



**Proposed State
Budget – Impact on
Proposition 10 Funds**

February 2, 2011

Agenda Item 6

GOVERNOR'S BUDGET PROPOSAL

- Budget Shortfall of \$26.4 Billion
 - Current Year - \$8.2 billion
 - FY 11/12 - \$17.2 billion
 - Reserve - \$1 billion
- Governor's Balancing Proposal
 - Cuts - \$12.5 billion
 - Tax Extensions - \$12.0 billion
 - Other (e.g. Redevelopment Funds) - \$1.9 billion

PROPOSITION 10 FUND DIVERSION

- Governor's Budget proposes use of \$1 billion (75% county/25% state commission) fund balances to plug shortfall in Medi-Cal budget.
- Also proposes 50% diversion of future Prop 10 revenue.
- Both proposals would require voter approval and 2/3^{rds} vote of legislature.

CURRENT CHALLENGES

1. Current DOF fund balance estimate is misleading amount. DOF estimate of county commission fund balance is \$2 billion which includes contractual obligations and committed funds.
2. Best available estimate for July 1, 2010 county commission fund balance is approximately \$354 million or slightly less than one year's revenue.
3. Prop 10 funds are proposed to be diverted from current funding commitments to plug the Medi-Cal funding gap.

FIRST 5/CHILDREN & FAMILIES COMMISSIONS RESPONSE TO PROPOSAL

A. Statewide:

1. Inventory of programs and results
2. Providing statewide job impacts
3. Testimony at state legislative hearings
4. Presentation of current funding commitments

B. Local:

1. Job Impacts for critical positions
2. Impacts to county budget
3. Safety net (homeless, health) impacts

POTENTIAL SCENARIOS

1. Prop 10 proposal is placed on June Special Election Ballot.
2. Modified proposal is approved subject to voter approval.
3. Voluntary contribution is approved, prior examples:
 - State Commission – Healthy Families Program
 - County Commissions – CalWorks Stage 3 Child Care
4. Prop 10 is merged with Realignment proposal.
5. County Prop 10 funds are not included in final state budget plan due to voter approval requirement.



**Agenda Item No. 6
February 2, 2011 Meeting**

DATE: January 26, 2011

TO: Children and Families Commission of Orange County

FROM: Michael M. Ruane, Executive Director

A handwritten signature in black ink, appearing to read "Michael M. Ruane".

SUBJECT: Governor's Budget Proposal for Proposition 10 Funds

SUMMARY:

The Governor's proposed budget includes using \$1 billion of Proposition 10 fund balances from both First 5 California and the county commissions, and diverting 50 percent of the revenue for five years to fund Medi-Cal programs. This initial proposal may be refined as a result of more accurately fund balance availability estimates and state legislative committee revenue which is currently underway. This item provides an opportunity for Commission discussion and potential direction to staff regarding the Governor's proposed budget and potential impact on Commission sponsored programs.

February Commission Meeting Update

The Commission Executive Director has been coordinating with the First 5 Association of California Counties, and the executive directors will be meeting to discuss statewide response strategies. Senate and Assembly budget hearings have begun, and representatives from First 5 Commission's will be testifying on the impact of Proposition 10 resources on local health programs for children.

An update on the outcome of the legislative budget hearings and the response from First 5 Children and Families Commissions will be presented. The update will include:

1. A recap of the most current proposal
2. The potential impacts (may also be addressed as part of Agenda No. 2 – Financial Plan)
3. Status of statewide and local efforts in response to the state budget proposal
4. Review of options to protect current programs investments

New, relevant information on the proposal and legislative review actions may be presented in a supplemental transmittal for this item.

Contact: Kelly Pijl