



**County of Los Angeles
CHIEF EXECUTIVE OFFICE**

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

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From: William T Fujioka 
Chief Executive Officer

STATE BUDGET – PRELIMINARY ANALYSIS OF THE LEGISLATURE-APPROVED FISCAL YEAR (FY) 2012-13 STATE BUDGET

Today, the Senate and Assembly convened to consider the main FY 2012-13 State Budget bill and six related trailer bills. Both houses passed a budget package that includes almost \$8.0 billion in expenditure reductions, \$5.9 billion in revenue assumptions and \$2.3 billion in other solutions. Both houses are scheduled to resume negotiations next week to consider the remaining trailer bills and other budget-related items under negotiation between the Governor and the Democratic leadership. Included in the Legislature’s revenue assumptions are the proposed tax revenues that would be generated if California voters approve the Governor’s 2012 November Ballot Initiative. The Legislature-approved State Budget also includes \$6.1 billion in ballot trigger cuts proposed by the Governor to balance the budget in the event his November Initiative fails to pass.

The Legislature-approved State Budget now heads to the Governor who has until the June 30, 2012 deadline to act. Today’s actions include:

Main Budget Bills	Subject	Senate Vote	Assembly Vote
AB 1464	Main FY 2012-13 Budget Bill	23 – 16	50 – 25
AB 1495	FY 2012-13 Budget Bill Junior No.1	25 – 14	50 – 25
AB 1485	FY 2012-13 Supplemental Appropriations Bill	25 – 14	50 – 25
AB 1465	Transportation	25 – 16	50 – 27
AB 1467	Health	24 – 14	50 – 26
AB 1470	State Mental Hospitals	25 – 14	50 – 26
AB 1472	Developmental Services	24 – 15	50 – 26

Key Elements of the Legislative Budget Package

The Legislature-approved State Budget rejects more than \$1.0 billion in expenditure reductions that the Governor proposed in his May Revision. To replace that amount, the Legislature proposes smaller reductions to some health and human services; assumes more revenue from the settlement of mortgage abuses; assumes suspension of pass-through agreements with former redevelopment agencies; utilizes different accounting methodology for K-14 education; among other solutions. Key elements of the budget package of County interest include:

- **Redevelopment.** While the Legislature-approved State Budget scores \$250.0 million to offset Proposition 98 expenditures through the suspension of pass-through agreements to affected taxing entities, no trailer bill was voted upon that would implement such a budget action. Legislative leadership has indicated this continues to be an issue for negotiation and may be resolved early next week. The Senate and Assembly are working in tandem to propose an alternative approach to wind-down the activities of the former redevelopment agencies. **As of the preparation of this report, the Legislature's redevelopment trailer bill language has not gone to print and details are not available.**

During discussion of the main budget bill on the Senate Floor, Senator Leno, Chair of the Senate Budget and Fiscal Review Committee, stated that the Legislature's vote on the main budget bill would not address this issue because the Legislature believes that current statute allows those funds to be recognized as "over and above" funds that can be allocated in the budget. However, he also noted that this issue was still in negotiation with the Governor and that "another resolution" was likely, whereby the Legislature would use other funds to cover the \$250.0 million scored in the budget.

- **CalWORKs.** The Legislature rejected the Governor's proposed cuts to the CalWORKs Program of \$880.0 million and instead scored approximately \$428.0 million in savings from reductions to the program including cuts to job training programs, but omits the stricter work requirements for welfare recipients as proposed by the Governor.
- **In-Home Supportive Services.** The Legislature rejected the Governor's proposed cuts to the In-Home Supportive Services (IHSS) Program of \$225.0 million and instead includes approximately \$90.0 million in savings from a continuation of the 3.6 percent reduction in service hours set to expire on June 30, 2012. However, the budget plan rejects the May Revision proposal for

a 7 percent reduction in hours and the elimination of domestic and related services for recipients living with an able parent or caregiver.

- **Coordinate Care Initiative (IHSS Dual Eligibles Project).** The Legislature-approved State Budget includes savings generated from the Governor's May Revision proposal to initiate a series of initiatives to improve care coordination for persons receiving both Medi-Cal and Medicare, and to delay the implementation of the dual eligibles pilot to March 1, 2013. The May Revision also proposes to reduce the expansion of phase one of the pilot from ten counties to eight counties for a revised State General Fund savings of \$663.3 million in FY 2012-13.

The Administration has proposed to permanently replace the existing counties share of cost for the IHSS Program with a Maintenance of Effort (MOE) for all counties statewide. The proposed MOE would include a base year of expenditures and an adjustment factor. **The Chief Executive Office and the Department of Public Social Services continue working with the California State Association of Counties (CSAC), County Welfare Directors Association (CWDA) and various counties on language to address county concerns on the MOE, and ensure that the final language protects the County and mitigates any adverse impact.**

Furthermore, the Administration is proposing to shift IHSS collective bargaining from the local to the State level and create a new State public authority, as part of the IHSS trailer bill language on Dual Eligibles. Details of the language are still being negotiated, such as the date when collective bargaining would be transitioned.

- **Los Angeles Regional Interoperable Communications System (LA-RICS).** The Administration is proposing budget trailer bill language to provide a limited exemption to LA-RICS from environmental requirements of the California Environmental Quality Act and only apply to sites that are on publicly owned land (i.e. police, sheriff, or fire stations) which already contain existing antenna support structures and related infrastructure, and sites that are not located on environmentally sensitive areas. This limited exemption is critical to maintain a \$154.6 million Federal grant for the LA-RICS Project. **The County supports the proposed trailer bill which is also supported by the LA-RICS Authority and Sheriff Baca, among others.**

- **2011 Public Safety Realignment.** The Legislature did not consider any trailer bills that address a number of issues related to the 2011 Public Safety Realignment including the permanent realignment accounting structure and funding allocations; implementation of mental health realignment; child welfare services and foster care including AB 12 implementation; alcohol and drug programs realignment; and jail construction funding.
- **Division of Juvenile of Justice.** The Legislature approved the Governor’s May Revision proposal to charge counties \$24,000 per year per youth housed at the Division of Juvenile Justice (DJJ) beginning July 1, 2012. This would include any youth housed in DJJ on July 1 and any future commitments. **The impact to the Probation Department would be approximately \$7.2 million per year for an average of 300 youth housed in DJJ.**
- **Child Care.** The Legislature rejected the Governor’s proposal to restructure Child Care, which would have totaled \$452.0 million in savings. Instead, the budget package includes a modified approach that achieves \$271.0 million in State General Fund savings by consolidating Proposition 98 funding for the part-day preschool program and enacting across-the-board reductions which would result in a loss of 6,600 child care slots statewide.
- **Other Budget Solutions.** The Legislature-approved State Budget assumes \$50.0 million more in revenue from the multi-state settlement of mortgage abuses. It also assumes \$330.0 million in State General Fund savings through different accounting of K-14 education funds. The budget package includes a \$544.0 million reserve, while the Governor’s May Revision proposes a \$1.05 billion reserve.

Next Steps

Early next week, the Legislature will consider and act upon the remaining trailer bills and budget-related items still being negotiated by the Governor and the Democratic leadership.

The following trailer bills remain to be considered:

Trailer Bills	Subject
AB 1466/SB 1006	General Government
AB 1468/SB 1008*	Coordinated Care Initiative (Dual Eligibles)
AB 1469/SB 1009*	Mental Health Realignment
AB 1471/SB 1011	Human Services

AB 1473/SB 1013*	Child Welfare Services Realignment
AB 1474/SB 1014*	Alcohol and Drug Programs Realignment
AB 1475/SB 1015	Tax Enforcement
AB 1476/SB 1016*	Education
AB 1478/SB 1018*	Resources and Environmental Protection
AB 1480/SB 1020*	Realignment Permanent Fiscal Structure
AB 1481/SB 1021*	Public Safety Omnibus Bill
AB 1482/SB 1022*	Public Safety: Capital Outlay
AB 1483/SB 1023*	Public Safety Realignment Clean-Up
AB 1484/SB 1024*	Redevelopment
AB 1487/SB 1027*	High Speed Rail CEQA Exemption
AB 1489/SB 1029*	High Speed Rail Capital Outlay
AB 1491/SB 1031	Seismic Safety
AB 1496/SB 1026*	High Speed Rail Support
AB 1490/SB 1030*	Health Gross Premium Tax
AB 1492/SB 1032*	Timber Tax
AB 1494/SB 1034*	Healthy Families

**Spot bills. No official language has been released.*

This office will continue to work with departments to analyze the Legislature-approved State Budget for County impact and will review and analyze pending budget items and related trailer bills as they become available, in order to advise the Board and advocate on issues affecting the County.

We will continue to keep you advised.

WTF:RA
MR:KA:IGEA:sb

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