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TAB SECTION: 3

X ACTION REQUIRED

DATE OF MEETING: 5/23/11

PREPARED BY: Hoffman/Hood/ Lee

DATE MATERIAL PREPARED: 5/20/11

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

**ENCLOSURES:** Draft FY 2011-12 Governor's Budget Overview May Revise

**OTHER MATERIAL RELATED TO ITEMS:** None

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**Issue:**

- Discuss State Budget Update on Governor's Budget May Revision
- Discuss Potential Policy Implications of Governor's Budget May Revision
- Chair's Update Regarding the MHSOAC Principles Paper adopted at the February 16, 2011 Commission Meeting

**Background:**

The Governor's Fiscal Year (FY) 2011-12 Budget Proposal, released January 2011, projected a budget gap of \$25.4 billion. In March 2011, the Legislature passed and the Governor enacted \$10 billion in spending reductions and \$3.4 billion in other solutions. In May 2011, the Governor released his revised budget proposal, also known as May Revise, which identifies an unsolved \$10.8 billion general fund deficit. This amount includes a remaining \$9.6 billion shortfall and a \$1.2 billion reserve fund.

Proposition 63:

- With the enactment of AB 100 in March 2011, the Legislature shifted \$861 million in Mental Health Services Funds on a one-time basis to backfill general fund expenditures in:
  - Early and Periodic Screening, Diagnosis, and Treatment program (EPSDT): \$579 million,
  - Medi-Cal Mental Health Managed Care: \$183.6 million, and
  - AB 3632: \$98.6 million.
- AB 100 also lowered the cap for state administrative support from 5% of the total deposits to 3.5%. Also in March 2011, the Legislature proposed \$22 million for state positions and community-based contracts. This amount is estimated to be \$10.9 million less than the newly adopted 3.5% state administrative cap.

The Chair will discuss potential policy implications regarding the Governor's Budget as identified by the Funding and Policy Committee Members.

The Chair will discuss proposed language changes to the MHSOAC Principles Paper adopted at the February 16, 2011 Commission Meeting.

**Proposed Motion:**

**Adopt the Report of Governor's Budget May Revision**