

**DRAFT FY 2011-12 Governor's Budget Overview  
May Revise**

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. The Governor proposes closing the remaining shortfall through the following general categories:

Expenditure Cuts:	\$2.2 billion
Revenues:	\$9.3 billion
<u>Other Solutions:</u>	<u>-\$0.7 billion</u>
Total Solutions:	\$10.8 billion

Tax receipts through April 2011 exceeded the January 2011 projections by \$2.5 billion. Estimates anticipate that receipts will exceed the January 2011 projections through June 2012 with a net revenue gain of \$6.6 billion.

Even with the increased projected revenues, proposed revenue extensions, and billions in spending reductions, the Governor projects an ongoing, structural deficit of approximately \$10 billion annually.

**Budget Solutions Impacting Mental Health**

The Governor's May Revise proposes the following budget solutions impacting mental health:

*Prop 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.

*Department of Mental Health:*

- Proposes the elimination of the Department of Mental Health (DMH) by FY 2012-13.
- Transfers responsibility for EPSDT and mental health managed care to the counties.
- Transfers administration of Medi-Cal Community Mental Health to the Department of Health Care Services.

*Department of State Hospitals*

- Creates a Department of State Hospitals to administer the mental health inpatient services currently provided by the DMH.

*AB 3632:*

- Continues the enacted one-time shift of Mental Health Services Funds to fund these residential and mental health services for special education pupils FY 2011-2012 while proposing the transition of the program from the counties to school districts. After FY 2011-2012, AB 3632 would be placed within a re-benched Prop 98 guarantee.

**MHSOAC Operations**

Below summarizes the FY 2010-11 and 2011-12 impacts for the MHSOAC.

Personnel Years			Expenditures		
FY 10-11 Budget Act	FY 11-12 Jan Budget	FY 11-12 May Revise	FY 10-11 Budget Act	FY 11-12 Jan Budget	FY 11-12 May Revise
20.9	20.9	20.9	\$5,408,000	\$4,529,000	\$5,529,000

The FY 2010-11 budget included a reduction of \$181,000 due to adjustments for employee compensation, healthcare contributions, retirement and an additional 5% in salary savings. The FY 2011-12 January budget proposed a reduction of \$879,000. This reduction reflected the one-time FY 2010-11 funding of \$1,000,000 for evaluation activities and \$60,000 in adjustments to employee compensation and the additional 5% in salary savings. The FY 2011-12 May Revise would restore the \$1,000,000 for evaluation activities while retaining the prior proposed adjustments.