

As reported in our January 14, 2010 Sacramento Update, the proposals included in the FY 2010-11 Proposed State Budget would have resulted in an overall County loss of \$1.44 billion from the Governor's Budget proposals and the Federal "Trigger" reductions if the State did not receive \$6.9 billion in increased Federal assistance. **Based on our initial review of the Governor's May Revision proposals, we estimate that the impact to the County would decrease by \$194.0 million to a total loss of \$1.25 billion in FY 2010-11.**

The decrease in the projected County impact from January to May is primarily attributed to the proposed elimination of the CalWORKs Program, which only reflects a 9-month impact in FY 2010-11 because the Governor's proposal would take effect October 1, 2010. **If the impact of the CalWORKs Program elimination is based on a full year, the overall County loss in FY 2010-11 would increase to \$1.53 billion.**

Attachment I provides a detailed comparison of the estimated County impact of the Governor's January Budget and May Revision proposals.

Major Proposals Affecting County Programs

The following proposals would result in the loss of funds or cost shifts to the following County programs:

May Revision Proposals	Estimated County Impact
CalWORKs Program Elimination*	\$ 488.6 million
Cost Shift to the County from CalWORKs Elimination*	\$ 339.4 million
Redirection of Mental Health Realignment Funds	\$ 195.0 million
Transfer of non-violent/serious/sex offenders to local jails	\$ 96.4 million
Suspension of the AB 3632 Mental Health Services Mandate	\$ 43.7 million
Safety Net Care Pool & South L.A. Preservation Fund reductions	\$ 24.4 million
Drug Medi-Cal Program Reductions*	\$ 18.2 million
Deferral of State Mandates	\$ 15.0 million
Medi-Cal Program Administration Reduction	\$ 13.5 million
Cash Assistance Program for Immigrants Elimination – Cost Shift*	\$ 7.2 million
Elimination of the Substance Abuse Offender Treatment Program	\$ 5.5 million
Suspension of State Mandates	\$ 4.9 million
Elimination of the AIDS Drug Assistance Program for County Jails	\$ 3.9 million

**Reflects a 9-month impact to the County in FY 2010-11 because proposal is effective 10/1/2010.*

In addition, the May Revision proposes other major reductions for which details are not yet available and are necessary to determine County impact. These reductions include: 1) \$637.1 in unspecified reductions to the IHSS Program to achieve State General Fund savings; 2) \$523.0 million from implementation of initiatives to reduce Medi-Cal expenditures; and 3) \$359.5 million from the redirection of potential County savings to offset State General Fund costs.

Attachment II is a detailed analysis of the May Revision proposals of interest to the County.

Federal Assistance and Other Budget Solutions

The May Revision assumes solutions of \$3.4 billion in Federal funding which includes: 1) \$1.7 billion from the extension of the temporary increase in the Federal Medical Assistance Percentage; 2) \$125.0 million from the extension of other enhanced Federal funding provided under the American Recovery and Reinvestment Act of 2009; and

3) \$1.6 billion for reimbursement for the cost of incarcerating undocumented felons, monies owned to the State for Medicare disability determinations and recalculation of State Medicare Part D payments, and possible State General Fund relief through the new Medicaid waiver.

Other budget solutions provide \$1.1 billion in adjustments to the State General Fund through transportation loans and borrowing including: 1) \$230.0 million in the deferral of repayments to the State Highway Account and other transportation funds from June 2011 to June 2012; 2) a one-time \$650.0 million loan from the Highway Users Tax Account which would be repaid by June 2013; 3) a \$250.0 million loan from the Motor Vehicle Account; and 4) the transfer of \$72.2 million from the Motor Vehicle Account.

Federal Funds – Trigger Reductions

In January, the Governor's Proposed Budget relied on the assumption that the Federal Government would approve a proposal to restructure the "Federal-State relationship" to obtain \$6.9 billion in increased Federal assistance. If the funds did not materialize, the Administration proposed the elimination of certain programs and major funding reductions. The State was only able to secure an estimated \$3.7 billion in Federal assistance.

The following "Trigger" reduction of interest to the County remains in the May Revision.

- Elimination of the CalWORKs Program, effective October 1, 2010:
 - \$459.1 million loss for Program Administration/Employment Services/Child Care, etc.;
 - \$17.2 million loss for CalWORKs Mental Health Services; and
 - \$12.3 million loss for CalWORKs Substance Abuse Services.

The May Revision rescinds the following "Trigger" reductions of interest to the County:

- Elimination of the IHSS Program which would have resulted in the loss of the services for 185,000 IHSS recipients.
- Elimination of the Healthy Families Program which would have resulted in a County loss of \$11.5 million and the loss of health benefits for over 223,000 children.
- Redirection of Mental Health Services Act funds to the State General Fund which would have resulted in a County loss of \$375.8 million.

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- Elimination of the Transitional Housing Program Plus which would have resulted in a County loss of \$2.6 million to provide services for 87 former foster youth.

State Budget Hearings

The Legislature is expected to begin budget committee hearings on May 19, 2010. The constitutional deadline for the Legislature to enact the State Budget is June 15, 2010.

Pursuit of County Position On State Budget Items

Based on general Board policy to seek restoration of State Budget reductions and other policies included in the Board-approved State Legislative Agenda for 2009-10, **the Sacramento advocates will advocate against proposed State funding reductions and program eliminations, seek preservation of County funding, and pursue mitigation of the adverse impact of recommendations affecting County programs and the residents we serve.**

We will continue to keep you advised.

WTF:RA
MR:VE:IGEA:sb

Attachments

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

**ESTIMATED IMPACT TO LOS ANGELES COUNTY
FROM THE GOVERNOR'S FY 2010-11 PROPOSED BUDGET**

<u>Program Reductions</u>	<u>Governor's January Budget</u>	<u>May Budget Revision</u>
<u>Health</u>		
Safety Net Care Pool & South L. A. Preservation Fund	(24,400,000)	(24,400,000)
Medi-Cal Eligibility for Legal Immigrants Elimination	(3,500,000)	(3,500,000)
Medi-Cal Cost Containment Measures	? ⁽¹⁾	? ⁽¹⁾
Healthy Families Program Elimination	(1,500,000)	0 ⁽²⁾
<u>Mental Health</u>		
Redirection of Mental Health Realignment Funds	0	(195,000,000)
Suspension of AB 3632 Program Mandate Payments	0	(43,700,000)
Mental Health Services Act (Proposition 63) Funds Redirection	(375,800,000)	0 ⁽²⁾
Healthy Families Program Elimination	(10,000,000)	0 ⁽²⁾
<u>Public Health</u>		
Elimination of AIDS Drug Assistance Program County Jails	(3,900,000)	(3,900,000)
Proposition 36 Program/Offender Treatment Program	(4,300,000)	(5,500,000)
Drug Medi-Cal Reductions	0	(18,200,000) ⁽³⁾
<u>Social Services</u>		
CalWORKs Program Elimination - Single Allocation	(577,300,000)	(459,100,000) ⁽³⁾
CalWORKs Mental Health Services Elimination	(24,200,000)	(17,200,000) ⁽³⁾
CalWORKs Substance Abuse Services Elimination	(19,000,000)	(12,300,000) ⁽³⁾
Cost Shift from CalWORKs Program Elimination ⁽⁴⁾	(375,700,000)	(339,400,000) ⁽³⁾
Cash Assistance Program for Immigrants Elimination ⁽⁵⁾	(11,900,000)	(7,200,000) ⁽³⁾
Redirection of County Savings	? ⁽¹⁾	TBD
Transitional Housing Program Plus Elimination	(2,600,000)	0 ⁽²⁾
Child Care Programs Elimination	0	TBD
Medi-Cal Administration	0	(13,500,000)
<u>Justice and Public Safety</u>		
Jail Time Instead of Prison for Specified Felonies Proposal	? ⁽¹⁾	(96,400,000)
<u>General Government</u>		
Suspension of SB 90 Mandate Claims	(4,070,000)	(4,920,000)
Delay of Deferred Mandate Payments (Prior to FY 2004-05)	(15,000,000)	(15,000,000)
Elections Reimbursement	11,900,000	11,900,000
TOTAL	(\$1,441,270,000)	(\$1,247,320,000)

Notes:

- (1) There is insufficient information in the Governor's budget proposals to assess the County impact of this proposal at this time.
- (2) Governor's January proposal was not included as part of the May Revision.
- (3) Estimate reflects 9-month impact in FY 2010-11 because Governor's proposal assumes October 1, 2010 implementation.
- (4) Estimate assumes 50 percent of CalWORKs participants apply for and are determined eligible for the County's General Relief Program.
- (5) Estimate assumes 100 percent of CAPI recipients apply for and are determined eligible for the County's General Relief Program.

This table represents the estimated loss/gain of State funds based upon the Governor's January and May Revision Budget. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.

MAY REVISION PROPOSALS

Health

Safety Net Care Pool and South Los Angeles Preservation Fund. The May Revision retains the Governor's January Budget proposal to shift \$54.2 million in Federal funds from the Safety Net Care Pool (SNCP) to backfill State General Fund support for certain State-operated programs. **This proposal would result in an estimated County loss of \$14.4 million to the SNCP and \$10.0 million to the South Los Angeles Preservation Fund.** The Department of Health Services indicates that this proposal would result in a loss of over 60,000 outpatient visits in Los Angeles County.

Medi-Cal Eligibility for Legal Immigrants. The May Revision retains the Governor's January Budget proposal to eliminate full-scope Medi-Cal for adult Newly Qualified Immigrants who have been residing in the United States for less than five years for a State General Fund savings of \$118.0 million. Immigrants Permanently Residing Under the Color of Law and Amnesty Immigrants would continue to receive full-scope benefits. The Department of Public Social Services indicates that this proposal would result in the loss of Medi-Cal benefits for approximately 24,500 legal immigrants in the County. **The Department of Health Services estimates that this would result in an annual County loss of \$3.5 million.**

Medi-Cal Cost Containment Strategies. The May Revision retains the Governor's January Budget proposal to implement initiatives to reduce Medi-Cal expenditures, but reduces the estimated State General Fund savings from \$750.0 million to \$523.0 million. The savings would be achieved through the implementation of: 1) caps on optional benefits; 2) increased co-payments on medical visits, prescriptions, emergency room visits, and in-hospital stays; 3) mandatory enrollment of seniors and persons with disabilities into managed care programs; 4) a freeze on hospital rates; and 5) elimination of State payment for Medicare Part B premiums for beneficiaries whose share of cost is less than \$500.0 per month. **The Chief Executive Office (CEO) will work with the affected departments to determine the impact of this proposal.**

Healthy Families Program (HFP) Elimination. The May Revision rescinds the Governor's January Budget proposal to eliminate the HFP for a State General Fund savings of \$126.0 million. This proposal would have resulted in a County loss of \$11.5 million and the loss of services for over 225,000 children in the County.

Mental Health

Redirection of Mental Health Realignment Funds. The May Revision proposes to redirect \$602.0 million in local County Mental Health Realignment funds to offset State General Fund costs for the Child Welfare Services and Food Stamp Programs. This

proposal would reduce funding for mental health services by 60 percent to a statewide total of \$435.0 million for counties that provide Federally-mandated mental health services. **The Department of Mental Health estimates this proposal would result in a County loss of \$195.0 million.**

Suspension of AB 3632 Program Mandate Payments. The May Revision proposes to suspend the AB 3632 mandate payments for a State General Fund savings of \$52.0 million. This program provides mental health services for children with disabilities to help facilitate their education. As of April 30, 2010, a total of 596 children and adolescents receive treatment and out-of-home placement County-administered AB 3632 Program services. **The Department of Mental Health estimates that this proposal would result in a County loss of \$43.7 million.**

Mental Health Services Act Funds. The May Revision rescinds the Governor's January Budget proposal to seek voter approval to shift funding from the Mental Health Services Act (Proposition 63) to the State General Fund and restores State funding for Mental Health Managed Care and the Early and Periodic Screening, Diagnosis, and Treatment Program. This proposal would have resulted in a County loss of \$375.8 million if placed on the June 2010 ballot and approved by the voters.

Public Health

AIDS Drug Assistance Program (ADAP) Services at County Jails. The May Revision retains the Governor's January Budget proposal to eliminate funding for ADAP services at county jails for a State General Fund savings of \$9.5 million. **The Sheriff's Department indicates that this proposal would result in an estimated County loss of \$3.9 million.**

Substance Abuse Offender Treatment Program (Proposition 36). The May Revision retains the Governor's January Budget proposal to eliminate the remaining funding for the Substance Abuse Offender Treatment Program for a State General Fund savings of \$18.0 million in FY 2010-11. **The Department of Public Health indicates that this proposal will result in a County loss of \$5.5 million to support court-supervised drug treatment services for non-violent offenders.**

Drug Medi-Cal Programs. The May Revision proposes to eliminate Drug Medi-Cal programs with the exception of the Perinatal and Minor Consent Programs for a State General Fund savings of \$53.4 million. **The Department of Public Health estimates that this proposal would result in a County loss of \$18.2 million in State funds and \$23.9 million in Federal funds, if implemented on October 1, 2010, and a total annual County loss of \$56.2 million.**

Social Services

CalWORKs Program Elimination. The May Revision rescinds the Governor's January Budget proposals to reduce the CalWORKs grant levels by 15.7 percent, eliminate

the Recent Non-citizen Entrance Program that provides benefits to legal immigrants who have been in the United States for less than five years, and reduce child care reimbursement rates, and instead proposes to eliminate the CalWORKs Program effective October 1, 2010 for a State General Fund savings of \$1.6 billion. If approved, this proposal would result in additional State losses of \$3.5 billion in Federal funds for the Temporary Assistance to Needy Families (TANF) Program and \$1.1 billion in TANF Emergency Contingency Funds. This proposal would impact the following CalWORKs Program elements:

- Cash Assistance. The Department of Public Social Services (DPSS) estimates that if the CalWORKs Program is eliminated, 320,940 children in 167,617 families in Los Angeles County would lose cash assistance totaling an estimated \$805.8 million in FY 2010-11 and \$1.1 billion annually thereafter. The elimination of the CalWORKs Program would shift responsibility for providing services to needy families from the State and Federal governments to the County's General Relief (GR) Program. The Department estimates that **if 50 percent of the families terminated from CalWORKs apply for, and are determined eligible for the County's GR Program, there would be an increase in net County cost of \$339.4 million in FY 2010-11 and \$452.6 million annually thereafter. The increase in County costs would be slightly offset by estimated County savings of \$20.1 million in FY 2010-11 and \$27.5 million annually thereafter from the elimination of the 2.5 percent County share of CalWORKs grant payments. However, it is anticipated that the Governor intends to redirect county savings resulting from termination of CalWORKs to cover increases in the county share of cost for Foster Care and Foster Care Administration, Child Welfare Services, the Adoption Assistance Program, and Food Stamps.**
- Single Allocation. **The County would lose approximately \$459.1 million in FY 2010-11 and \$612.0 million annually thereafter in CalWORKs Single Allocation funds for eligibility administration, employment services, Stage 1 Child Care and Cal-LEARN.** DPSS estimates that up to 4,373 positions would be eliminated including positions in CalWORKs eligibility, GAIN, Welfare Fraud Investigation, Appeals and State Hearings, administration, information technology, and clerical support.

The loss of Single Allocation funds also would affect supportive services such as employment and training, child care, domestic violence services, and housing and homeless assistance. The loss of these funds would require the termination of many existing contracts with numerous service providers and other organizations which provide services to carry out the objectives of the CalWORKs Program.

- Mental Health Services. **The Department of Mental Health (DMH) estimates that elimination of the CalWORKs Program would result in a County loss of \$17.2 million in FY 2010-11 and \$23.0 million annually thereafter. CalWORKs**

Mental Health Services are provided by 68 contract providers and 79 staff at DMH directly-operated facilities. DMH indicates that by the end of FY 2010-11, approximately 7,200 CalWORKs clients would no longer receive services.

- **Substance Abuse Services.** The Department of Public Health (DPH) estimates that the elimination of the CalWORKs Program would result in the loss of \$12.3 million in FY 2010-11 and \$16.4 million annually for CalWORKs Substance Abuse Services. According to DPH, the loss of these services would place an additional burden on County substance abuse services as persons who currently receive services under the CalWORKs Program would need to seek assistance from other sources.

In-Home Supportive Services (IHSS) Stakeholder Recommendation Proposal. The May Revision rescinds the Governor's January Budget proposals to limit IHSS services to those consumers with the highest level of need and to reduce State participation in the IHSS provider wages to the State minimum wage rate of \$8.00 per hour, plus \$0.60 per hour for health benefits.

The May Revision proposes State General Fund savings of \$637.1 million through unspecified IHSS Program reductions, which according to the Administration, will be developed in consultation with stakeholder groups, advocates and the Legislature. Although it is not clear what the stakeholder group may recommend to achieve the assumed savings of \$637.1 million, DPSS indicates that the proposed savings represent about 50 percent of current IHSS program. **The Department estimates that the County share of the State General Fund savings is \$255.0 million. If the stakeholder group recommends eliminating services for 50 percent of the IHSS caseload, DPSS indicates that this would result in the loss of services for about 92,154 IHSS consumers, and the loss of jobs for about 70,030 IHSS providers. This proposal would also result in the loss of funding for about 650 IHSS staff in Los Angeles County.** However, it is anticipated that the Governor intends to redirect county saving resulting from reduction in the IHSS Program to cover increases in the county share of cost for Foster Care and Foster Care Administration, Child Welfare Services, the Adoption Assistance Program, and Food Stamps.

Cash Assistance Program for Immigrants (CAPI) Elimination. The May Revision retains the Governor's January Budget proposal to eliminate CAPI, which provides State-only benefits to legal immigrants who are not eligible for Federal SSI benefits due to their immigration status. This proposal would result in State General Fund savings of \$73.6 million in FY 2010-11, assuming implementation on October 1, 2010. Elimination of CAPI would result in the loss of cash benefits for approximately 3,604 aged and disabled legal immigrants in Los Angeles County and could place them at greater risk for homelessness. **If 100 percent of these individuals apply for, and are determined eligible for the County's General Relief Program, this proposal would result in an estimated net County cost of \$7.2 million in FY 2010-11 and \$9.6 million annually thereafter.**

California Food Assistance Program (CFAP) Elimination. The May Revision retains the Governor's January Budget proposal to eliminate CFAP services effective October 1, 2010 for approximately 39,610 legal immigrants statewide, for estimated State General Fund savings of \$42.8 million. According to DPSS, elimination of CFAP would result in the loss of nutrition benefits for approximately 13,071 legal immigrants in Los Angeles County. These legal immigrants are not eligible to Federal Food Stamps due to their immigration status. Most CFAP recipients are part of a household with children who receive Federal Food Stamp benefits, so the elimination of CFAP would jeopardize the availability of adequate nutrition for everyone in these households.

Redirection of County Savings. The May Revision retains the Governor's January Budget proposal to redirect a portion of county savings resulting from program reductions and from increases in the Federal Medical Assistance Percentage and the American Recovery and Reinvestment Act, but reduces the estimated State General Fund savings from \$505.5 million to \$359.5 million. The redirected savings would be used to cover increases in the county share of cost for Foster Care and Foster Care Administration, Child Welfare Services, the Adoption Assistance Program, and Food Stamps. **The CEO will work with the affected departments to determine the impact of this proposal to the County.**

Elimination of Child Care Programs. The May Revision proposes to eliminate funding for need-based, subsidized child care and development programs for a State General Fund savings of \$1.2 billion. This proposal would eliminate subsidized slots for approximately 142,000 children statewide. **Based on a preliminary analysis, the Office of Child Care estimates that the elimination of State funding for the child care and development programs would result in a loss of approximately \$472.0 million for services to over 52,000 children in the County.** The CEO will continue to work with the Office of Child Care to further determine the impact of this proposal.

Medi-Cal Administration. The May Revision proposes \$44.0 in State General Fund savings due to a proposed change in the methodology used to determine funding for county Medi-Cal eligibility operations. **The DPSS estimates that this proposal would result in a County loss of \$13.5 million annually.**

In-Home Supportive Services Program Elimination. The May Revision rescinds the Governor's January Budget proposal to eliminate the IHSS Program for a State General Fund savings of \$495.0 million. This proposal would have resulted in the loss benefits for all 185,000 IHSS recipients in the County.

Transitional Housing Placement Program-Plus (THPP-Plus) Elimination. The May Revision rescinds the Governor's January Budget trigger proposal to eliminate THPP-Plus for a State General Fund savings of \$36.0 million. This proposal would have resulted in an estimated County loss of \$2.6 million and the loss of housing, educational and supportive services for 87 former foster youth in Los Angeles County.

Justice and Public Safety

Local Custody of Felony Offenders. The May Revision proposes to achieve \$243.8 million in State General Fund savings by modifying sentencing practices, which would allow specified non-serious, non-violent, and non-sex offenders convicted with felony sentences of three years or less to serve in county jails. The State would provide counties with approximately \$11,500 per offender for programs and services such as probation, drug court services and alternative custody. Based on data from the District Attorney, **the Sheriff's Department estimates that 13,550 convicted felons would serve their sentences in County jails. The Sheriff's Department indicates that it has the capacity to add approximately 3,100 beds at an estimated annual cost of \$132.3 million. However, the State reimbursement would provide approximately \$35.9 million resulting in a net County cost of \$96.4 million. Further, County jails would be 7,910 inmates over capacity which would require the Sheriff's Department to release inmates and pre-sentenced inmates.**

Local Probation Supervision of Juvenile Offenders. The May Revision proposes to shift supervision of juvenile parolees from the State to county probation departments. Counties would receive \$15,000 per parolee for up to 24 months to provide necessary services. **The CEO will work with the Probation Department to determine the impact of this proposal.**

Local Safety and Protection Account. The May Revision proposes an increase of \$502.9 million in State General Funds beginning in FY 2011-12 for the Local Safety and Protection Account for public safety programs including: Citizens' Options for Public Safety, booking fees, Juvenile Justice Crime Prevention Act grants and the Juvenile Probation Camp Fund. These programs are currently funded by a temporary increase in the Vehicle License Fee which is set to expire on July 1, 2011.

Local Juvenile Detention Facilities Bonds. The May Revision proposes \$300.0 million lease revenue bond authority for local youthful offender rehabilitation facilities. This funding is intended to improve the capacity of local communities to implement an effective continuum of services for at-risk juveniles.

Court Security Fees. The May Revision proposes an increase of \$19.0 million for court security costs. The revenue would be generated through a \$15.0 increase in the existing trial court security fee.

General Government

State Mandates. The May Revision retains the Governor's January Budget proposal to suspend and defer various mandate payments for a State General Fund savings of \$232.0 million. This includes \$137.0 million due to the suspension of all State mandates except those related to elections, law enforcement, or property taxes, and \$95.0 million in mandate deferral payments for FY 2010-11 that are due to counties for costs incurred prior to FY 2004-05. The May Revision proposes the suspension of

three additional mandates including: 1) Mandate Reimbursement Process I; 2) Mandate Reimbursement Process II; and 3) Open Meeting/Brown Act Reform. **The overall suspension of mandates would result in the loss of \$4.92 million. The deferral of mandate payments would result in a County loss of \$15.0 million.**

Election Reimbursement. The May Revision retains the Governor's January Budget proposal to provide a one-time increase of \$68.2 million in local assistance to reimburse counties for costs incurred in the May 19, 2009 Statewide Special Election. **The County is owed \$11.9 million for conducting the elections of May 19, 2009.**

Military and Veterans Programs. The May Revision proposes an increase of \$8.4 million for services to assist veterans with multi-agency services in transitioning to civilian life. Additionally, it proposes the inclusion of budget authority for up to \$1.3 million in State General Fund to ensure continuance of a program to provide rehabilitative services to veterans returning from Iraq and Afghanistan and a one-time, non-general fund increase of \$768,000 for a case management system that will provide county veteran offices with tools for maximizing outreach efforts and outcomes. The County Department of Military and Veterans Affairs anticipates that the additional funding will assist in augmenting the number of hours and services provided to approximately 500,000 veterans and their families in Los Angeles County.

Environment and Natural Resources

Fund State Parks from Tranquillon Ridge Oil Revenues. The May Revision fully restores \$140.1 million in State General Funds to the California Department of Parks and Recreation. This reflects the withdrawal of the Governor's Budget proposal to fund State Parks with revenue generated from a lease for the extraction of oil on State-owned tidelands off the Santa Barbara coast.

California Science Center. The May Revision rescinds the Governor's January Budget proposals to reduce funding for the Science Center by \$12.0 million. The Natural History Museum indicates that restoration of this funding should have a positive impact on all facilities located in Exposition Park.

Transportation

Highway Users Tax Account Loan. The May Revision proposes a one-time loan of \$650.0 million from the Highway Users Tax Account to the State General Fund, to be repaid by June 2013. This amount represents \$650.0 million that was left unallocated in the transportation tax swap when the Legislature rejected the Governor's proposal for a 5-cent gas tax reduction. Use of these funds is proposed in subsequent years to help fill the long-term funding gap for the State Highway Operation and Protection Program and will not have any direct impact to the Department of Public Works.