

X INFORMATION

TAB SECTION: 4

___ ACTION REQUIRED

DATE OF MEETING: 5/15/14

PREPARED BY: Best/Hoffman

DATE MATERIAL PREPARED: 5/14/14

AGENDA ITEMS: Discuss State Budget Update (Governor's Budget May Revision) and Potential Policy Implications

ENCLOSURES:

OTHER MATERIAL RELATED TO ITEMS:

Presentation:

The Governor's Budget, reflecting a modest surplus as a result of a temporary windfall in capital gains tax revenues, laid out a multiyear plan that was balanced, paid down budgetary debt from past years, saved for a rainy day, and increased spending for education, the environment, public safety, public works, affordable health care, and CalWORKs.

Under this May Revision, state revenues are forecast to increase by \$2.4 billion. Nevertheless, the costs of health care, drought, and other programs have increased by essentially the same amount.

This May Revision maintains the Governor's Budget principle of paying down debt and reducing long-term liabilities. After years of discussion, the May Revision finally proposes a plan to shore up the teacher pension system.

California also increased the mental health and substance use disorder benefits available through Medi-Cal, at a General Fund cost of \$191.2 million in 2014-15. The May Revision also includes \$187.2 million General Fund for managed care rate increases in 2014-15.

Katie A. Settlement/Administrative Costs: The May Revision includes \$2 million (\$600,000 General Fund in the DHCS budget and \$400,000 General Fund in the DSS budget) as a placeholder for potential county administrative costs associated with semi-annual progress reports requirements under the Katie A. v. Bonta settlement agreement. The settlement concerns the improvement of mental health and supportive services for children and youth in, or at imminent risk of placement in, foster care in California. Proposition 30 (2012) requires the state to fund newly required activities that increase overall county costs in realigned programs. The settlement was reached prior to the passage of Proposition 30, but there may be new administrative activities that increase county costs. This funding will require further discussion with the Administration to determine if overall costs increased.