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Evaluating the Governor's Realignment Fiscal Superstructure Language

L E G I S L A T I V E A N A L Y S T ' S O F F I C E

Presented to:
Assembly Budget Subcommittee No. 1 on
Health and Human Services
Hon. Holly J. Mitchell, Chair





Proposed “Superstructure” Language Consistent With the Underlying Policies Outlined in the Governor’s January Budget

- Creates a “rolling” base of program allocations based upon prior-year allocations with adjustments for growth funding.*
- Creates a funding “firewall” between the Support Services (Health and Human Services) and Law Enforcement Services Accounts, as well as the associated growth accounts.*
- Allows for limited transferability between Health and Human Services program accounts, but not between Law Enforcement program accounts.*
- Prioritizes Child Welfare Services for a cumulative \$200 million in growth funding over several years.*



Local Program Funding Flexibility

- ☑ ***Superstructure language provides some funding flexibility to locals in Health and Human Services programs.***
 - Program funding for Health and Human Services programs is consolidated within broad Protective Services and Behavioral Health subaccounts.
 - Allows a 10 percent transfer between Protective Services and Behavioral Health subaccounts.

- ☑ ***Superstructure language also restricts local funding flexibility in some ways.***
 - Segregated account structure restricts county flexibility to reallocate 2011 Realignment funds to other program areas outside the subaccount level (with limited exceptions).
 - Reserve account language limits local authority in establishing reserve accounts in excess of specified amounts for Health and Human Services programs.



Evaluating the State-Level Program Account Allocations

- Base account funding reflects historical funding patterns.***
 - Historical funding allocations, both at the program and local jurisdictional level, may not adequately address future programmatic needs.

- Protective Services and Behavioral Health growth funding is roughly proportional to base funding.***
 - However, proportionality between Law Enforcement growth and base accounts varies more significantly.



Evaluating County-by-County Allocations

- ☑ ***Methodology for county-by-county funding allocations unknown for many programs.***
 - Superstructure language would give the Department of Finance authority to establish funding allocations among counties by fiscal schedules, in consultation with the California State Association of Counties and other state departments.
 - Superstructure language largely silent on how county-by-county allocations will be calculated for most programs. We anticipate that many of these allocations will be based upon historical funding formulas.

- ☑ ***Superstructure language specifies that county allocations for Child Welfare and Adult Protective Services programs shall be no less than what each county received in the prior year.***
 - Rigid funding allocation “floors” make it difficult to reallocate funds in the future as regional caseloads and resource needs change.



Fiscal Outcomes and Accountability

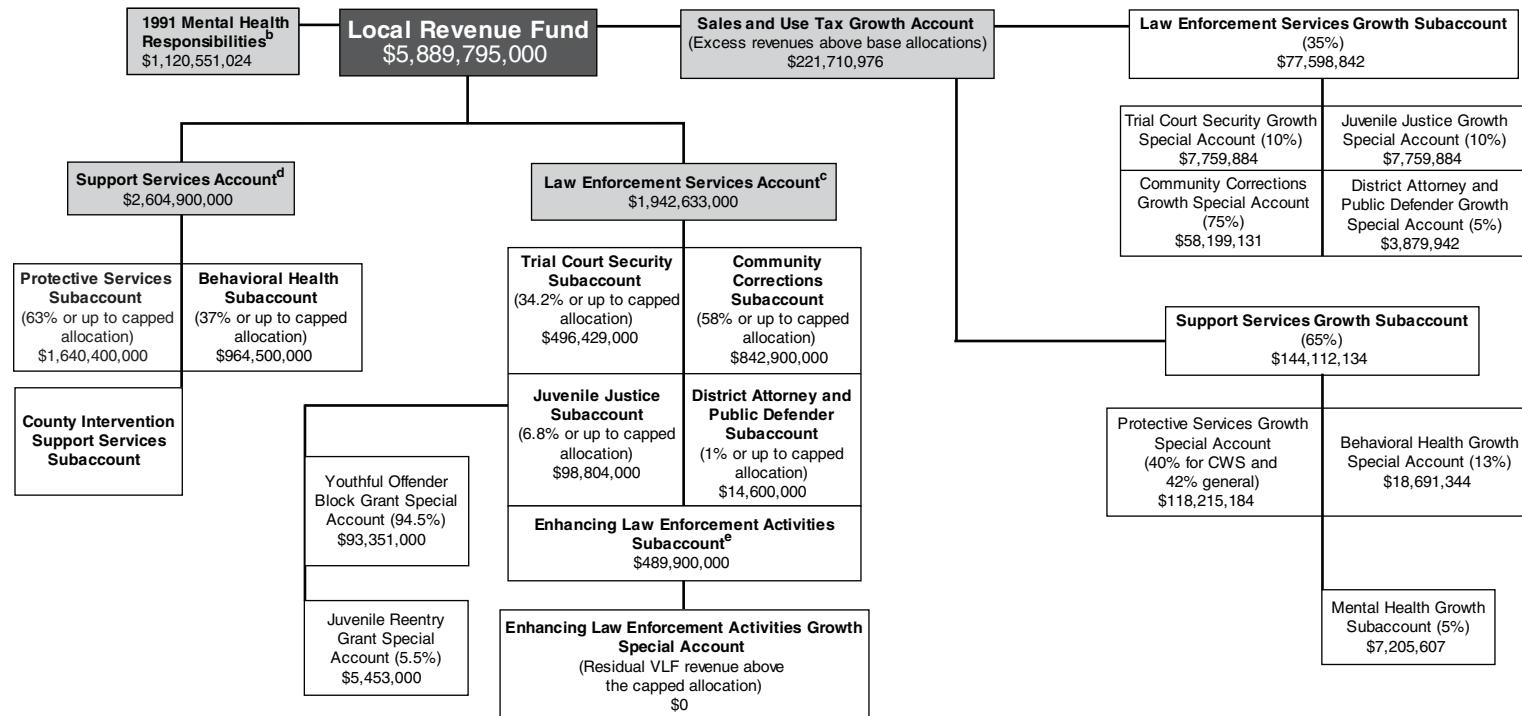
- ☑ ***Superstructure language does not specifically address local program accountability, although some accountability provisions exist for certain programs in other proposed 2011 Realignment legislation.***
 - Other proposed realignment legislation specific to child welfare programs does define and reconstitute county responsibility for federal and state outcome measures.
 - Some programs, particularly in the law enforcement areas, lack specific accountability measures in the fiscal superstructure language or other proposed 2011 Realignment legislation.

- ☑ ***Base and growth funding allocations lack fiscal incentives for improved outcomes.***
 - The Legislature may want to consider opportunities for providing fiscal incentives for improved program outcomes through the process of allocating funds among counties (particularly for growth funding).



Proposed Fiscal Superstructure for 2012-13

**2011 Realignment Fund Structure
As Proposed in May Revision for Fiscal Year 2012-13^a**



^a Estimated dollar amounts in each account based on the administration's revenue projections, and draft allocation estimates provided by the Department of Finance (DOF).

^b This amount is transferred first from the sales tax revenues in the Local Revenue Fund (LRF).

^c Includes 35.8 percent of LRF sales tax revenues (after 1991 Mental Health transfer and vehicle license fee [VLF] backfill) and VLF revenues. If the available revenues exceed the capped allocation, excess revenues are transferred to the growth accounts.

^d Includes 64.2 percent of LRF (after 1991 Mental Health transfer and VLF backfill). If the available revenues exceed the capped allocation, excess revenues are transferred to the growth accounts.

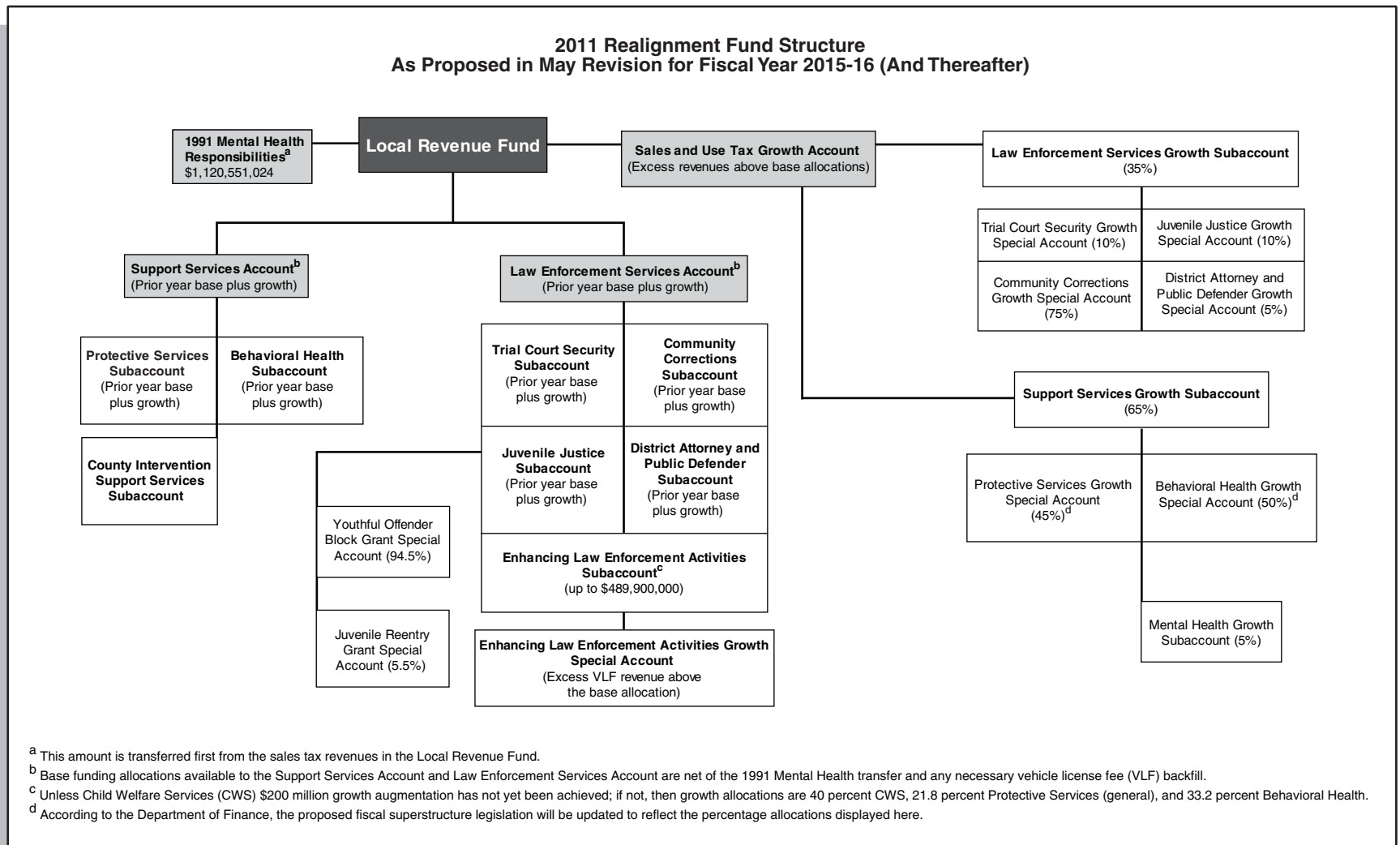
^e Includes a LRF sales tax backfill in the event that VLF revenues are insufficient to fully fund the allocation. The 2012-13 May Revision assumes an estimated \$35 million VLF backfill in 2012-13.

^f According to the DOF, the proposed fiscal superstructure legislation will be updated to reflect the percentage allocations displayed here.

CWS = Child Welfare Services.



Proposed Fiscal Superstructure for 2015-16 and Thereafter



^a This amount is transferred first from the sales tax revenues in the Local Revenue Fund.

^b Base funding allocations available to the Support Services Account and Law Enforcement Services Account are net of the 1991 Mental Health transfer and any necessary vehicle license fee (VLF) backfill.

^c Unless Child Welfare Services (CWS) \$200 million growth augmentation has not yet been achieved; if not, then growth allocations are 40 percent CWS, 21.8 percent Protective Services (general), and 33.2 percent Behavioral Health.

^d According to the Department of Finance, the proposed fiscal superstructure legislation will be updated to reflect the percentage allocations displayed here.