



Highlights of the Governor's 2010–11 May Revision

May 14, 2010

TO: CSAC Board of Directors
County Administrative Officers
CSAC Corporate Associates

FROM: Paul McIntosh, CSAC Executive Director
Jim Wiltshire, CSAC Deputy Executive Director

RE: **Budget Action Bulletin #4**

This afternoon, a very somber Governor Arnold Schwarzenegger unveiled the final May Revision of his governorship. While the 2010-11 budget revision provides increases to higher education and spares the judicial branch and some other areas from additional cuts, the Governor's proposal would decimate the social safety net, particularly community mental health services and CalWORKs. The Governor's budget proposes no new taxes or significant new revenue proposals. It relies primarily on spending reductions (\$12.4 billion) and assumed receipt of federal funds.

In his comments just preceding the release of the budget document, the Governor made clear that he would only sign a budget that contains major budget and pension reforms. In the Governor's words, there are no more low-, medium-, or high-hanging fruits. Only tough decisions remain. He urged the Legislature to work in a bipartisan fashion to deliver an on-time budget.

Reaction from the Capitol was swift. The Republican caucuses indicated that the Governor's budget was a good starting point for discussion, given that it takes into account the state's fiscal reality and that it holds the line against new taxes. The response from Senate Democrats was especially critical and offered alternatives to the draconian proposals such as the elimination of corporate tax loopholes and potential realignment of state responsibilities to local government. (Please see CSAC's initial reaction to the Governor's budget revisions in the attached press release.)

This document attempts to summarize the Governor's revised budget proposals based on the written materials, various briefing calls by the Administration, and press accounts. However, because today was a Furlough Friday for state employees, supplemental detailed document from state departments was not available. CSAC will provide more information as we learn it.

STATEWIDE ISSUES

The purpose of the May Revision is to update the Governor’s January budget proposal based on actual revenues, as opposed to projected revenues, through the major tax season. After the May release, the Constitution gives the Legislature a month to adopt a budget, though they often seem to take a bit longer than this.

This year, due to updated revenue estimates and the changes adopted earlier this year in the Special Session, the Governor calculates a total deficit of \$19.1 billion. Of that imbalance, \$7.7 billion (40%) is due to the current year, \$10.2 billion (53%) accrues to the budget year, and \$1.2 billion (6%) is to build a reserve.

Changes in the Budget Gap (in billions)

Projected Shortfall in January Budget Proposal	-\$19.9
Special Session Solutions	\$1.4
Achieved Federal Funds	\$0.7
Revenue Decline	-\$0.6
Cost Increases	-\$0.5
Increase in Reserves	-\$0.2
Total Budget Solutions Proposed	-\$19.1

The Governor’s proposal relies mainly on cuts (\$12.4 billion, or 65%); the rest of the gap is bridged with federal funds (\$3.4 billion, or 18%), and fund shifts and other “revenues” (also \$3.4 billion, or 18%).

Proposed Budget Solutions (in millions)

	January Budget Proposal	May Revision	Total	Percent
Expenditure Reductions	\$5,844.5	\$6,523.4	\$12,367.9	64.6%
Federal Funds	\$1,967.9	\$1,414.1	\$3,382.0	17.7%
Alternative Funding	\$1,025.9	\$252.4	\$1,278.3	6.7%
Fund Shifts & Other Revenues	\$477.1	\$1,636.5	\$2,113.6	11.0%
Total	\$9,315.4	\$9,826.4	\$19,141.8	

Counties will recall that the Governor’s January budget proposal assumed \$6.9 billion in various federal funds; if this money failed to materialize, it would trigger the elimination of or dramatic funding reductions for various programs. Since he could only muster promises for about \$3.7 billion during his trip to Washington, DC earlier this year, some trigger cuts are now real proposals. You can find them detailed in the Health and Human Services section of this document.

Regardless of the details of this year’s final budget, the size of government in California has dropped precipitously over the past several years, by any measure. General Fund spending has dropped from a high of nearly \$105 billion in 2007-08 to a proposed \$83.4 billion in 2010-11, and, after adjusting for inflation and population growth, the General Fund is significantly below spending levels of the late 1990s. Special funds, not represented in the charts above, are proposed to receive \$26.5 billion and spend \$30.9 billion.

General Fund Revenue Sources – Change from 2009-10
(in millions)

	2009-10	2010-11	\$ Change	% Change
Personal Income Tax	\$44,021	\$46,245	\$2,224	5.1%
Sales Tax	\$26,852	\$26,967	\$115	0.4%
Corporation Tax	\$9,386	\$9,779	\$393	4.2%
Motor Vehicle Fees	\$1,416	\$1,503	\$87	6.1%
Insurance Tax	\$2,027	\$1,967	-\$60	-3.0%
Estate Taxes	-	\$892	\$892	∞%
Liquor Tax	\$332	\$354	\$22	6.6%
Tobacco Taxes	\$99	\$97	-\$2	-2.0%
Other	\$2,388	\$3,647	\$1,259	52.7%
Total	\$86,521	\$91,451	\$4,930	5.7%

General Fund Expenditures by Agency
(in millions)

	2009-10	2010-11	\$ Change	% Change
Legislative, Judicial, Executive	\$1,828	\$2,905	\$1,077	58.9%
State & Consumer Services	\$510	\$599	\$89	17.5%
Business, Transportation & Housing	\$2,512	\$765	-\$1,747	-69.5%
Natural Resources	\$1,873	\$2,037	\$164	8.8%
Environmental Protection	\$71	\$65	-\$6	-8.5%
Health & Human Services	\$24,408	\$22,859	-\$1,549	-6.3%
Corrections & Rehabilitation	\$8,186	\$8,981	\$795	9.7%
K-12 Education	\$35,869	\$35,133	-\$736	-2.1%
Higher Education	\$10,570	\$11,794	\$1,224	-11.6%
Labor & Workforce Development	\$57	\$58	\$1	1.8%
General Government:				
Non-Agency Departments	\$497	\$588	\$91	18.3%
Tax Relief/Local Government	\$470	\$534	\$64	13.6%
Statewide Expenditures	-\$386	-\$2,914	-\$2,528	654.9
Total	\$86,465	\$83,404	-\$3,061	-3.5%

Not directly reflected in the charts above is that the Governor proposes to spend \$419.4 million less on borrowing costs, including a decrease of \$197.5 million less in debt service due to lower-than-expected General Obligation (GO) costs and reduced interest rate assumptions for future sales. The lower interest rates also resulted in significant savings for cash flow borrowing costs in both the current year (\$135 million) and the budget year (\$190 million).

CASH FLOW CONCERNS

The state will have sufficient cash to repay the current year's \$8.8 billion of Revenue Anticipation Notes (RANs) this month and next, but will of course have to secure new external financing early in the budget year. In the Special Session, the Legislature authorized various deferrals to aid the state's cash flow situation, but the Governor alludes to possibly requiring "additional cash solutions" to reduce the need for external borrowing. Director of Finance Ana Matosantos mentioned a potential cash problem in late summer that they are still working to identify and, if necessary, resolving. She reported that the Controller told the Department of Finance that they will have updated cash flow projections next week.

BUDGET REFORM

The Governor began his presentation of this updated budget proposal by stating that a budget should be a reflection of what California values most, and that it should safeguard the most vulnerable, but that this budget does neither. The reason he gave for that failure was the broken state of our budget system. Pointing out that if budget reform had been in place years ago the current deficit would be \$10 billion less, he boldly stated that he will not sign a budget without serious reforms to the budget system and to pensions.

WHAT'S BEEN PROPOSED

ADMINISTRATION OF JUSTICE

State and Local Corrections. The Governor proposes a range of changes to state/local corrections programs and services. These proposals would enable the state to achieve savings in the corrections budget, reduce the state prison population, share a portion of that savings with counties, and direct new responsibilities to the local level. These proposals are explained briefly below:

- **Detaining felony state inmates in county jails.** The Governor proposes a new program under which non-serious, non-violent, non-sex offenders sentenced to state prison terms of 36 months or less would serve their time in county jail. In exchange, counties would receive local block grant funding – derived from the savings the state would see from the reduction of state prison population – based on approximately \$11,500 for each inmate, which would be allocated for such purposes as probation programming, drug courts, and alternative custody. It is our understanding that the mitigating funding is not intended to fully cover the costs of the new detention responsibilities but to address the needs of jail detainees displaced by incoming state inmates. This proposal would provide the state with \$243.8 million in General Fund (GF) savings.
- **Transferring supervision of juvenile parolees to county probation departments.** The Governor proposes to give county probation departments the responsibility of supervising

state juvenile parolees released from the Division of Juvenile Justice (DJJ). Counties would receive \$15,000 annually per juvenile parolee, based on the average length of stay, to supervise this population.

Further, it is our understanding that the Governor is withdrawing the January budget proposal that would have revised the jurisdictional age in the DJJ from 25 to 21.

Funding for Local Public Safety Programs and Facilities. As counties will recall, the 2009-10 budget deal struck in February 2009 authorized a temporary increase in the Vehicle License Fee (VLF) and dedicated a portion of the increase to a range of local public safety programs previously supported through state GF appropriations. The Department of Finance estimates this public safety increment will reach \$416 million in the current year, more than \$80 million short of what historically was appropriated for such programs as rural and small county sheriffs grants, Citizens' Option for Public Safety (COPS), the Juvenile Justice Crime Prevention Act (JJCPA), Juvenile Probation and Camps Funding (JPCF), and alternative booking fee revenue, to name a few. The VLF increase lapses at the end of the 2010-11 fiscal year, and the Governor's May Revision proposes no changes to the funding mechanism in the current year.

However, the Governor's revised budget plan proposes to make a continuous appropriation of \$502.9 million, beginning in 2011-12 and going forward, from the state general fund for local programs (see page 2 of this [document](#) for a list), which would effectively bring funding back to its 2008-09 levels.

The Governor's May Revision proposes to increase lease-revenue bond authority by \$300 million for the construction of local youthful offender rehabilitative facilities.

Judicial Branch. There are several items within the judicial branch budget of interest to counties.

- **Court Security.** The Governor proposes to increase funding to the Trial Court Trust Fund by \$19 million, which will be dedicated to closing the court security funding shortfall. This increase would be achieved by imposing an additional \$15 court security fee on court users.
- **Automated Speed Enforcement.** The Governor continues to advance his Automated Speed Enforcement (ASE) proposal to offset general fund obligations to the trial courts. This proposal – which would give local governments the option of using red light camera technology to capture speed violators – was initially introduced as part of the Governor's January spending plan. In the May Revision, the revenue expected to be generated by the ASE proposal has been adjusted downward to \$206.1 million; further, the carve out of a portion of the ASE proceeds for court security has been abandoned, in favor of the court security fee increase. (For a full description of the Governor's January 2010 original ASE proposal, please see the CSAC Administration of Justice section of the February 5, 2010 [Legislative Bulletin](#).)

AGRICULTURE AND NATURAL RESOURCES

Williamson Act. The Governor's May Revision fails to restore the Williamson Act subventions. The proposed 2010-11 budget includes a token \$1,000 for Williamson Act subventions.

State Parks. Given his recent withdrawal of support for a plan to expand oil drilling off the California coast (Tranquillon Ridge), the Governor is no longer proposing to fund state parks from the revenues generated by the proposed Tranquillon Ridge oil lease. Consequently, the May Revision fully restores \$140 million GF to state parks in 2010-11.

Fish and Game. The May Revision reduces funding for the Department of Fish and Game habitat conservation and restoration programs by \$5 million. This reduction will impact marine protection, timber harvest plan review, and grants for fisheries restoration programs.

CAL FIRE. The May Revision augments the Department of Forestry and Fire Protection by \$124 million to reflect the loss of revenues from the delay in the enactment of the Emergency Response Initiative (ERI). As described in the May Revision Summary, the Governor's January Budget assumed the enactment of a 4.8 percent statewide surcharge on all residential and commercial property insurance by March 1, 2010, to fund state and local fire protection and emergency response activities. The May Revision assumes enactment of the ERI by July 1, 2010 and builds in \$76 million GF savings associated with its implementation.

Water Board. The Governor's May Revision proposes to reduce \$6.1 million from the State Water Resources Control Board's Basin Planning program and replaces that funding with Waste Discharge Permit Fee revenues.

GOVERNMENT FINANCE AND OPERATIONS

Elections. The Governor's May Revision continues to reimburse counties for the cost of conducting last year's special statewide election.

State Mandates. The May Revision also makes no substantive changes in the mandates section of the budget, except to the AB 3632 (Mental Health Services for Special Education Pupils) mandate. Please see the Health and Human Services for additional detail.

HEALTH AND HUMAN SERVICES

CalWORKs. The Governor proposes the outright elimination of the CalWORKs program on October 1, 2010, for a state savings of \$1.1 billion in 2010-11.

The CalWORKs program injects \$3.7 billion in federal TANF funds annually into the California economy, and 75 percent of recipients are children. If the program is eliminated, more than 540,000 families would seek County General Assistance. Counties are solely responsible for funding General Assistance, and could see a nearly \$2 billion increase in costs as a direct result of the elimination of CalWORKs.

Furthermore, the Governor continues to advocate for the CalWORKs reductions as proposed in his January budget – reducing monthly cash grant payments by 15.7 percent, reducing child care reimbursement rates, and eliminating the Recent Noncitizen Entrants program – to achieve even more state savings (\$488 million GF) before October 1.

Mental Health

- **Realignment Swap.** The Governor is proposing to eliminate \$602 million in Realignment funding for local mental health programs. Under this unorthodox proposal, the state would redirect Realignment funding from the Mental Health subaccount that is generated by sales tax to the Social Services subaccount.

This proposal will require a number of complicated statutory and regulatory changes, including state implementing legislation, changes to Realignment funding formulas, amendments to the state’s current Medicaid State Plan, and perhaps even some Medicaid Waivers.

Under this proposal, counties will be required to continue providing federally mandated mental health services, including inpatient services, physician services, crisis services, medication services, and Early Periodic Screening, Diagnosis, and Treatment (EPSDT) services. The Administration is considering county funding of Institutes for Mental Disease (IMDs) and state hospitals to be optional. Remaining mental health Realignment funds would be used to provide these federally mandated mental health services.

The \$602 million that would be shifted into the Realignment Social Services subaccount would be used to fund Child Welfare Programs (\$291 million) and Food Stamps Administration (\$311 million).

- **AB 3632: Mental Health Services for Special Education Pupils.** Please note that the Governor has proposed suspending the AB 3632 mandate to save \$52 million GF in 2010-11. In short, the state expects counties to provide only mental health services that are reimbursable through Medi-Cal, which draws down federal funding. Under federal law, responsibility to provide mental health services to special education services will fall back to schools.

Social Services Impacts of Redirecting County Savings and Mental Health Realignment Funds.

The May Revision proposes a total of \$961.4 million in GF savings resulting from the redirection of county savings from the (1) ARRA FMAP and Title IV-E ARRA increases in 2010-11; (2) the IHSS May Revision proposal (discussed below); and (3) mental health realignment funds to offset state costs and increase the county share of costs in Child Welfare Services (CWS), Foster Care, Foster Care Administration, Adoption Assistance Program (AAP), and Food Stamps. As a result of the redirections, the new sharing ratios are as follows:

ACTION

	Current sharing ratio (state/county)	Proposed sharing ratio (state/county)
Foster Care	40%/60%	20%/80%
Foster Care Administration	70%/30%	48%/52%
AAP	75%/25%	20%/80%
CWS	70%/30%	20%/80%
Food Stamps	70%/30%	19%/81%

The redirections include the following:

- \$102.4 million in county savings resulting from the ARRA FMAP and Title IV-E ARRA increases in the IHSS, Foster Care, and AAP programs will be redirected to offset state costs in Foster Care (\$60.2 million) and AAP (\$42.2 million).
- \$257 million in county savings resulting from the May Revision IHSS proposal to offset state costs in Foster Care (\$91 million), Foster Care Administration (\$6 million), and AAP (\$160 million).
- \$602 million in Mental Health Realignment funds will be redirected to offset state costs in CWS (\$291 million) and Food Stamps (\$311 million).

Child Welfare Services and Foster Care

- **Continuation of 2009-10 Veto.** The May Revision continues the 2009-10 \$80 million GF veto in children’s services programs. CDSS staff indicate that, like last year, the budget does not specify which particular programs should be cut or by how much.
- **Rate Increase for Group Homes.** The May Revision includes \$40 million in 2009-10 and \$69.6 million in 2010-11 to reflect the costs associated with the 32% group home rate increase resulting from the *California Alliance of Child and Family Services v. Cliff Allenby* court ruling. The May Revision also includes \$800,000 (\$400,000 GF) for a multi-year group home rate project to determine the appropriate rate structure for group home payments. The study would be completed in 2013, and will require a total of \$2.5 million (\$1.3 million GF) over the life of the project.
- **Eliminate Redirection of Proposition 10 Funding.** The January budget proposed GF savings of \$550 million through redirection of California Children and Families Act of 1998 (Proposition 10) funds to health and human services programs serving children administered by CDSS and the Department of Developmental Services. This proposal is not included in the May Revision.
- **Delay in Expanded Federal Eligibility for Foster Care.** The January budget assumed that the federal government would provide financial participation to all currently state-only foster care cases in 2010-11 resulting in GF savings of \$86.9 million. Although the Administration continues to pursue expanded federal eligibility for foster care, the savings are no longer assumed to occur beginning in 2010-11.

Child Care. The May Revision proposes to eliminate the remainder of state funding for need-based, subsidized child care except preschool, a reduction of \$1.2 billion. This proposal would

eliminate subsidized slots for approximately 142,000 children; \$594 million in federal funds would remain for 78,000 children.

In Home Supportive Services. The Governor is rescinding his January proposal to save \$637.1 million by limiting IHSS services to consumers with the highest level of need and reducing state participation to \$8 per hour in wages and \$0.60 per hour in health benefits. Instead, the Administration has said it will consult with stakeholders to develop specific IHSS cost-containment measures in time for July 1 legislative enactment to achieve this same level of savings.

Please recall that the state is still involved in litigation regarding previous attempts to limit state participation in wages and service levels.

Drug Medi-Cal. The Governor is proposing to eliminate all Drug Medi-Cal programs, except the Perinatal and Minor Consent programs. The state assumes \$53.4 million in savings if implemented by October 1. Drug Medi-Cal provides substance abuse treatment services for eligible Medi-Cal recipients.

Trigger Cuts. Please note that the Administration is rescinding the entire January proposal to trigger various cuts and revenues if \$6.9 billion in new federal funds do not materialize by July 15, 2010. The Governor withdrew the following cuts in the May Revision:

- Reduce Medi-Cal eligibility to the minimum allowed under current federal law and eliminate most remaining optional benefits for adults.
- Eliminate the In-Home Supportive Services (IHSS) program.
- Eliminate the Healthy Families Program.
- Eliminate the state funding for the Transitional Housing Placement for Foster Youth-Plus Program.

Medi-Cal. The following are the significant new proposals in May.

- **Cost Containment.** The Administration provides detail on its Cost Containment Proposal, which saves \$1.4 billion (\$523 million GF). Please note that the following policies require a state Medicaid plan amendment or federal waiver:

Limit services and establish utilization controls (\$90.2 million General Fund), including:

- Eliminating certain over-the-counter drugs (such as acetaminophen or cough and cold medicine) and nutritional supplements, \$13 GF million.
- Establishing a maximum annual benefit dollar cap on hearing aids at \$1,510, durable medical equipment at \$1,604, incontinence supplies at \$1,659, urological supplies at \$6,435 and wound care supplies at \$391 million (\$3.8 GF million total savings).
- Limiting prescriptions, except life-saving drugs, to six per month (\$4.2 million savings GF).
- Limiting the number of physician or clinic visits to 10 per year (\$69.2 million GF). Ninety percent of Medi-Cal enrollees already have 10 or fewer visits per year.

Increase beneficiary cost sharing, including:

- \$5 co-payments on physician, clinic, and dental visits and pharmacy (\$3 for the lower cost preferred drugs and \$5 for others), \$118.2 million GF savings. Provider rates will be decreased by the amount of the co-pays. The Administration will be pursuing a federal waiver to give these providers the option of serving beneficiaries if they are unable to pay the co-pay (refusal of services is prohibited by federal law, thus the need for the waiver).
- \$50 co-payment on emergency room visits, \$41.5 million GF savings. Provider rates will be decreased by the amount of the co-pays. Hospitals will be required to provide serve regardless of whether the co-payment is made.
- \$100 per day co-payment and \$200 maximum rate for hospital stays, \$59.1 million GF savings. Provider rates will be decreased by the amount of the co-pays. Hospitals will be required to provide services regardless of whether the co-payment is made.

Additional \$213.7 million in savings, including:

- Enrolling seniors and persons with disabilities into Medi-Cal managed care, \$137.3 million GF savings.
 - Reducing radiologist rates to 80 percent of Medicare rates, \$10.5 million GF savings.
 - Freezing hospital rates at the current level, \$64.9 million GF savings. This does not affect the designated public hospitals.
 - No longer paying Medicare Part B premiums for beneficiaries whose income exceeds the Medi-Cal eligibility threshold by less than \$500 per month, \$1 million GF savings.
- **County Administration.** The Governor is proposing to decrease county administration of Medi-Cal by \$44 million GF via a change in the methodology used to determine funding growth.
 - **Federal Medical Assistance Percentage (FMAP).** Rescind the prior proposal to raise California's base Federal Medical Assistance Percentage from 50 to 57 percent. \$1.8 billion was put into the budget to account for this change.
 - **Federal Flexibility.** The Administration assumes savings of \$1.6 billion from additional federal flexibility or support in a number of targeted areas including:
 - Federal reimbursement for the cost of incarcerating undocumented immigrant felons
 - Funds owed to state for incorrect Medicare disability determinations
 - Recalculation of state Medicare Part D clawback payments
 - Possible General Fund relief through the new comprehensive Medicaid Section 1115 Financing Waiver.
 - **Medicare Clawback Payments.** The budget reflects an additional \$447 million in 2009-10 and \$10 million in 2010-11 in federal funds. The federal government decided to apply enhanced ARRA funding to the Medicare clawback payments, which is in addition to the \$225 million in 2010-11 in savings reflected in the January budget.

- **Additional ARRA Funding for Medicaid.** The Administration revised its original estimate of a six-month extension of ARRA funds for Medicaid. The Administration originally estimated \$1.5 billion in savings; it is now estimating \$1.2 billion in savings.
- **Hospital Fees.** The Administration is proposing a two-quarter extension of the AB 1383 (Chapter 627, Statutes of 2009) hospital fee through 2010-11 to conform to expected extension of ARRA. As such, the state anticipates an additional \$160 million in federal funds to offset general funds.
- **Proposition 99.** The Administration is proposing to use \$11.3 million in Proposition 99 tobacco tax funds for Medi-Cal rather than an asthma education program (\$1.3 million) and Expanded Access to Primary Care clinics (\$10 million).

Healthy Families Program

- **Eligibility.** The Administration is proposing to rescind its proposal to reduce eligibility for children in families from 200 to 250 percent of the federal poverty level.
- **Premiums.** The Administration is proposing to increase monthly premiums for families with incomes from 200 to 250 percent of poverty by \$18 per child (\$54 maximum per family with 3 or more children). This would increase the current premium from \$24 to \$42 per child, and the family maximum from \$72 to \$126.
- **Co-payments.** The Administration is proposing to increase copayments for emergency room visits from \$15 to \$50 (\$2.5 million GF savings) and adding co-payments on hospital inpatient services of \$100 per day with a \$200 maximum (\$0.7 million GF).

HOUSING, LAND USE AND TRANSPORTATION

The Governor's May Revision does not propose any further cuts to transportation. The transportation tax swap and local Highway Users Tax Account (HUTA) deferrals adopted by the Legislature in March to address the budget deficit and cash flow problem, respectively, make up a significant contribution from the transportation sector. It appears as though the average \$1 billion a year that transportation committed to state General Fund relief for debt service on the transportation bonds and the \$450 million generated from nine months of local HUTA deferrals, which began in March, have helped to protect transportation funding from further changes in the May Revision.

The May Revision does propose to borrow \$650 million in HUTA to be repaid in June 2013. However, this is a one-time loan and represents the \$650 million that was left unallocated in the swap when the Legislature rejected the Governor's proposal for a 5-cent gas tax reduction. This action would not result in reductions to any transportation programs as this was left uncommitted in the swap proposal.

WHAT YOU SHOULD DO

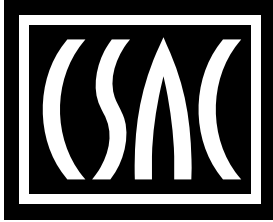
We ask that counties evaluate the entirety of the Governor's revised spending plan and prepare to help CSAC tell the story of the impacts on the vital services counties provide to our citizens. As CSAC further develops its analysis and gets a better read of where discussions will go from here, we will be reaching out to counties for their assistance in delivering our message in your board rooms, in your communities, and in Sacramento.

WHAT'S GOING TO HAPPEN NEXT

Budget subcommittee hearings will begin late next week to consider the Governor's proposals and, based on reaction already coming out of the Capitol, likely will also hear some alternatives to the May Revision. We will keep you advised on the proceedings in Sacramento in the days and weeks to come.

STAY TUNED FOR THE NEXT BUDGET ACTION BULLETIN!

*If you would like to receive the Budget Action Bulletin electronically, please e-mail
Amanda Yang, CSAC Legislative Assistant, at ayang@counties.org.
We're happy to accommodate you!*



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FOR IMMEDIATE RELEASE

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Governor's May Revise an Unnatural Disaster for 38 Million Californians

(*Sacramento*) The Governor's May Revise budget released today proposes such draconian measures that it threatens to create a constant state of emergency in all 58 Counties.

"That ground shaking you feel is the impact of the cuts and costs shifts rolling out of the Capitol and landing at the doorsteps of counties and the communities we serve. If this budget becomes a reality, the devastation upon Californians will be on par with the aftereffects of a major natural disaster," says Tony Oliveira, President of the California State Association of Counties (CSAC) and Kings County Supervisor. "Homelessness, hunger, permanent job losses, elimination of mental health and substance abuse treatment, and more Californians driven into abject poverty are just some of the very real possibilities outlined in the Governor's budget."

Economically speaking, 2010-11 will be the worst year for counties yet. Fifteen of California's largest counties face a combined deficit of \$2.2 billion in the upcoming budget year, which does not include the cuts that the state will now be sending their way. Counties are now balancing their budgets by making steep cuts to services, reducing staff, seeking concessions on labor agreements and raising revenues. This balanced approach, along with meaningful and long-term budget reform should also be sought by the state.

"There is agreement that the infrastructure in this state, both physical and social, is on the brink of collapse," states Paul McIntosh, CSAC Executive Director. "The federal government is not going to come to the rescue. This disaster is a byproduct of our state's dysfunctional budget process and without tangible reform, the human cost will continue to rise."

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The California State Association of Counties (CSAC) is the voice of California's 58 counties at the state and federal level. The Association's long-term objective is to significantly improve the fiscal health of all California counties – from Alpine County with a little more than 1,200 people to Los Angeles County with more than 10 million – so they can adequately meet the demand for vital public programs and services. CSAC also places a strong emphasis on educating the public about the value and need for county programs and services.

ACTION