

X INFORMATION

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DATE OF MEETING: 7/06/11

PREPARED BY: Hoffman/Hood/ Lee DATE MATERIAL PREPARED: 6/30/11

AGENDA ITEMS: Discuss State Budget Update

ENCLOSURES:

OTHER MATERIAL RELATED TO ITEMS: None

Budget Update:

As prepared by Mental Health America California

On Monday, June 27, 2011 a new State Budget deal was announced that will soon be voted on in the Legislature.

Here is what we know so far, more details to come.

The realignment of mental health, alcohol and drug, and child welfare as part of a public safety realignment will be funded through existing state sales tax revenues being dedicated to counties much like the original 1991 mental health realignment. It is not expected to earmark funds for mental health directly; but, it will require counties to ensure that they comply with federal entitlements and requirements. It is not clear how it will allocate funds among counties and how it will provide assurances that it meets Prop 63 requirements of mental health funding maintenance of effort. We don't yet have any details beyond what is stated.

In other terms, it maintains most of the package passed and vetoed nearly two weeks ago.

The new budget rejects some parts of that package including:

- \$1.2 billion from selling state buildings
- \$900 million from raising a quarter-cent local sales tax
- \$1 billion from First 5 commissions
- \$500 million cut in local law enforcement grants
- \$700 million in federal funds for Medi-Cal errors

It adds the following:

- \$4 billion in higher revenues in 2011-12 with triggered cuts
- 1.06 percentage point sales tax swap that redirects money to local governments for the public safety realignment and accepts that the state sales tax rate will still fall 1 percent on July 1.

The \$4 billion "trigger" plan requires Department of Finance to certify in January whether the \$4 billion projection is accurate. The "trigger" cuts are essentially in three tiers, based on how much of the extra \$4 billion comes in.

Tier 0: If the State gets \$3 billion to \$4 billion of the money, the State will not impose additional cuts and roll over any balance of problem into the 2012-13 budget.

Tier 1: If the State gets \$2 billion to \$3 billion of the money, the State will impose about \$500 million of cuts and roll over the remainder into the 2012-13 budget. The \$500 million in cuts include a \$100 million cut to UC, a \$100 million cut to CSU, a \$100 million cut to corrections and a \$200 million cut to Health and Human Services (believed to all be In Home Support Services).

Tier 2: If the State gets \$0 to \$2 billion of the money, the State will also impose up to \$2 billion in additional education cuts.