



**BOARD OF SUPERVISORS  
AGENDA LETTER**

**Agenda Number:**

**Clerk of the Board of Supervisors**  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Department Name:** CEO  
**Department No.:** 012  
**For Agenda Of:** 6/4/2013  
**Placement:** Administrative  
**Estimated Tme:** NA  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors

**FROM:** Department Chandra L. Wallar, County Executive Officer, 568.3400  
Director(s)  
Contact Info: Dennis Bozanich, Assistant to the CEO, 568-3400

**SUBJECT:** Update on Revisions to the State of California's FY 2013-14 Budget

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: N/A

**Recommended Actions:**

That the Board of Supervisors:

- Accept and file a report on potential county budget impacts as a result of the Governor's May Revision to the State's Budget, and if desired
- Provide direction to staff for follow up.

**Summary Text:**

Annually, the proposed Governor's Budget is released in January and then "revised" as a result of tax collections from April. The 2013 May Revision noted an increase of expected revenue from the proposed budget in January, but most of the additional revenue will be forwarded to schools in line with Proposition 98 requirements.

The most significant information in the May Revision was on the administration's plan for implementing the Affordable Care Act in California and further proposed realignment of state responsibility for certain social service programs to counties. County of Santa Barbara Recommended FY 2013-14 Budget presentations and deliberations are scheduled to start Monday, June 10, 2013. The Governor's May Revision, if adopted by the state legislature as proposed, would have budget-year consequences for anticipated public health revenue from 1991 Realignment.

### **Background:**

On May 14, 2013, the Governor released his revised budget proposal for the State of California in FY 2013-14. As of the Governor's press conference the state had received approximately \$4.5 billion more than had been budgeted in January but due to Proposition 98 requirements and other requirements, the available additional revenue was about \$300 million. According to media reports, Governor Brown counseled caution on believing that all budgetary problems were behind the state. The Legislative Analyst's Office announced two days later that they believe the May Revision may be short \$3 billion in revenue.

### **Health Care Reform**

The most significant new information in the May Revision was the additional details released by the Governor on the implementation of the Medi-Cal expansion associated with the Affordable Care Act. The governor proposed that the Medi-Cal expansion will be implemented as a state-based system rather than a county-based system. It is possible that in the future indigent patients that have accessed county's health services will now have those services covered through the Affordable Care Act. This may result in future savings of 1991 Realignment revenue for health services.

The savings projected in the May Revision will not accrue immediately and the figures far exceed any anticipated savings that counties expect to achieve. Under the formula outlined in the May Revision, \$300 million (statewide) in county health funding will be redirected from counties to the state in 2013-14, with more than \$2.2 billion potentially redirected over the next two years. Redirecting this money in FY 2013-14 will force counties to cut critical public health and safety net services and will reduce funding available to care for the remaining uninsured.

For example, in Santa Barbara County, the proposed redirection will reduce funding by approximately \$2.4 million in FY 2013-14, \$7.1 million in FY 2014-15 and by approximately \$10.2 million by FY 2016-17. Therefore, the Governor's redirection proposal would reduce 1991 Realignment funding to the County of Santa Barbara by 22.4% in FY 13-14, 67% in FY 14-15, and 97% in FY 15-16 and thereafter. This loss of health services funding will directly impact access to services that the Affordable Care Act was planning to help.

Because the state will receive full federal funding for three years, there's no need to immediately redirect county health funds. The state could use that time to analyze actual data so it is known how much counties will actually save, how much they will continue to spend caring for the remaining uninsured and what can be invested in strengthening the county safety net. The administration's proposal does call for a "true up" in future years based on a complex formula that intends to measure the difference between true revenues and true costs. By that time, the state may have "redirected" \$19.7 million from the County's health services to the state.

The May Revision also proposes a further realignment of human services programs to counties using the redirected dollars from health services in FY2016-17. The administration is intending to shift fiscal responsibility and risk for CalWORKs, including child care, and CalFresh administration to counties; counties would be at risk for caseload growth, future state and federal law changes and adverse court actions. This additional realignment may be difficult to take on in the near term with more programs, responsibilities and risk, without needed financial resources.

### **2011 Public Safety Realignment**

The Governor's revisions to the proposed state budget lower estimates for revenues used to fund a range of law enforcement and human service program under Assembly Bill (AB) 109. The administration is reducing the amount of growth in these programs by 40% with the reductions distributed to the various program elements.

The May Revision also notes the impact of individuals receiving long sentences to county jails not designed for this type of prisoner under AB 109. The administration proposes to increase the authority of county parole boards to determine whether an individual sentenced to long-term incarceration can be sent to state prison after serving three years in county jail. Any such transfer to state prison would require the exchange of a short-term prison inmate. The administration has made clear that they acknowledge the impact of long-term prisoners on local county jails.

The May Revision also augments funding for Senate Bill 678 Community Corrections Performance Incentives. The January budget proposed significant cuts in funding for this program. In March, the Board received a report on the anticipated county service level reductions (SLRs) for FY 2013-14. One of the service level reductions anticipated in the Probation department to the gang unit was directly attributed to the proposed cuts to SB 678 funding. Though the proposed funding augmentation in the May Revision does not fully restore funding for SB 678, it appears that if the legislature adopts the Governor's proposal it should be sufficient to restore those positions slated for reduction.

### **Other Issues of Interest to the County**

The May Revision also proposes:

- Borrowing \$500 million from the AB 32 Cap and Trade auction proceeds fund. Additionally the budget revision does not include an anticipated invest plan for the auction proceeds.
- Proposed increase in the Emergency Fund (EF) to \$172 million (an increase of \$51 million) – the Governor noted that the increase reflects historical expenditures for emergency wildfire suppression costs.
- Expand the Fire Camp capacity to 3,800 inmates (from 2,500 originally proposed in the FY 2013/14 state budget) – the Governor added \$15.4 million to support the additional inmates for fire camps and crews.

### **Fiscal and Facilities Impacts:**

Financial impacts of the May Revision are noted above.

### **Attachments:**

California State Association of Counties *Summary of the Governor's May Revision*

### **Authored by:**

Dennis Bozanich, Assistant to the County Executive Officer

### **CC:**