

| <b>Significant County Impacts: Governor's 2010-11 Proposed Budget</b> |   |   |
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| <b>Proposal</b>   | <b>Summary</b>  | <b>Fiscal Impact</b>  |
| Felons to jail, not prison.   | By changing sentencing statutes, offenders convicted of specified non-serious, nonviolent, non-sex felonies including drug possession could be incarcerated for up to one year in local jails rather than state prison. More than 30 counties already are operating jails within a population cap. Proposal to shift state's prison overcrowding problem to crowded local jails will be difficult – if not impossible – to manage.  | Proposal assumes a state savings of \$291.6 million annually; unknown but significant county fiscal impact. |
| Reducing state placement option for juvenile offenders.               | By reducing the age jurisdiction of the Division of Juvenile Justice (DJJ) from 25 to 21, the state would achieve \$41.3 million in DJJ savings in addition to \$6.7 million in Proposition 98 savings attributable to the population reduction that would result. The state also proposes to reduce the use of time-adds to juvenile offenders sentences. Certain of the juveniles who “age out” would be transferred from DJJ detention facilities to state prison; some – who are not eligible to serve time in adult institutions – would return to their communities. The proposal could result in more proceedings in adult criminal court for juveniles. | More than \$40 million savings to the state; unknown local impact.  |
| CalWORKs reductions.  | The Governor proposes to reduce CalWORKs grants by 16 percent, reduce child care provider reimbursements, and eliminate benefits to legal immigrants who have been in the U.S. less than five years (24,000 people). The proposals threaten the success of the program in moving families to self-sufficiency, push families into deeper poverty and shift costs to counties. Disinvestments in CalWORKs will have broad economic impacts across both the private and public sectors.   | Proposal assumes \$141.6 million in savings if cut effectuated in June 2010.                                |

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| Eliminate immigrant assistance.                       | The Governor proposes to eliminate the Cash Assistance Program for Immigrants (CAPI), which impacts 12,000 seniors and persons with disabilities. In addition, the Governor proposes to eliminate the California Food Assistance Program (CFAP), impacting 22,000 individuals. Another 24,000 persons would lose CalWORKs assistance under the Governor's budget. Many of these individuals would become eligible for county general assistance programs.  | The budget proposes to eliminate the CAPI program effective June 1, 2010 for savings of \$8.1 million General Fund in the current year and \$107.3 million General Fund in 2010-11. The budget proposes to eliminate the CFAP effective June 1, 2010 for General Fund savings of \$3.8 million in 2009-10 and \$56.2 million General Fund in 2010-11. Potential impact on counties in the tens of millions. |
| New county share of cost for children's programs.     | The Administration proposes redirecting the county "savings" created by reductions to the CalWORKs and IHSS programs. These program reductions will create \$505.5 million in county savings; in turn, the state would decrease state General Fund expenditures for children's programs and impose an increased county share of cost for Foster Care, Adoptions Assistance, and Child Welfare Services. The Administration's language provides no stop-gap if sufficient funding via savings fails to materialize for these woefully underfunded programs. | Counties would assume \$505.5 million in new shares of costs. Under the proposals the new shares of cost would be: Foster Care: 25% state/75% county (currently 40% state/60% county) Adoptions: 41% state/59% county (currently 75% state/25% county) CWS: 30%state/70%county (currently 70% state/30% county)   |
| Eliminate Substance Abuse Offender Treatment Program. | The Governor proposes to zero out funding (\$18 million) for the Substance Abuse Offender Treatment Program. No support for Proposition 36 is provided for in the Governor's proposed budget. The statutory requirements for treatment remain in effect, meaning that counties will be required to provide services at their own cost.   | \$18 million direct impact to counties.   |

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| Redirect Proposition 63 (Mental Health Services Act) funds. | The Governor also proposes to place another ballot measure before voters in June 2010 to redirect \$452.3 million in Mental Health Services Act funds to mental health programs currently supported with General Fund resources. This will eliminate current programming at the local level for community mental health.   | Shift of \$452.3 million to existing state General Fund programs from local community programs.                                     |
| In-Home Supportive Services wage participation cut.         | The Governor proposes to reduce wages to minimum wage for a savings of \$115 million. There is no proposed change to the statutory collective bargaining mandate. Counties would be responsible for the full cost of wages above minimum wage if they continue to pay wages at current levels.   | Savings of \$26.5 million General Fund in the current year and \$338.2 million General Fund in 2010-11. Unknown impact on counties. |
| Medi-Cal proposals.   | The Governor's proposed budget outlines a \$750 million General Fund reduction for the implementation of cost containment strategies. Though there is little detail on the proposal, the Administration describes increased cost sharing through co-payment requirements and/or premiums. Co-payments proposals will shift costs to county hospitals and clinics. In addition, the proposal to eliminate full-scope Medi-Cal for certain immigrants (\$118 million General Fund savings) will also shift costs to county providers | Hundreds of millions of savings to the state General Fund. Potential impact on counties in the tens of millions of dollars.         |

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|---------------------------|--|---|
| Transportation fund swap. | <p>The Governor proposes to eliminate the sales tax on gasoline and diesel. As a replacement for the sales tax elimination, the Governor proposes to institute a 10.8-cent excise tax on gasoline (Highway User Tax Account or HUTA) for allocation of \$629 to the STIP, \$629 to local streets and roads and \$603 million to the general fund for transportation bond debt service. This increase falls short of being revenue neutral by approximately \$976 million, or the equivalent of a 5-cent per gallon tax cut in the initial year. The proposal would allow the State to increase the gas tax up to 5-cents for increasing debt service, but it is unclear how revenue available beyond the debt service obligation would be distributed.</p> | <p>Based on the very limited data available, no specific dollar amount can be identified with respect to the long-term loss for transportation funding under this scenario. However, comparing growth rates for both Prop 42 and HUTA demonstrates how the proposal negatively affects transportation funding: From 2003-04 through 2007-08, Prop 42 grew on average approximately 4%, whereas during the same period HUTA only grew by 1%.</p> |