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February 1, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

Governor's FY 2008-09 Proposed Budget Analysis

As reported in the Sacramento Update of January 11, 2008, Governor Schwarzenegger's FY 2008-09 Proposed Budget seeks to address a $3.3 billion shortfall in FY 2007-08 and a $14.5 billion shortfall in FY 2008-09 through additional borrowing, delaying debt payments, 10 percent across the board reductions, and deferred payments to counties and Medi-Cal providers, among other various budget solutions. The Governor's Budget proposal is the first step in the State Budget process. The Legislature will now have the opportunity to review and assemble its version of the FY 2008-09 State Budget.

Pursuant to the Governor's declaration of a State fiscal emergency and calling for a Special Session of the Legislature in accordance with Proposition 58 of 2004, the California Balanced Budget Act, budget committees from both houses are currently conducting hearings to develop a plan to address the $3.3 billion shortfall in FY 2007-08. According to the provisions of Proposition 58, the Legislature has 45 days to address the fiscal emergency or it will be prohibited from acting on any other bills or adjourning in joint recess until such legislation is passed.

If enacted, the 10 percent across the board reductions, delayed payments, and other programmatic cuts will have a major impact on the County. Based on our January 11, 2008 initial review, the estimated impact on the County was $25.9 million in FY 2007-08, and $219.8 million in FY 2008-09. In an effort to provide your Board with a timely impact analysis, the initial review was necessarily cursory in nature since certain information and programmatic impacts were unknown. Subsequently, we have

gathered more information, and in collaboration with affected County departments, have completed a more thorough analysis. **Based on this latest review, the overall fiscal impact on the County of the Governor's Proposed Budget is projected to be $18.4 million in FY 2007-08 and $276.3 million in FY 2008-09:**

FY 2007-08 Los Angeles County Impact

Program Area	1/11/08 Preliminary Analysis	1/31/08 Updated Analysis	Variance
Health	$0.9 million	$3.0 million	$2.1 million
Public Health	2.1 million	2.6 million	0.5 million
Mental Health	1.5 million	1.5 million	---
Social Services	21.4 million	11.3 million	-10.1 million
Justice & Public Safety	---	---	---
General Government	---	---	---
Total Impact	$25.9 million	$18.4 million	-$7.5 million

Note: Excludes impact related to proposed payment deferrals.

The variance in FY 2007-08 is primarily attributed to a $10.1 decrease in the estimated impact related to CalWORKs program reforms, partially offset by a $2.1 increase in the impact to the Federal Safety Net Care Pool Payments/South L.A. Preservation Fund.

Attachment I provides a summary of the FY 2007-08 estimated impacts on the County by program. The Attachment illustrates the estimated potential loss/gain of State funding. The most significant impacts to the County include CalWorks Program Reforms ($11.3 million), Federal Safety Net Care Pool Payments/South L.A. Preservation Fund ($2.0 million), and various payment deferrals from the State.

FY 2008-09 Los Angeles County Impact

Program Area	1/11/08 Preliminary Analysis	1/31/08 Updated Analysis	Variance
Health	$14.9 million	$37.9 million	$23.0 million
Public Health	10.9 million	17.0 million	6.1 million
Mental Health	7.6 million	30.2 million	22.6 million
Social Services	174.1 million	158.6 million	-15.5 million
Justice & Public Safety	12.2 million	12.3 million	0.1 million
General Government	0.1 million	20.3 million	20.2 million
Total Impact	$219.8 million	$276.3 million	$56.5 million

Note: Excludes impact related to proposed payment deferrals.

The variance in FY 2008-09 is primarily attributed to the inclusion of an additional $50.1 million reduction in Medi-Cal administration payments and a $23.1 million reduction for the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program, offset by County savings of $23 million in the In-Home Supportive Services (IHSS) program and $18.2 million in Foster Care Provider payments. In addition, subsequent to further analysis, the estimated impact was revised upward by $9 million for Medi-Cal Managed Care Rates and now includes $20 million for the February 2008 Presidential Primary Election.

Attachment II provides a summary of the FY 2008-09 estimated impacts on the County by program. The Attachment illustrates the estimated potential loss/gain of State funding. Based on information in the Governor's Proposed Budget reviewed to date, the following County programs would realize major financial impacts ($3.0 million or more):

- CalWORKs Program Reforms ($113 million)
- Medi-Cal Administration ($50.1 million)
- Child Welfare Services Administration ($25.6 million)
- Federal Safety Net Care Pool Payments/South L.A. Preservation Fund ($24.4 million)
- Early and Periodic, Screening, Diagnosis and Treatment ($23.1 million)
- February 2008 Presidential Primary Election ($20 million)
- Medi-Cal Provider and Managed Care Rates ($12.7 million)
- In-Home Supportive Services Administration ($8.5 million)
- Juvenile Probation Camp Funding ($8 million)
- Mental Health Managed Care Program ($7.1 million)
- Alcohol and Other Drug Programs ($6.6 million)
- Children's Medical Services ($4.5 million)
- Juvenile Justice Crime Prevention Act Program ($3.3 million)
- Proposition 36 Program ($3.0 million)

Estimated Impacts – State Deferred Payments

The Governor's Budget also proposes to address the State's cash flow shortfall by deferring over $2.1 billion in payments to counties and Medi-Cal providers for various health and human services programs and $500 million from the excise tax revenues from the Highway Users Tax Account for local streets and roads projects. **Working with County departments, we have estimated the impact of the State's deferral of payments by program as follows:**

Deferred Payments to Los Angeles County

Program	Description	Dollar Impact
Social Services Payments, except SSI/SSP and IHSS	Delays the July and August payments and advances to counties for social services programs until September.	$200.9 million
Mental Health Managed Care	Delays the program advance from July until September.	$72.9 million
County Administration of Medi-Cal	Delays the first quarter payment from August to September.	$37.3 million
Early and Periodic Screening, Diagnosis and Treatment (EPSDT)	Delays the quarterly advance to counties from July to September.	$ 45.5 million
Total Deferred Payments		$ 356.6 million

Deferred Payments to Medi-Cal Providers in Los Angeles County

Provider	Description	Dollar Impact
Institutional Fee-For-Service Providers	Delays the August payments to September.	$23.0 million
Managed Care Plans and Delta Dental	Delays the August payments to September.	$11.4 million
Fee-For-Service Providers	Delays the June 2008 and 2009 payment into July 2008 and 2009.	$10.0 million
Total Deferred Payments		$44.4 million

Deferred Transfer of Excise Tax to Los Angeles County

Program	Description	Dollar Impact
County Road Fund	Delays the April - August payments to September.	$52.5 million
Total Deferred Payments		$52.5 million

TOTAL DEFERRED PAYMENTS	$453.5 million

As indicated above, the impact of the State deferral of program payments is $453.5 million. Assuming a three and one-quarter percent (3.25%) rate of return, **the loss of interest to the County associated with payment deferrals outlined above is estimated at $2.1 million**. As we approach the timeframe in which the County establishes the amount of borrowing through tax revenue anticipation notes (TRANS), the County will have to consider the amount of borrowing that would be needed to

temporarily fund programs resulting from the State's deferral of payments. **The cost to borrow the funds is estimated at $9.0 million.** Discussions are underway in Sacramento to determine the ability of the State to administratively initiate the deferral of payments and the ability of local jurisdictions to potentially claim the loss of interest resulting from the deferrals as an unfunded mandate.

Program Detail

Attachment III provides a detailed summary of the direct and indirect programmatic impacts of the reductions contemplated in the Governor's Proposed Budget.

Pursuit of Position on 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 FY 2007-08, **our Sacramento advocates will seek restoration of the proposed funding reductions and mitigation of the adverse impact of deferred payments affecting the beneficiaries of these programs and the residents of Los Angeles County.**

We will continue to keep you advised.

WTF:GK
DD:MR:IGA:hg

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

Attachment I

ESTIMATED IMPACT TO LOS ANGELES COUNTY FROM THE GOVERNOR'S FY 2007-08 PROPOSED REDUCTIONS

Programs:	FY 2007-08 Proposed Reductions
Health	
Medi-Cal Provider and Managed Care Rates	($1,000,000)
Federal Safety Net Care Pool Payments/South L.A. Preservation Fund	(2,026,000)
Public Health	
Alcohol and Other Drug Programs	(1,025,000)
Proposition 36 Program/Offender Treatment Program	(1,041,000)
Other State-Funded Programs	(495,000)
Mental Health	
Mental Health Managed Care Program	(1,500,000)
Social Services	
CalWORKs Program Reforms	(11,300,000)
Total	**($18,387,000)**

Attachment II

ESTIMATED IMPACT TO LOS ANGELES COUNTY FROM THE GOVERNOR'S FY 2008-09 PROPOSED BUDGET

Programs:	FY 2008-09 Proposed Reductions
Health	
Medi-Cal Provider and Managed Care Rates	($12,714,000)
Federal Safety Net Care Pool Payments/South L.A. Preservation Fund	(24,393,000)
Public Health	
HIV/AIDS Treatment and Prevention	(1,000,000)
Family and Health Programs	(202,000)
Alcohol and Other Drug Programs	(6,628,000)
Proposition 36 Program/Offender Treatment Program	(3,049,000)
Other State-Funded Programs	(1,427,000)
Children's Medical Services	(4,500,000)
Tuberculosis Control Program	(151,000)
Immunization Program	(827,000)
Mental Health	
Early and Periodic Screening, Diagnosis and Treatment Program	(23,100,000)
Mental Health Managed Care Program	(7,140,000)
Social Services	
Child Welfare Services Administration	(25,600,000)
Payments to Foster Care Providers Savings	18,200,000
Adult Protective Services Administration	(2,600,000)
Medi-Cal Administration	(50,100,000)
In-Home Supportive Services Administration	(8,500,000)
In-Home Supportive Services Program Savings	23,000,000
CalWORKs Program Reforms	(113,000,000)
Justice and Public Safety	
Juvenile Probation Camp Funding	(8,000,000)
Juvenile Justice Crime Prevention Act (JJCPA) Program	(3,300,000)
Citizens Option for Public Safety (COPS) Program:	(1,000,000)
General Government	
February 2008 Presidential Primary Election	(20,000,000)
Public Library Fund	(190,000)
Military and Veteran Affairs Programs	(29,000)
Subventions for Open Space (Williamson Act)	(4,000)
Total	**($276,254,000)**

1-31-08

Attachment III

Summary of Proposed State Budget Impacts – Program Detail

HEALTH

Medi-Cal Provider and Managed Care Rates. The Budget proposes to reduce Medi-Cal provider rates Statewide by $33.4 million for physicians and other medical and service providers. In addition, the Budget proposes proportionate reductions in Medi-Cal managed care rates in FY 2007-08. There are no reductions in the Medi-Cal provider rates for inpatient services. The estimated impact to the County is a reduction of $866,000 in Cost Based Reimbursement Clinics (CBRC) payments for outpatient services and a reduction of $134,000 in Managed Care payments.

The Budget proposes to reduce Medi-Cal provider rates Statewide by $602.4 million for physicians and other medical and service providers and makes a proportionate reduction in Medi-Cal managed care rates in FY 2008-09. There are no reductions in the Medi-Cal provider rates for inpatient services. For outpatient services reimbursed by CBRC payments, the estimated impact to the County is a reduction of $11.14 million. The estimated impact of the rate reduction for Managed Care payments is $1.574 million for the County's directly operated health facilities. These reductions will increase the projected Department of Health Services (DHS) budgetary shortfall for FY 2008-09 and may result in additional reductions.

Medi-Cal Optional Benefits. The Budget eliminates $24 million Statewide in optional benefits for adults in FY 2007-08 including incontinence creams and washes, acupuncture, dental, audiology, optometry, optical, chiropractic, podiatry, psychology, and speech therapy. For FY 2008-09, the Budget eliminates $134 million in these optional benefits for adults.

Federal Safety Net Care Pool Payments (SNCP) and South L.A. Preservation Fund. The Budget shifts $54.2 million in FY 2007-08, and $54.2 million in FY 2008-09 of Federal Safety Net Care Pool and South L.A. Preservation Fund payments from designated public hospitals to the portions of the California Children's Services (CCS), Genetically Handicapped Persons, Medically Indigent Adult Long-Term Care, and Breast and Cervical Cancer Treatment programs, which are eligible for these funds. The South L.A. Preservation Fund was created by the passage in October 2007 of County-supported SB 474 (Kuehl), which provides $100 million annually to preserve services to the South Los Angeles population previously served by MLK-Harbor Hospital. This shift will allow a corresponding reduction in the State General Fund for these programs. In FY 2007-08, the impact begins June 1, 2008. The estimated reduction to the County in FY 2007-08 is $1.206 million from the SNCP and $820,000 from the South L.A. Preservation Fund.

The estimated reduction to the County for FY 2008-09 is $14.393 million from the SNCP and $10 million from the South L.A. Preservation Fund. These reductions will increase the projected DHS budgetary shortfall for FY 2008-09 and may result in additional reductions.

Disproportionate Share Hospital (DSH) Payment. The Budget reduces $24 million Statewide for DSH replacement payments for private hospitals in FY 2008-09. These payments are allocated to hospitals based on their uncompensated Medi-Cal and uninsured care costs. This reduction does not affect the County as it applies only to the private hospitals.

Healthy Families - Managed Risk Medical Insurance Board (MRMIB). The Budget proposes to reduce $41.9 million in FY 2008-09 through a reduction of rates for Healthy Families program plans, increasing premiums and co-pays, and instituting an annual cap on dental benefits. MRMIB administers the Healthy Families Program, as well as other programs that provide health care coverage to certain populations without health insurance. The Healthy Families program provides low-cost medical, dental and vision coverage to eligible children from birth to age 19. The impact to DHS is being determined; however, it is not expected to be significant since DHS does not receive large amounts of Healthy Families revenue. The Department of Public Health (DPH) indicates that this is likely to have no financial impact to DPH but likely to result in reduced access to care for Healthy Families program clients. The increase in premiums and co-pays will vary by income level and are within the percentage of family income allowed under Federal law.

Trauma Care Fund. The Budget does not restore the $10 million funding allocation for trauma care services which was vetoed by the Governor in FY 2006-07.

PUBLIC HEALTH

HIV/AIDS Treatment and Prevention. The Budget reduces State support and local assistance by $11 million in FY 2008-09 for AIDS programs including AIDS Education and Prevention, AIDS Epidemiology Studies and Surveillance, AIDS Drug Assistance, and HIV Counseling and Testing. The proposed reduced funding levels assume that the State will continue to meet the Federal maintenance-of-effort requirement for receipt of Ryan White Act funds. DPH has identified the following specific impacts:

Education and Prevention: Loss of $7.8 million Statewide; the impact to the County is being determined. Of this amount, $5.6 million is directed at various local health jurisdictions throughout the State, excluding Los Angeles County. The remainder ($2.2 million) must be absorbed by local jurisdictions. DPH indicates that the funding reductions will cause additional difficulty in targeting and identifying at-risk populations.

Epidemiologic Studies: Loss of $325,000 Statewide; the impact to the County's HIV surveillance and epidemiological studies is likely to include the loss of the State Block Grant. The estimated program impact for FY 2008-09 is $100,000. Funding decreases may result in a reduction of personnel which may impact the ability to report cases utilized by the Office of AIDS Program and Policy (OAPP) to access Federal funding for HIV prevention and care.

AIDS Drug Assistance Program (ADAP): Loss of $7.5 million Statewide. Los Angeles County utilizes 40 percent of funds allocated to the program. To date, the State has indicated that its Medical Advisory Committee will review the ADAP formulary in attempt to identify savings by reducing the drugs available in the formula. There are no current plans to impose co-pays, create waiting lists, or decrease the number of beneficiaries. However, the capacity to increase drug rebates may exist and will be explored.

HIV Counseling and Testing: Loss of $600,000 Statewide. DPH indicates that in addition to the impacts that are being determined, recent reductions in Centers for Disease Control (CDC) funding will make it increasingly difficult to maintain the most effective HIV counseling and testing programs. These cuts will have a significant impact on the ability of the County to comply with CDC's recommendation to provide universal HIV screening.

Therapeutic Drug Monitoring Program (TMP): Loss of $300,000 Statewide in addition to the loss of $4 million one-time funds from FY 2007-08. OAPP utilizes TMP funds to ensure the accuracy and cost-effectiveness of treatment and care services.

Early Intervention Programs (EIP): Loss of $551,000 Statewide. The County currently receives $2.1 million in funding for EIP, which is a significant portion of the overall amount of EIP funds awarded by the State. As such, the County may realize the largest reduction in funding due to the proposed funding reduction. DPH estimates that as many as 15,000 County residents have undiagnosed HIV infection. EIP programs are integral to diagnosing those individuals and promoting their swift entry into the care system.

Medicare Part D: Loss of $2 million Statewide. These funds cover drug expenses for HIV/AIDS medications for Medicare beneficiaries. The proposed reductions, combined with the proposed cuts to ADAP, represent a substantial decrease in the County's ability to treat HIV disease in a manner consistent with accepted Public Health Service guidelines.

Family Health Programs. The Budget proposes a reduction of $5.4 million in FY 2008-09 which includes State support and local assistance funding for case management services for at-risk teens, domestic violence prevention, and education

activities including breastfeeding, nutrition, and Sudden Infant Death Syndrome risk reduction.

According to DPH, preliminary information indicates a ten percent reduction in Maternal, Child, and Adolescent Health (MCAH) and Black Infant Health Programs. MCAH anticipates a local program reduction of $202,000 (including $101,000 in Federal Title XIX funding) which may impact approximately 75 clients. Marginal indirect program and fiscal impacts of approximately $49,000 are anticipated to result from reduced travel, training and related items.

Local Chronic Disease Programs. The Budget proposes a reduction of $3.3 million in FY 2008-09 for State support and local assistance funding for cancer and injury prevention surveillance activities, developing public health interventions, and monitoring environmental contaminants.

Alcohol and Other Drug Programs. The Budget reduces $2.5 million in FY 2007-08 and $16.1 million in FY 2008-09 for Alcohol and Other Drug Programs, primarily through a reduction in Drug Medi-Cal provider rates. The number of Drug Medi-Cal programs to be monitored and administratively supported will remain the same. However, the total program funds will decrease by approximately $1.025 million in FY 2007-08 and $6.628 million in FY 2008-09. This will result in a rate reduction for contracted services.

Proposition 36. The proposed reductions for Proposition 36 are $3.3 million in FY 2007-08 and $10 million in FY 2008-09. The reductions will not change the sentencing law requirement under Proposition 36. The impact to the County is estimated at $872,000 in FY 2007-08 and $2.55 million in FY 2008-09. These reductions will be passed on to the community-based agencies. For both the Substance Abuse Crime Prevention Act (Proposition 36) and Substance Abuse Offender Treatment Program, there will be a loss of 6,037 residential bed days and 73 outpatient slots in FY 2007-08, and 16,770 residential bed days and 203 outpatient slots in FY 2008-09; resulting in fewer clients being served.

Substance Abuse Offender Treatment Program (OTP). The proposed reductions for the Substance Abuse Offender Treatment Program are $667,000 in FY 2007-08 and $2 million in FY 2008-09. This program serves offenders eligible for treatment under Proposition 36 and is contingent upon a State Budget Act appropriation. The impact to the County is estimated at $169,000 in FY 2007-08 and $499,000 in FY 2008-09. The reduction will be passed on to community-based agencies. The reduction in OTP funds will also result in a reduced local match, as ADPA is using Statham funds for the match. Thus, there is not a projected savings in net County cost.

Other State-funded Programs. The impact to the County for Drug Court funding is estimated at $214,000 in FY 2007-08 and $643,000 in FY 2008-09. This translates to a loss of 920 residential bed days and 143 outpatient slots in FY 2007-08 and 1,215 residential bed days and 195 outpatient slots in FY 2008-09. The impact to the Perinatal program is estimated at $206,000 in FY 2007-08 and $606,000 in FY 2008-09. This translates to a loss of 480 residential bed days and 21 outpatient slots in FY 2007-08, and 1,411 residential bed days and 62 outpatient slots in FY 2008-09. A reduction in the State General Fund contributions is estimated to reduce funding to the County by $75,000 in FY 2007-08 and $178,000 in FY 2008-09. The estimated impact includes a loss of 599 residential bed days and 5 outpatient slots in FY 2007-08, and 1,410 residential bed days and 12 outpatient slots in FY 2008-09.

Children's Medical Services. The Budget projects a decrease of $5.5 million in FY 2007-08 for Children's Medical Services, which includes the California Children's Services (CCS) Program, and the Child Health and Disability Program (CHDP). This decrease is primarily due to a reduction in Medi-Cal cases and an increase in non-Federally eligible cases. The Budget notes that this potential deficiency will be included in a Supplemental Appropriations Bill. In FY 2008-09, proposed reductions for these programs are $28.3 million.

The County's CCS program estimates these reductions will result in a $1.8 million decrease in State General Fund for the program in FY 2008-09. Similarly, the Medical Therapy Program (MTP) will experience a $315,000 reduction. The reduction in State General Funds will result in the reduction of $2.7 million in Federal Funds (Title XIX), resulting in a combined impact to the County of $4.5 million. The County CCS program serves one-third of the entire State CCS program's medically fragile clientele. The impact of a 10 percent reimbursement reduction will be significant and disproportionately felt. The CCS population requires coordination of services provided by four major provider groups: medical/hospital, pharmaceutical/nutritional, medical supplies/equipment, and rehabilitative therapy.

The impact on clients will be prolonged wait times for outpatient appointments, increased utilization of emergency rooms for unmet medical needs, overburdening of specialty clinics, and in some cases, failure to receive the required services. As the State enhances reviews of Medi-Cal eligibility and increases premiums for Healthy Families, additional children may drop out of those programs and become CCS cases. Since CCS is mandated by law to provide these services, the burden of cost will shift directly to counties.

The CHDP Program will experience a $187,000 reduction in reimbursements in FY 2008-09. The reduction from the State General Fund will result in the reduction of

$384,000 in Federal funds (Title XIX), for a total cost shift of $571,000 to the County. Client services will be largely impacted as the program's provider base diminishes.

Tuberculosis (TB) Control Program. The Budget proposes a 10 percent reduction in FY 2008-09 through a decrease in the State TB Subvention grant award (Local Assistance Funding). In FY 2007-08, the State grant award totaled $1.5 million. The reduction of approximately $151,000 will impact Community Health Services in the delivery of Directly Observed Therapy and will impact the TB Control Program in the delivery of program assurance, assessment, and policy development.

A State funding reduction for Food, Shelter, Incentives & Enablers (FSIE) will cause more costs to be invoiced against County funds ($300,000) designated for FSIE. In recent years, the State FSIE supported over 80 percent of the costs associated with delivery of FSIE. Use of County funds may increase from $70,000 to $100,000 per year, still far below the total amount allocated.

Immunization Program: The Budget proposes a funding reduction to the County of $827,000 as part of a Statewide 10 percent funding reduction. Impacts include reductions to: implementation of Quality Improvement and Quality Assurance interventions with immunization providers and outreach efforts to immunization providers serving adolescents and adults; a decreased ability to evaluate remaining interventions and program activities; elimination of media campaigns in support of influenza vaccinations and National Infant Immunization Week/Toddler Immunization Month; and a reduction in the availability of educational and promotional materials.

MENTAL HEALTH

Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program. The Budget reduces $6.7 million in FY 2007-08 and $46.3 million in FY 2008-09 for the EPSDT Program, which provides comprehensive and preventive health services, including mental health services, to Medi-Cal recipients under the age of 21. Reductions would be achieved by requiring prior authorization by mental health providers for EPSDT day treatment that exceeds six months, eliminating the annual cost-of-living increase, and reducing the non-inpatient State Maximum Allowance (SMA). In addition, it delays $92 million for the quarterly advance to counties for the EPSDT Program from July 2008 to September 2008.

The Department of Mental Health (DMH) estimates that the reduction in the SMA for EPSDT could result in a loss of approximately $23.1 million in FY 2008-09 in State and Federal funding. The reduction in the SMA also would impact other aspects of the Medi-Cal program, including adult outpatient care and the Healthy Families Program, for an estimated loss of $8.4 million. DMH indicates that the reduction in the SMA could be

addressed if impacted service providers served additional clients within existing resources.

Mental Health Managed Care. The Budget reduces $8.2 million in FY 2007-08 and $23.8 million in FY 2008-09 for Mental Health Managed Care primarily by eliminating the annual cost-of-living increase and reducing the non-inpatient State Maximum Allowance. The estimated impact to the County is $1.5 million in FY 2007-08 and $7.14 million in FY 2008-09. DMH indicates that this reduction will result in curtailment of services to approximately 5,000 individuals.

SOCIAL SERVICES

Child Welfare Services

The following provides a detailed analysis of the $91.0 million projected impact on the Department of Children and Family Services (DCFS) if the proposals included in the Governor's FY 2008-09 Proposed Budget are enacted. DCFS indicates that due to the lack of clarity and conflicting information contained in some of the Governor's budget documents, this analysis is based on clarifications received from the County Welfare Directors' Association (CWDA). In addition, the analysis includes assumptions where clarity could not be provided.

In an effort to address the proposed reductions, DCFS is reviewing all budget accounts to identify administrative costs and/or discretionary programs that can be reduced or eliminated. Any remaining funding gap would be addressed through the elimination of budgeted positions. In the event DCFS is unable to identify alternative curtailments to fully cover the funding gap, budgeted positions would have to be eliminated.

Child Welfare Services (CWS) Administration. The Budget proposes an 11.4 percent reduction in county funding for CWS Administration for a State savings of $83.7 million and assumes a reduction of $45.9 million in Federal funds for a total reduction of $129.6 million. CWS provides services to protect and promote the welfare of children who are abused, neglected, homeless, handicapped, dependent or delinquent with the goal of providing these children safe and stable homes.

The projected impact of the 11.4 percent reduction in the Waiver portion of the CWS Administration allocation would result in the loss of $17.9 million in State revenue to the County with no impact on Federal revenue. The reduction in the non-Waiver CWS allocation would result in the loss of $5.0 million in State revenue and $2.7 million in Federal revenue.

Payments to Foster Care Providers. The Budget proposes a reduction in maintenance payments to Foster Family Agencies (FFA), Group Homes (GH), Foster Families Homes (FFH), and Seriously Emotionally Disturbed (SED), specialized care, clothing allowance, Emergency Assistance Foster Care (EA-FC), Adoptions Assistance Program (AAP) and KinGAP effective June 1, 2008 for State savings of $6.7 million in FY 2007-08 and $168.1 million in FY 2008-09.

Due to a lack of clarity, this analysis reflects a five percent reduction in rates for FFA and 10 percent reduction in rates for GH, FFH, SED, KinGAP, AAP, EA-FC, specialized care and clothing allowance. This would result in a projected reduction in County expenditures in FY 2008-09 of $65.4 million. While the proposal would reduce County expenditures, it would reduce funding available for foster care children and adversely impact the ability of providers to care for these children. Some providers may choose not to provide critical services due to the financial hardship. This would result in negative outcomes for children in Los Angeles County who are already the most vulnerable children and who have been victims of abuse and/or neglect.

Title IV-E Waiver Programs. In FY 2007-08, rate reductions would result in a projected $3.0 million reduction in expenditures and a loss of $1.0 million in State funding for the Waiver programs with no loss of Federal revenue. For FY 2008-09, the rate reductions would result in a projected $29.4 million reduction in expenditures and a loss of $9.6 million in State funding for the Waiver programs with no loss of Federal revenue. The projected $9.2 million in net County cost savings would be available for reinvestment in Waiver initiatives designed to reduce the number of children in out-of-home care and other Waiver strategies.

Non-Title IV-E Waiver Programs. In FY 2007-08, the rate reductions would result in a projected $3.1 million reduction in expenditures, loss of $1.5 million in State revenue, $900,000 loss in Federal revenue, and a $700,000 reduction in net County cost. For FY 2008-09, the rate reductions would result in a projected $36.0 million reduction in expenditures, loss of $16.9 million in State revenue, $10.1 million loss in Federal revenue, and a $9.0 million reduction in net County cost.

Given the breadth of the proposed reductions, DCFS indicates that all of the children and families that are being served could be impacted by reductions in social work staff and available services. The responsibility for serving more children and families by each social worker would result in less time spent with each individual child and their family. This result could compromise child safety. The proposed reductions could also require reductions in direct services to children and families, such as Family Preservation, Family Support, Wraparound, adoption support, kinship/relative support, and emancipation. In addition, reductions in clinical services such as sexual abuse treatment, drug testing, and substance abuse treatment may occur.

There is significant potential that the reduction in funding for various social service, health and mental health programs would increase the number of children and families entering the child welfare system. There is no way to predict the actual number of children and families that would enter the system as a result of these cuts. Assuming we experience a five to 15 percent increase in out-of-home care costs, the impact on net County Cost would be between $21.8 million and $65.3 million. This would negatively impact our ability to remain in the Title IV-E Waiver Demonstration Project. Opting out of the Waiver would further increase the impact on the Assistance Budget net County Cost by over $65 million, resulting in a total increase in net County cost of between $86.8 million and $130.3 million.

Adult Services

Adult Protective Services (APS). The Budget proposes to reduce funding for APS by 10 percent for a State savings of $6.1 million and assumes the additional loss of $5.3 million in Federal Medicaid reimbursements for health-related services provided under APS for a total reduction of $11.4 million. The estimated reduction to the County is $2.6 million. APS is a State-mandated program which provides investigation, crisis intervention and short-term case management services on behalf of abused and neglected elder and dependent adults.

The Budget proposal would result in the reduction of staff and funding for other APS-related service providers including the District Attorney, Consumer Affairs and the Department of Health Services. The staff reduction will result in increased caseworker response time, placing vulnerable elderly and dependent adults at greater risk of abuse and neglect. Staff reductions would also impact case management services designed to prevent or mitigate potential malnutrition, dehydration, loss of assets, real or personal property, and homelessness of elderly and dependent adults in Los Angeles County. In addition, the proposed reductions could delay the mobilization of emergency services such as paramedic and psychiatric response teams.

Funding for the APS Program has remained unchanged at $50 million annually since 1999 despite increased reports of elder and dependent adult abuse, increasing caseloads, and an increase in the elder population. The Legislature appropriated an additional $12 million to the Program in FY 2007-08 which the County supported based on Board-approved policy. However, the Governor line-item vetoed the proposed augmentation as part of the FY 2007-08 State Budget process.

Senior Nutrition Programs. The Budget proposes to reduce funding for congregate and home-delivered meals by $569,000. The programs provide nutritional-balanced meals, nutritional education, and nutrition-risk screening to adults 60 years of age and

over. The proposed reduction would result in an estimated annual loss of 5,234 congregate meals and 3,326 home-delivered meals for seniors living in Los Angeles County.

Medi-Cal

Medi-Cal Administration. The Budget proposes to reduce counties administration by $142.2 million, as follows:

- Reducing the county administration base by 2.5 percent for a State General Fund savings of $15.3 million and total reduction of $30.6 million combined State and Federal funds;

- Eliminating the county administration caseload growth for a State General Fund savings of $33.4 million and a total reduction of $66.8 million combined State and Federal funds; and,

- Eliminating the cost of living adjustment for eligibility workers, administrative and support staff for a State General Fund Savings of $22.4 million and a total reduction of $44.8 million combined State and Federal funds.

The projected impact of the reduction in funding to the DCFS share of the Los Angeles County allocation would result in a loss of $1.6 million in State revenue and a reduction of budgeted positions. The Department of Public Social Services (DPSS) would realize a 2.5 percent reduction in administrative funding and elimination of a Medi-Cal cost of living adjustment resulting in an estimated loss of $22.5 million and a reduction of budgeted staff and supervisory positions. The elimination of caseload growth funding would result in an estimated loss of $26.0 million. The lack of caseload growth funding would result in existing Medi-Cal Eligibility Workers absorbing the increased workload and corresponding higher average caseloads. The potential impact to the Department of Health Services and Public Health is being determined.

The reduction in Medi-Cal administration funding will directly impact the County's ability to determine Medi-Cal eligibility for low-income families and children. The proposals will also limit the County's ability to continue outreach services to enroll eligible families in both the Medi-Cal and Healthy Families programs.

Medi-Cal Eligibility Determination. The Budget proposes to eliminate continuous 12-month eligibility for children and to reinstitute quarterly reporting for both children and parents resulting in a State savings of $92.2 million. Currently, children's eligibility is determined annually; eligibility for parents is determined semi-annually. This proposal

would affect approximately 52,465 children in Los Angeles County placing them at risk of losing health care benefits.

In-Home Supportive Services (IHSS)

IHSS Service Reduction. The Budget proposes to reduce IHSS domestic services including meal preparation, clean-up, laundry and food shopping by 18 percent for an estimated State savings of $109.4 million. The IHSS Program pays for domestic and health-related services to allow elderly and disabled adults and children to remain safely in their own homes and out of more costly institutional care. The Governor's proposal would impact an estimated 96 percent of the County's 161,000 IHSS consumers in Los Angeles County who would lose an average of 6.6 hours of service per month for each recipient. The proposed reduction in hours would result in an estimated net County cost savings of $23.0 million.

IHSS Administration. The Budget proposes to reduce county administrative funding by 10 percent by allowing counties to delay reassessments of eligibility to IHSS recipients up to 18 months. The Budget assumes a total Statewide savings of $28.7 million which includes the loss of $14.2 million in Federal Medicaid reimbursements. The IHSS program remains under funded as the State has not granted cost of doing business adjustments for human services programs, including IHSS, since June 2001. The estimated loss to the County is approximately $8.5 million. This would necessitate the reduction of budgeted positions.

CalWORKs

CalWORKs Reforms. The Budget proposes reforms to the CalWORKs Program, effective June 1, 2008, for an estimated State savings of $73.7 million in FY 2007-08 and $389.1 million in FY 2008-09. This will result in an estimated loss of State General Funds to the County of $11.3 million in FY 2007-08 and $113 million in FY 2008-09. The proposed reforms could potentially impact 78,000 children and include:

- **Graduated Full-Family Sanction** – Reduces the child-only portion of the CalWORKs grant by 50 percent when the adult does not comply with work requirements for an accumulated total of six months. The case would be closed if the adult has a total of twelve months of non-compliance. The proposal may potentially impact 10,395 cases involving 19,100 children in Los Angeles County.

- **Modified Safety Net Elimination** - Maintains the child-only CalWORKs grant beyond the 60-month time limit when the able-bodied adult meets the Federal work participation requirements. Safety net benefits would be eliminated if the

adult does not meet the work participation requirements. The potential impact would affect 14,300 families and 33,700 children.

- **Child-Only Benefits -** Limits child-only benefits to 60 months when the parent or caretaker is an undocumented non-citizen, a convicted drug felon or a fleeing felon. This impact would involve approximately 15,200 families and 25,200 children.

These proposals would directly impact families through the loss of much needed benefits and services. The loss of public assistance may lead to increased incidents of homeless and place at dire risk the health and well-being of families already living below the Federal poverty line. In addition, children who lose CalWORKs cash assistance may be eligible for General Relief, resulting in a cost shift to the County.

Food Stamp Administration. The Budget proposes to reduce county administrative funding by $34.9 million ($14.4 million State General Fund and $20.5 million in Federal funds). Due to increases in the Food Stamp caseload and other premise items, this proposal will not result in a decrease in funding for Los Angeles County; however, Food Stamp administration remains under funded as the State has not granted a cost of doing business adjustment for the administration of the Food Stamp program since June 2001. Given the lack of a funding increase, Food Stamp Eligibility Workers will continue to absorb an increasing workload. This will impact the ability of DPSS to process Food Stamp cases in a timely manner, expand Food Stamp outreach efforts to enroll all eligible families in the Food Stamp program, and maintain the improvements made by the Department to reduce the Food Stamp error rate.

PUBLIC SAFETY AND JUSTICE

Juvenile Probation Camps. The Budget proposes a 10 percent reduction in funding for juvenile camps. The proposed reduction would result in an $8 million decrease to the County. The Probation Department indicates that the reduction could result in the closure of two juvenile offender camps, Camp Glenn Rockey and Camp Louis Routh. Currently, these two camps house a combined 400 juveniles. In addition, the proposed reduction could place additional pressure on the juvenile hall population by a commensurate number of juveniles. The Department is considering options including the release of 400 juveniles to the community that otherwise would have been held in the camps and adding 400 positions in the probation hall at an estimated additional cost of $12.5 million.

Juvenile Justice Crime Prevention Act (JJCPA) Program. The Budget proposes a 10 percent reduction in funding for the JJCPA program. The impact to the County is estimated at $3.3 million. The Probation Department is in the process of determining a

strategy to address the potential loss of funding, noting that the allocation of funds is determined by a countywide juvenile justice coordinating council. The reductions could involve a reduction in grants provided to community-based organizations. Program funding provides positive outcomes, including participants being more likely to attend school, less likely to be suspended, less likely to be expelled, earn higher grades, less likely to be arrested and incarcerated, and more likely to successfully complete probation.

Approximately $615,000 of the funds from this program received by the County is allocated through the Probation Department to the Department of Parks and Recreation. The reduction in the Governor's Budget would reduce this funding by approximately $62,000. These funds are currently being expended for after school enrichment programs.

Citizens' Option for Public Safety (COPS). The Budget proposes a 10 percent reduction in funding for the COPS grant. This grant provides funding to the Sheriff and District Attorney's offices. The grant is expected to result in a reduction to the County of $500,000 for each department. The specific impact of the proposed reduction is being determined; however, this reduction is not expected to have a significant impact on the operations of these departments.

GENERAL GOVERNMENT

February 2008 Presidential Primary. The Budget excludes funding to conduct the February 2008 Presidential Primary Election. Intent to reimburse counties for the cost of this election was provided for in SB 113 (Chapter 2, Statues of 2007). According to the California State Association of Counties (CSAC), the Governor's staff recently indicated that funding will be appropriated once the costs of the election are known. It is estimated that the cost for the County to conduct the election would be $20 million.

Moving the Presidential Primary to February requires the County to conduct two Statewide primary elections in 2008, in addition to the November 2008 General Election. In addition to the estimated $20 million cost of conducting the February Presidential Primary, the County is faced with logistical problems such as a shortage of pollworkers due to the high frequency of elections, lower voter participation due to voter fatigue, and preparations for compliance with the implementation of the Help America Vote Act (HAVA).

California State Library. The Budget proposes a reduction of $5.1 million in State support to local libraries. The reduction includes: $1.6 million related to State operations; $1.4 million in the transaction-based reimbursement program (TBR); and $1.4 million in the Public Library Foundation Program. The estimated impact to the

County is $140,000, which would reduce the Library's books and materials budget countywide. The impact of the $1.4 million reduction to TBR is more difficult to quantify as the revenue from that program varies from year to year. The estimated loss to the County is $50,000. In addition, the Public Library may realize a reduction of informational and support services provided by the State Library as a result of the $1.6 million general reduction to the State Library's budget.

Military and Veteran Programs. The Budget proposes a reduction of $523,000 within the California Department of Veteran's Affairs for veterans' claims and subvention to counties. The proposed reduction will affect outreach efforts and local assistance to veteran service offices throughout the County. The estimated impact to the County is $29,000.

Subventions for Open Space Act. The Budget proposes a $3.9 million reduction from the Subventions for Open Space Act (Williamson Act) Tax Relief Program. The Williamson Act authorizes any city or county to enter into a contract with the owner of agricultural land for the purpose of preserving that land in accordance with the conditions established by the Act and that contract. The estimated impact on the County from this reduction is $4,000.

TRANSPORTATION

Transportation – Article XIX Gas Tax Apportionments. The Budget proposes trailer bill language to postpone, for the period April through August 2008, the monthly transfer of excise tax revenues from the Highway Users Tax Account to cities and counties for local streets and roads maintenance. The Budget proposes a loan of $500 million from the Highway User Tax Account to the State General Fund.

The Department of Public Works (DPW) indicates that if the Governor's proposal to delay the monthly transfer of excise tax revenues from the Highway Users Tax Account is approved, there will be a delay of approximately $52.5 million in gas tax payments to the County, which are primarily used for salaries and equipment to operate and maintain the County's extensive transportation infrastructure in the unincorporated areas. DPW indicates that the result of this proposed action will be a negative cash balance in the departments' Road Fund sometime in spring 2008.

DPW has analyzed the impact of this loss to the County and indicates that there will be no reductions in the level of service for critical traffic safety operations such as traffic signal maintenance and signing and striping maintenance. DPW is considering a freeze on new hires, reduced travel and training, and the elimination of most consultant contracts. The Department does not anticipate impacts to existing staff levels.

However, some staff may be moved to positions financed by the Department's other operating funds.

Other Budget Items of Interest

The following information provides additional details on some of the proposals included in the Governor's Proposed Budget:

Housing Bond – Proposition 1C. The Budget proposes to award $771 million to various program areas authorized by Proposition 1C, which represents a decrease of $202 million from FY 2007-08. The Community Development Commission (CDC) indicates that given the competitive nature of the funds, there is an unknown impact to the County.

Federal Child Support Incentive Payments. The Budget proposes $29.8 million State General Fund to maintain funding for local child support agencies due to provisions in the Federal Deficit Reduction Act of 2005 which prohibit the State from claiming Federal matching funds using earned Federal incentive payments. The estimated County share of combined State and Federal funding is $18.1 million.

Child-Support Disregard. The Budget proposes to increase the amount of the child support collection passed through to CalWORKs families from $50 per month to $100 per month effective January 1, 2009 as allowed under the Federal Deficit Reduction Act of 2005. The Child Support Services Department reports that an average of 8,807 CalWORKs families per month received a disregard payment in 2007. This proposal would increase available resources for CalWORKs families.

California Coastal Commission. The Budget proposes a reduction of $1.2 million in FY 2008-09, including a decrease in State General Fund of $956,000 for the Coastal Management Program. The Coastal Commission, in partnership with coastal cities and counties, plans and regulates the use of land and water in the coastal zone. The objectives of the Coastal Management Program are to implement coastal resources conservation through planning and regulation consistent with the California Coastal Act of 1976. The program provides for the review and approval of local coastal plans and any amendments to such plans. According to the County Department of Beaches and Harbors, the proposed program reduction may delay coastal development permits for Marina del Rey waterside improvements and appeals of landside improvements, which in turn would delay the increase in Marina revenues anticipated from various redevelopment projects.

Water and Flood Control. DPW expects increased fees for permits and delays in State Agency reviews to compensate for the 10 percent cut in State Department

General Fund and reduction or ineligibility of State grants for projects and studies. The 10 percent reduction to State agencies, including the Resources Agency, State Water Resources Control Board, Department of Fish and Game (DFG), and the California Environmental Protection Agency may have several direct and/or indirect impacts on DPW depending on which agency receives the cut and the nature of DPW's business with the affected State agency.

The proposed reductions at the State level could translate to staff reductions or non-filling of vacancies in DFG, California Division of Safety of Dams, and Regional Water Quality Control Board (RWQCB) units that process DPW permits. These agencies could either let statutory time limits on application reviews lapse (resulting in automatic authorizations/waivers) or increased rejections of applications to otherwise thwart statutory time limits. State agencies may forego review of DPW California Environmental Quality Act (CEQA) documents, which would translate to difficulties later in the permit process.

DPW indicates that reduction of the DFG Enforcement Program could impact the ability of DPW to obtain necessary environmental permits which has already been an issue for the past several years. In addition, impacts would involve RWQCB, an issuer of major permits including 401 Water Quality Certification permits and National Pollutant Discharge Elimination System permits.

Elections. The Budget includes $42.3 million in Federal funds for the Secretary of State to continue the implementation of HAVA. Of this amount, $38.8 million is designated to implement the VoteCal voter database system and $3.5 million for other HAVA activities including assistance for disabled voters, voter education, voting systems and certification, interim voting systems, and administration. The Registrar Recorder/County Clerk indicates that the County will incur minimal administrative costs.

State Park System. The Budget proposes reductions of $1 million in FY 2007-08 and $13.3 million in FY 2008-09 for the State Department of Parks. The proposed reductions would result in the closure of forty-eight State parks, 17 percent of the State Park System, and eliminate funding for approximately 129 permanent positions at the State Department of Parks headquarters, park operations, and field units. In addition, 50 percent of the seasonal workforce would be eliminated at specified State parks, beaches, and campgrounds. The proposed facility closures would result in a revenue loss of approximately $3.7 million to the State Parks and Recreation Fund. Taken together, the $13.3 million cut in State General Fund and $3.7 million loss in revenue would result in a projected decrease of $17 million in funding for the operation and maintenance of the State Park system.

According to the State Department of Parks, the 48 parks slated for closure have the lowest visitor attendance, provide the least revenue, and allow for public access to be restricted. The Department indicates that the facilities would be placed on "caretaker" status and in turn may have significant ongoing costs related to public safety and resource management. These park closures are projected to reduce total annual attendance to the State Park System by 6.5 million visitors.

The State Park System includes twenty-five units located in Los Angeles County. The proposed budget reductions would result in the closure of five units operated and maintained by the State Department of Parks. These closures would have a direct impact in the utilization by County residents. The affected State parks in Los Angeles County targeted for closure include Los Encinos State Historic Park, Pío Pico State Historic Park, Santa Susana Pass State Historic Park, Topanga State Park, and Will Rogers State Historic Park. The State Department of Parks reports that the annual attendance to these facilities totaled approximately 722,000 visitors in FY 2006-07. The County Department of Parks and Recreation advises that the proposed closing of these five State parks may result in an increase in patron visitation to neighboring County parks.

Facility and visitor attendance information, provided by the State Department of Parks, for the five affected State Parks in Los Angeles County is summarized below:

- Los Encinos State Historic Park. The approximately five acre park is located in Encino. The grounds include the original nine-room de la Ossa Adobe, the two-story limestone Garnier building, a blacksmith shop and a duck pond. The park is a favorite place for picnics, parties and weddings. (FY 2006-07 - approximately 9,500 visitors)

- Pío Pico State Historic Park. The one acre park is located in Whittier and features one of Southern California's few remaining 19th Century adobe structures. Pío de Jesus Pico IV was the last Governor of Mexican California. The adobe ranch house was built in approximately 1853 and was deeded to the State in 1917. Parking, picnic areas, guided tours, exhibitions and programs are offered at this facility. The Park was re-opened in 2003 after a three-year major renovation.

- Santa Susana Pass State Historic Park. The approximately 670-arcre park is located in the Simi Hills – Santa Susana Mountains area and is generally accessed from Chatsworth Park South (Los Angeles City Community Park). The day-use area provides a set of hiking trails networking through the park. Equestrians utilize a system of horse trails. The scenic landscape consists of five million year old sandstone ramparts, striking rock formations, abundant

coastal sage scrub, chaparral, and oak and riparian woodlands. Two distinct California Indian groups, the Tongva and the Chumash, were the primary dwellers of this area. (FY 2006-07 - approximately 12,000 visitors)

- Topanga State Park. This nearly 12,700-acre park is located entirely within the City of Los Angeles and is the largest park in the Santa Monica Mountains. The site features 36 miles of trials. Recreational opportunities include hiking, mountain biking and equestrian. Numerous geological formations can be found in the park, including earthquake faults, marine fossils, volcanic intrusions, and a variety of sedimentary formations. (FY 2006-07 - approximately 455,000 visitors)

- Will Rogers State Historic Park. The approximately 189-acre facility in Pacific Palisades overlooks the Pacific Ocean and includes the ranch built by Will Rogers. The ranch, consisting of a 31-room ranch house, stable, corral, riding ring, roping arena, polo field, golf course and hiking trails, was deeded to the State in 1944. The State recently restored the ranch house and completed significant portions of the landscape restoration program. (FY 2006-07 - approximately 246,000 visitors)