

**COUNTY OF SONOMA  
AGENDA ITEM  
SUMMARY REPORT**

**Clerk of the Board Use Only**  
**Meeting Date**                      **Held Until**  
 \_\_\_/\_\_\_/\_\_\_                              \_\_\_/\_\_\_/\_\_\_  
**Agenda Item No:**                      **Agenda Item No:**  
 \_\_\_\_\_                                      \_\_\_\_\_

**Department:** County Administrator

( ) **4/5 Vote Required**

**Contact:**  
Jim Leddy

**Phone:**  
(707) 565-2190

**Board Date:**  
4/21/2009

**Deadline for Board Action:**

**AGENDA SHORT TITLE:**

Statewide Special Election – Propositions 1D and 1E

**REQUESTED BOARD ACTION:** Consider taking a position on the two initiatives: Support, oppose, or neutral.

**CURRENT FISCAL YEAR FINANCIAL IMPACT**

**EXPENDITURES**

**ADD'L FUNDS REQUIRING BOARD APPROVAL**

**Estimated Cost**

0

**Contingencies**

(Fund Name:

**Amount Budgeted**

0

**Unanticipated Revenue**

(Source :)

**Other Avail Approp**  
(Explain below)

**Other Transfer(s)**

(Source: )

**Additional Requested:**

-0-

**Add'l Funds Requested:**

**Explanation (if required):**

**Prior Board Action(s):** There has been no prior action on the statewide initiatives for the May 19<sup>th</sup>, 2009 special election.

**Alternatives - Results of Non-Approval:**

## **Background:**

On February 19, 2009, the Legislature passed and the Governor subsequently signed a state budget for the 2009-2010 Fiscal year. This budget had a series of revenue enhancements and funding cuts meant to close the expected \$41 billion deficit in the \$143 billion budget document.

As part of the budget package, a series of budget initiatives were placed on the ballot for the public to consider in a statewide special election on May 19th, 2009. As a matter of past practice, the County Board of Supervisors has routinely reviewed those statewide ballot initiatives that may have direct impact on that County's ability to provide services to the public. Supervisor Carrillo requested that the Board review Propositions 1D and 1E in order to potentially express a position on the two propositions. Although there are other budget propositions on the May 19<sup>th</sup> ballot, Propositions 1D and 1E will have direct impact on county services.

## **Proposition 1D**

Proposition 1D would alter the voter approved initiative enacted in 1998, Proposition 10, otherwise known as the California Children and Families Act. The initiative created the California Children and Families Program (now commonly known as the First 5 program) to expand early development programs for children up to age five.

The First 5 program is funded by revenues from a state excise tax on cigarettes (50 cents per pack) and other tobacco products. (An additional 37 cents per pack in state excise taxes is imposed for other state purposes unrelated to First 5.) Revenues generated by the First 5 tax are deposited into the California Children and Families Trust Fund and are appropriated on an ongoing basis for First 5 programs. Currently, none of these funds are subject to appropriation by the Legislature. Proposition 10 requires that these funds be added to, rather than replace, the funding for existing programs.

Proposition 10 established a state commission as well as local First 5 Commissions. 80% of Proposition 10 revenues is allocated annually to 58 county commissions (consisting of five to nine members appointed by the county board of supervisors). The local commissions implement programs in accordance with local plans to support and improve early childhood development in their county. Each local commission provides services in the following three areas:

- **Family Functioning**, including adult education for parents; behavioral, substance abuse, and mental health services; and the provision of basic family needs (food, clothing, and housing).
- **Child Development**, including preschool for three- and four-year olds, kindergarten transition services, and targeted intensive intervention for children identified with special needs.
- **Child Health**, including health coverage and access services, home visitations for newborns, and prenatal care.

If passed, Proposition 1D would help the state general fund achieve savings by redirecting up to \$340 million of available unspent reserves held by the state commission as of July 1, 2009 and by temporarily redirecting a portion of future Proposition 10 revenues. From 2009-10 through 2013-14, this measure would divert annually \$268 million in Proposition 10 funds. Of the redirected funds, \$54 million would come from state commission funds and \$214 million from local commission funds on an annual basis.

In addition to shifting funding, Proposition 1D would require county commissions to submit their annual audits and reports of their expenditures to the county board of supervisors and the county auditor as well as require that each county auditor serve on the local First 5 commission. Also, Proposition 1D would allow a county controller to borrow local commission funds for that county's general fund, unless the transfer would

interfere with local commission activities. Any borrowed funds must be repaid with interest.

In Sonoma County, the impact of the passage of Proposition 1D would divert \$2 million annually until 2013-2014 from the local First 5 Commission. In addition, it is estimated that there would be a loss of \$500,000 in state matching funds for the local commission as well. This amounts to approximately 50-58% of their annual budget.

As the local First Five Commission funds services through local community based organizations the reduction in funding will not directly impact county departments. The Sonoma County First 5 Commission is currently developing a strategic plan to respond to the potential cuts that would result with the passage of 1D. As a result, we do not have the actual impacts of the cut. However, the Commission also has a fund balance or resources of \$27 million (nearly \$10 million for on-going obligations and \$17 million for long term sustainability).

Should Proposition 1D not pass, the state general fund savings would need to be achieved through additional cuts to state mandated programs or through new taxes. Funds shifted by Proposition 1D would be used by the State to reduce potential cuts in Medi-Cal, foster care, child welfare and child care programs typically funded by state general funds. There are many public sector associations that contend that cuts to state mandated programs would translate into direct cuts for county services in another way. There would be reduction in services not just impacts on our employees.

### **Proposition 1E**

In November 2004, California voters approved Proposition 63, also known as the Mental Health Services Act. Proposition 63 provides state funding for certain new or expanded mental health programs through a personal income tax surcharge of 1 percent on the portion of a taxpayer's taxable income in excess of \$1 million. Revenues generated by the surcharge are dedicated to the support of specified mental health programs and, with some exceptions, are not appropriated by the Legislature through the annual budget act. Full-year annual Proposition 63 revenues to date have ranged from about \$900 million to \$1.5 billion.

Proposition 63 funding is generally provided for five major purposes:

- (1) expanding community services,
- (2) providing workforce education and training,
- (3) building capital facilities and addressing technological needs,
- (4) expanding prevention and early intervention programs, and
- (5) Establishing innovative programs.

The passage of Proposition 1E would result in state General Fund savings of about \$230 million a year for two years (2009-10 and 2010-11) from redirecting a portion of Proposition 63 funds to state-supported Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Programs, a federally mandated program that requires states to provide a broad range of screening, diagnosis, and medically necessary treatment services—including mental health services—to Medi-Cal beneficiaries under age 21.

The two-year sweep of Proposition 63 funding to support state costs for the EPSDT program would impact local mental health programs. However, if the measure does not pass, the state may employ other methods, including additional cuts to local mental health funding streams and other health and human service programs, to address the budget crisis. The EPSDT program is a federal entitlement and has a legal history in California; these factors would make it difficult to cut funding for it.

If proposition 1E passes, it is estimated that Sonoma County Mental Health Division would lose approximately \$1.5M annually in anticipated new Proposition 63 funds. This equates to 12.5% of their

annual budget. However, there would be no impact on current levels of service. These funds would be for the provision of new services not currently being offered.

The failure of Propositions 1D and 1E would re-impose upon the state General Fund a loss in revenues of approximately \$1.34 billion. Without these funds the Legislature would have to find an additional amount in new revenues or in additional cuts. Given recent history, the ability to reach the needed 2/3rds vote to achieve new revenues seems unlikely and the additional funding gap would be closed through draconian cuts to services. Again, some believe that additional cuts would come from the counties.

**Local government organizations positions:**

The California State Association of Counties (CSAC) Executive Committee has taken a neutral position on all of the statewide Propositions on the May 19th ballot.

The League of Cities has taken a position of supporting all of the propositions.

The California First Five Commission and Mental Health Services Act (Prop. 63) Commission are both prohibited from taking any position on statewide ballots.

**Attachments:**

**On File With Clerk:**

**CLERK OF THE BOARD USE ONLY**

**Board Action (If other than "Requested")**

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**Vote:**