



Quick Overview: Governor's Proposed 2012-2013 Budget

Overview

The 2012-13 budget proposes \$10.3 billion in solutions to close a \$9.2 billion gap between projected revenues and expenditures.

The solutions represent a roughly equal sharing of revenue increases (41%), expenditure reductions (46%), and others (13%).

The budget is dependent upon passage of a November ballot initiative that temporarily (6 years) raises taxes on the wealthy and reinstates a 1/2 cent sales tax increase.

The budget includes a list of trigger cuts, primarily k-14 and higher education that will occur if the initiative to raise revenues does not pass.

Revenues

A temporary tax increase (raising \$6.9 billion) will be put before the voters in November that would increase the personal income tax rates for those earning over \$250,000, \$300,000, and \$500,000 annually.

The temporary tax increase would also include a 1/2 cent sales tax increase to offset the loss of revenues for the full cent sales tax increment that expired last year.

The budget proposes to extend the gross premiums insurance tax to Medi-Cal managed care plans in order to raise \$162 million along with various fund transfers and efficiencies to close the gap.

Realignment, Local Government, & Public Safety

The budget proposes to provide stable funding (via the ballot initiative revenues) for the Public Safety Realignment passed in 2011.

The budget proposes to forge ahead with Phase Two of the realignment plan, implementing health care reform an IHSS reform, and shifting state and local responsibilities in social services.

The budget proposes a series of mandate suspensions or eliminations in order to relieve the state of reimbursements of roughly \$728 million. We will be looking closely at any mandate eliminations that might impact state or county positions or programs.

The budget includes \$4.4 million in Educational Revenue Augmentation Funds (ERAFs) relief for rural counties including Amador and Modoc.

Realignment Funding Structure (Public Safety)

The Governor's budget proposes a permanent funding structure and revenue allocation mechanism for realignment, similar to what was proposed last year. The proposed funding structure is intended to provide local entities with a stable funding source for realigned programs. Within each Subaccount, counties will have the flexibility to meet their highest priorities. Counties will also be able to use their funds to draw down the maximum amount of federal funding for these programs.

In addition, the Governor is sponsoring an initiative to provide Constitutional protection for the revenue dedicated to Realignment. This initiative would shield local governments from some future costs, as well as provide mandate protection for the state.

Realignment Funding Levels

The Governor's budget proposes realignment funding levels through 2014-15, based on anticipated revenues, and the budget proposes and distributes program growth on a roughly proportional basis, first among accounts, and then by subaccounts. Within each subaccount, federally required programs should receive priority for funding if warranted by caseload and costs. Growth funding for the Child Welfare Services (CWS) program would be a priority once base programs have been established. Over time, CWS should receive an additional \$200 million.

2011 Realignment - Child Welfare Services

The budget proposes to distribute growth funding under 2011 realignment. The A-pages state that growth funding for CWS should be a priority and CWS should receive an additional \$200 million (see page 78 of the A-pages).

State Employees

Proposes to reduce the state workforce by 3,000 positions, mostly from the Department of Corrections and Rehabilitation.

Proposes to consolidate or eliminate nearly 50 state organizations.

Developmental Disabilities

Overview: In December the Governor implemented trigger cuts of \$100 million to the DDS budget for 2011-12. His budget proposal would carryover this cut to 2012-13, which equals \$200 million in reductions to DDS. DDS will convene a stakeholder process to examine potential savings, including savings from SB 946 (Autism Insurance Mandate). This stakeholder group will also consider the extension of the current Provider and Regional Center Rate Reduction.

The Governor proposes carrying over the trigger cut reductions, which would amount to a \$200 million reduction to the DDS budget for 2012-2013.

The 4.25% Provider and Regional Center Rate Reduction is scheduled to expire on June 30, 2012. An extension of the rate reductions could be implemented to offset \$108.4 million of the \$200 million in reductions.

The budget also proposes an increase of \$115.2 million for 2012-13 as a result of caseload increases, as well as a decrease of \$14.4 million for developmental centers.

Mental Health

Overview: The Governor has proposed eliminating the Department of Mental Health (DMH). The elimination of DMH will result in reduced realigned program positions (approximately 25 percent). DMH will transfer its functions to other departments as follows:

- Transfers to the Department of Health Care Services: Mental Health Services Act (MHSA) programs, financial oversight of MHSA funds, and MHSA discretionary and block grants, veterans' mental health programs and mental health components of the California Health Interview Survey.
- Transfers to the Department of Public Health: Office of Multicultural Services.
- Transfers to the Department of Education: Early Mental Health Initiative grants.
- Transfers to the Office of Statewide Health Planning and Development: Mental Health Workforce Education and Training Program.
- Transfers to the Mental Health Services Oversight and Accountability Commission: responsibility for MHSA training, technical assistance, and program evaluation.

In addition, the budget proposes to eliminate Caregiver Resource Centers for General Fund savings of \$2.9 million in 2012-13.

In-Home Supportive Services

Eliminating domestic and related services for recipients in shared living arrangements and minor recipients living with an able and available parent is estimated to provide General Fund savings of \$163.8 million in 2012-13 and is estimated to impact approximately 271,000 recipients.

The budget assumes making the 20 percent January 1, 2012 "trigger" reduction in IHSS operational by April 1, 2012 unless prohibited by a court decision.

The Governor proposes to repeal the Medication Dispensing Machine Pilot Project and the associated trigger mechanism. Current law requires the state to implement a Home and Community Based Medication Dispensing Machine Pilot Project and requires the department to implement an across-the-board reduction in authorized hours for IHSS recipients beginning October 1, 2012, to the extent the pilot project savings and/or proposals enacted by the Legislature, do not achieve General Fund savings of \$140 million.

The budget proposes to establish a program for coordinated care for IHSS Dual Eligible beneficiaries, to be phased in over a three-year period to better coordinate IHSS, other home and community-based services, and institutional long-term care. All dual eligible beneficiaries would be required to enroll in managed care health plans for their Medi-Cal benefits. The IHSS program will operate as it does today during 2012-13 but be contracted to the MCOS and then rolled into the cap rate thereafter.

Health Care

\$842 million cut to MediCal. The cuts are accomplished by a couple of different major initiatives, the biggest being to move all dual eligibles, including IHSS beneficiaries, into Managed Care saving \$678.8 million in 2012-13 and \$1 billion in 2013-14.

The budget assumes that the 20% IHSS service hour reduction will be approved by the courts and implemented April 1, 2012.

Other significant savings come from cutting the provider reimbursement rate for Healthy Families to those of Medi-Cal (rates proposed to be cut 25.7% effective 10/2012. Estimated savings is \$64.4M in 2012-13 and \$91.5M in 2013-14).

They also assume elimination of the sunset for the gross premiums tax--estimated to generate GF savings of \$161.8M in 2012-13 and \$259.1M in 2013-14.

In other changes, the Governor is proposing to expand managed care to all existing fee-for-service counties starting in 2012. Also proposing to eliminate MRMIB and move Healthy Families to Medi-Cal.

Child Care

The Governor is proposing two significant changes in his budget: cuts and realignment.

The first significant proposal on cuts is as follows: The Governor is proposing to cut non-proposition 98 child care by \$446.9 million from the current \$1.1 billion funding level. In addition, he is proposing to cut proposition 98 childcare (part-day preschool) by \$69.9 million from the current \$373.7 million funding level. Combined these cuts to early child education programs total \$518 million, which is equivalent to the loss of 62,000 slots for children. This comes on top of the existing waiting list of approximately 250,000 kids who are not currently being served.

The second proposal would essentially realign child care services to the county level. More detail will be provided in the in-depth SEIU State Council budget analysis.

Proposition 98 (K-12 schools and community colleges)

The Governor's budget proposal states that he is increasing the Proposition 98 guarantee by \$4.9 billion. As always, with Proposition 98 since it is easy to manipulate, things aren't always what they appear to be. The Education Coalition, which SEIU is a member of, is working on an in-depth analysis of the Governor's proposal and more information will be provided in next week's State Council budget analysis.

From a cursory review of the Governor's proposed budget, here is what we know so far:

If the Governor's budget initiative does pass, Prop 98 would get an increase of \$2.4 billion. If it fails, then there would be a cut of \$4.8 billion cut.

Categorical programs and funds (K-12 and community colleges) which typically fund classified employee positions would be made completely flexible and discretionary to school districts. Meaning, all categorical money would be distributed through a weighted student formula phased in over 5 years.

The budget also proposes to eliminate the 3.17% COLA which is equal to \$1.8 billion. Instead, the budget proposal would establish a deficit factor to Prop 98 for the COLA.

Higher Education

The budget proposes a 1.7 percent increase in funding for CSU and UC representing a \$197.7 million increase for CSU campuses.

The budget also includes a trigger cut of \$200 million to CSU if the temporary taxes are not passed by the voters.

Judiciary

There are essentially no new cuts to the Judiciary in the Governor's proposed budget. However, if the Governor's tax initiative fails then trial court funding would be reduced by \$125 million which is equal to three court closure days per month.

Additionally, the governor's budget is proposing a \$50 million fee increase; however which fees will be increased has not yet been determined.

CalWORKs

The Governor's Budget proposes significant changes to the CalWORKs program and includes \$1.4 billion in cuts including:

The CalWORKs program is being restructured into two components, CalWORKs Basic and CalWORKs Plus. Under CalWORKs Basic, which takes effect October 2012, the time-limit is reduced from 48 months to 24 months for recipients NOT meeting the federal work participation requirements (WPR). Recipients meeting the federal WPR will be in the CalWORKs Plus component and be able to continue to receive 48-months of aid and services.

All currently aided eligible adults not currently meeting federal WPR will continue to be eligible for up to six months of welfare-to-work and child care services following the October 2012 implementation of CalWORKs Basic. The Single Allocation will be increased by \$35.6 million for our workers to provide services to these individuals.

Beginning in October 2012, a new Child Maintenance Program will be established.

The budget includes a 27 % cut to child-only grants, including those provided through the Child Maintenance Program.

The budget also proposes to continue the \$375 million cut to the Single Allocation.

CalFresh (Food Stamps) Administration

The budget proposes a reduction of \$72 million to county CalFresh administration, affecting county eligibility workers.