



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager's Office



Date: January 22, 2013
Board Meeting Date: January 29, 2013
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: County Manager's Report #1

RECOMMENDATION:

A) Accept this report on an analysis of the FY 2013-14 Proposed State Budget

BACKGROUND:

On January 10, 2013, Governor Brown released his proposed FY 2013-14 spending plan. The Governor's budget proposal includes \$99.3 billion in General Fund revenues and other resources and \$97.7 billion in total General Fund expenditures, providing for a \$1.0 billion reserve. Overall, General Fund spending is projected to grow by 5 percent—the vast majority of the spending growth is in K-12 education, higher education and health care.

In addition to improving economic conditions, the passage of Proposition 30 (The Schools and Local Public Safety Protection Act of 2012) and Proposition 39 (The Clean Energy Jobs Act) increased revenue since the 2012 Budget Act. Together, the Governor's budget proposal expects those measures to generate \$3.2 billion in General Fund revenues in 2012-13 and \$5.8 billion 2013-14. The budget also proposes to continue the Governor's established procedure of working down the so-called "Wall of Debt" and dedicates \$4.2 billion to repay this type of budgetary borrowing, as well as incorporates a long-term plan to continue this process over the next several years.

Overall, the Governor's proposed 2013-14 budget maintains current funding levels for both the CalWORKs program and child care—two programs that have experienced deep spending cuts in recent years—and proposes increased CalWORKs funding to assist counties as they implement significant programmatic changes adopted in 2012. Recognizing problems in the current three stage CalWORKs subsidized childcare structure, the Administration has proposed convening a stakeholder group (to be organized by the Department of Social Services) to discuss opportunities for

streamlining and improving the structure of the system. The Administration also identified childcare as a potential program to realign to counties as part of the health care realignment discussion.

A key provision of the Governor's budget proposal is reforming funding formulas for California's K-12 schools and it provides \$1.6 billion in increased funding to implement a new Local Control Funding Formula for both school districts and county offices of education beginning in 2013-14. The new formula—to be phased in over a seven-year period and fully instituted by 2019-20—collapses K-12 revenue limits and most categorical program funding into one formula accompanied by new accountability requirements. It would provide a base grant, with per-student funding varying by grade span, and supplemental funding based on the number of disadvantaged students (e.g., low-income students, English learner students, and students in foster care).

The proposed changes in K-12 funding would increase school revenue limits to include categorical funding that historically has been separate from baseline calculations and funded from other sources. These changes would have a negative impact on the County's Excess ERAF revenues. Since FY 2003-04, the County's General Fund has received \$563 million in Excess ERAF with \$80 million projected this fiscal year. The potential fiscal impacts of the Governor's proposed new school funding formula to the County's Excess ERAF revenues cannot be quantified at this time; however, my office will be working closely with the Controller's Office and County Counsel to determine what these might be, and with the County's advocates to oppose any redirection of these local property tax revenues to fulfill the State's Proposition 98 funding obligations.

The January budget also proposes to use \$526 million in revenues associated with Proposition 39—the recently passed ballot measure that requires most multi-state corporations to use the single sales factor when calculating their taxes—in Proposition 98 calculations, and use all of the revenue to fund energy improvements at schools. Proposition 39 does not specifically allocate these funds towards schools and community colleges; rather it lists eligible entities as schools and other public facilities.

Finally, the Governor's proposed budget does not contain any changes to the current redevelopment dissolution process, but notes that statewide estimates of property tax revenues available for distribution to affected taxing entities should be more accurate, as the Department of Finance now has more information as to the extent of former redevelopment obligations. The January budget also includes funding for Amador and San Mateo Counties to fully fund its Vehicle License Fee swap amounts for 2011-12.

DISCUSSION:

The Governor's FY 2013-14 proposed budget would have the following impacts to County residents, programs and services:

HEALTH SYSTEM

Affordable Care Act Expansion—addresses three major components of the Affordable Care Act (ACA) that will affect the State's Medi-Cal program: 1) the effects of mandatory expansion for existing eligibles; 2) possible options for the optional expansion coverage group; and 3) effects on individuals between 138 and 200 percent of the federal poverty level (FPL) who are moving between Medi-Cal and private coverage subsidized through California Covered (the new name for California's Health Benefit Exchange).

The budget sets forth two possible paths for expanding Medi-Cal eligibility to the non-disabled, childless adult population up to 138% FPL—a State-based option and County-based option. Under the State-based option, the State would offer a standardized, statewide benefit package comparable to that available today under Medi-Cal with the exclusion of long-term care coverage. This option would require a discussion with counties regarding the funding (potentially 1991 Realignment dollars) and delivery of services, including a Realignment-related discussion of what additional programs the counties would assume funding responsibility for (specifically subsidized child care) if the State assumes a greater share of health care costs. The State would also want to capture some portion of county savings and continue to use those funds to pay for health care coverage for those who were previously covered under medically indigent programs. The County-based option would build on the current Low Income Health Programs (LIHPs) operating in 51 counties and require that counties maintain responsibility for medically indigent health care services. It would also require that counties take on new statewide eligibility requirements and offer a minimum set of health benefits for the new expansion group.

The Health System does not accept that these are the only two policy choices and believes that both proposals are inherently problematic. In addition, the Department does not believe that counties will realize the Section 17000 savings assumed by the Administration and that it is far too early to know what the net financial effects of the ACA will be on counties. The Department is currently working through CSAC to oppose the Administration's framing of this issue and to provide alternative implementation policy ideas for the expansion.

In-Home Supportive Services—proposes to restore the 3.6 percent across-the-board reduction to IHSS hours that was applied in February 2011. The budget proposes a 20 percent across-the-board reduction in IHSS recipient hours effective November 1, 2013, which has been stayed by the courts since December 2011. There are exemptions to the 20 percent reduction in hours through the Supplemental Care program; however, the process for obtaining the exemption requires a great deal of IHSS staff time. There are currently 3,526 active IHSS clients and staff estimates that 80 percent of them could be exempt from the 20 percent reduction in hours.

Coordinated Care Initiative—proposes to move the implementation date for the 8 initial counties from March 2013 to September 2013. Under the new start date, the County's enrolment of dual eligibles (those eligible for both Medi-Cal and Medicare) would occur all at once.

HUMAN SERVICES AGENCY

2011 Realignment—projects that 2011 Realignment revenues (1.0625 percent of sales tax and 0.5 percent of Vehicle License Fees) will grow by approximately 7.2 percent in FY 2013-14. The Department estimates an increase of approximately \$1 million in Realignment revenues, including the restoration of Child Welfare Services funding cut in prior years.

Children and Family Services—assumes a downward trend in foster care caseloads; however, the County is currently seeing growing caseloads. It is believed that the high cost of living in the County could be an additional stressor on already fragile families and contributing to the increased caseloads.

CalWORKs—proposes no significant programmatic changes to the structure of the program in FY 2013-14. The budget includes a caseload reduction of .08 percent offset with increased funding for employment services. The County is expected to receive approximately \$825,000 in Single Allocation funding depending on distribution methodologies. This new funding will allow the Department to focus on ensuring that more clients fulfill their Work Participation Rate requirement.

Child Care—holds total funding for childcare relatively flat with a small increase in CalWORKs Stage One. For the County this would be an increase of about \$180,000.

The proposed budget reduces Stage Two funding due to a projected client migration from Stage Two to Stage Three and increases Stage Three by approximately the same amount. The Department is currently working with childcare providers to better understand the impact of the proposed changes in funding between the stages and the local impact to working families.

Cal-LEARN—proposes to fully fund at FY 2010-11 levels, increasing the County's allocation by approximately \$40,000 from \$117,000 to \$157,000.

Medi-Cal Administration—proposes small increases for FY 2013-14. The County's allocation could grow by \$400,000. The proposed State Budget makes no mention of the start-up costs that counties will incur for implementation of ACA. The Department is estimating that between 10,000 and 15,000 households will seek health insurance beginning in October 2013.

The proposed State Budget increases funding to counties for the transition of children from the Healthy Families program to Medi-Cal, as well as case management and

intake activities. The Department estimates it could receive an additional \$500,000 in state funding for these activities.

Supplemental Security Income/State Supplementary Payment (SSI/SSP)

Program—proposes to pass through federally required cost-of-living adjustments to both grants. The grant increases would become effective December 31, 2013 and January 1, 2014. The combined COLA's would result in a maximum SSI/SSP grant increase of \$20 for individuals and \$30 for couples in 2013-14.

2011 PUBLIC SAFETY REALIGNMENT

AB 109 Implementation—reiterates the Administration's commitment to public safety realignment (AB 109) and does not make any changes to the current realignment funding formulas. Estimates \$77.3 million in growth to the statewide community corrections subaccount in 2012-13. Growth dollars for FY 2012-13 will be distributed to counties in September of this year.

The proposed budget provides a third round of planning grants to community corrections partnerships (CCPs). These grants, budgeted at \$7.9 million statewide and administered through the Board of State and Community Corrections, are intended to support counties' ongoing realignment implementation efforts through the work of the CCPs. It is expected that planning grants will be conditioned upon receipt of certain information about local AB 109 plan implementation. The proposed State Budget does not include funding in FY 2013-14 to support statewide realignment training efforts.

The January Budget proposes an augmentation of \$4 million in grants to city police agencies for front-line intervention services, for a total of \$24 million in 2011-13, and a proposed \$27.5 million in 2013-14 statewide. San Mateo County is estimated to receive approximately \$202,963 in 2012-13. The funding formula for 2013-14 has not been set and discussions continue with the Administration and Department of Finance on the specific allocations and formula.

PROBATION

Senate Bill 678 Funding—appropriates \$35.8 million in 2013-14 as compared to \$136 million in FY 2012-13 and makes no changes to current formula. The County received \$1.4 million in SB 678 incentive funds in FY 2012-13 and the Department is unclear as to continued state support for the goals of SB 678. The Chief Probation Officers of California and others are currently in discussions with the Administration and the Legislature regarding their concern about the current formula post-realignment and continuing county efforts to support the intent of the legislation.

CHILD SUPPORT SERVICES

Local Child Support Administration (LCSA)—restores LCSA basic administration and child support collections funding to counties. The County's share of basic

administration funding is approximately \$267,000 and \$400,000 in child support collections funding. It is anticipated that Child Support Automation costs will be held flat at FY 2012-13 levels.

STATE MANDATES

The January Budget proposes to suspend four mandates with recently determined statewide costs estimates totaling \$103.8 million in 2013-14 including: 1) Modified Primary Election; 2) Domestic Violence Background Checks; 3) Permanent Absentee Voter II; and 4) Identity Theft.

Additionally, five mandates that have been determined to be reimbursable by the Commission on State Mandates, but have not yet gone through the full Commission process to determine parameters and guidelines or statewide cost estimates, have been suspended. These include: 1) California Public Records Act; 2) Local Agency Ethics; 3) Tuberculosis Control; 4) Interagency Child Abuse and Neglect Investigation Reports; and 5) Voter ID Procedures. The budget notes that these activities are best practices that local agencies should be providing as a matter of course.

The proposed budget continues to provide \$48.4 million for mandates that remain in effect, primarily in the areas of public safety and property tax collection. All previously suspended mandates will remain suspended.

PERFORMANCE MEASURE(S):

Measure	FY 2012-13 Actual	FY 2013-14 Projected
Federal/State Measures analyzed and acted on	57	100

FISCAL IMPACT:

Overall, the proposed FY 2013-14 State Budget would hold funding steady for most health and human service programs that have experienced deep cuts over the last several fiscal years. Funding for several programs in the human services area has also been restored and/or increased to accommodate recent programmatic changes. There are several big unknowns, specifically the Administration's plans to implement the Affordable Care Act and the fiscal impact this will have on counties, as well as proposed changes to the state's education funding formula which could alter the County's receipt of Excess ERAF revenues in future years.

RECOMMENDATION:

B) Adopt a Resolution approving the 2013 Legislative Session Program for San Mateo County

BACKGROUND:

The 2013 Legislative Session Program for San Mateo County articulates the state and federal legislative priorities for the County in the coming year. These priorities, in combination with standing positions and policies taken by the Board of Supervisors, guide the County's legislative advocacy efforts.

DISCUSSION:

In the current legislative session, County advocacy efforts will be focused on: 1) ensuring the preservation of Excess ERAF revenues; 2) securing Senate Bill 1022 jail construction and program funds for the building of the County's men's and women's replacement jail facility; and 3) maximizing federal, state and local funding to ensure that all children in the County receive quality child care.

Approval of this Resolution contributes to the Shared Vision of 2025 of a Collaborative Community by providing a basic policy framework on a range of legislative proposals, priorities and policies approved by the Board of Supervisors and that guide County advocacy efforts. The resolution has been reviewed and approved as to form by County Counsel.

PERFORMANCE MEASURE(S):

Measure	FY 2012-13 Actual	FY 2013-14 Projected
Federal/State Measures analyzed and acted on	57	100

FISCAL IMPACT:

None.

RECOMMENDATION:

C) Adopt a Resolution waiving the Request for Proposals (RFP) process and authorizing the County Manager to execute an agreement with Political Solutions, LLC for state advocacy services for the term of January 1, 2013 through December 13, 2013, in the amount of \$157,500

BACKGROUND:

Since May 2009, after a request for proposals, your Board authorized the County Manager to contract with Political Solutions, LLC for state advocacy services. Since then, your Board has renewed the County's contract with Political Solutions, LLC on an annual basis.

DISCUSSION:

Political Solutions, LLC has very successfully served as the County's state legislative advocacy firm for over three and a half years. Given the County's continuing funding challenges, staff recommends maintaining the current contract amount of \$157,500, or \$13,125 per month, for advocacy services in 2013.

Approval of this Resolution contributes to the Shared Vision 2025 of a Collaborative Community by ensuring that the interests of the residents of San Mateo County are effectively represented in the State capitol. The Resolution has been reviewed and approved by County Counsel as to form.

PERFORMANCE MEASURE(S):

Measure	FY 2012-13 Actual	FY 2013-14 Projected
Federal/State Measures analyzed and acted on	57	100

FISCAL IMPACT:

The total cost to the County will be \$157,500 per year, \$13,125 per month. Funding was included in the FY 2012-13 County Budget.