

# 2003 Realignment

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LEGISLATIVE ANALYST'S OFFICE

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Assembly Human Services Committee

Assembly Budget Subcommittee No. 1 on Health and  
Human Services

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## Factors to Weigh in Assigning Program Responsibilities

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**Programs where statewide uniformity is vital, where state-wide benefits are the overriding concern, or where the primary purpose of the program is income redistribution—usually are more effectively controlled and funded by the state.**

- Reduces inappropriate service level variation.
- Focuses state attention on programs integral to state goals.
- Allows income support programs to reflect the resources of the state—not a single county.



**Programs where innovation, responsiveness to community interests, and efficiency are paramount—usually are more effectively controlled by local governments.**

- Facilitates citizen access to the decision-making process and encourages experimentation.
- Allows community standards and priorities to influence allocation of scarce resources.



**Coordination of closely linked programs is facilitated when all programs are controlled and funded by one level of government, usually local government.**

- Increases attention to programmatic outcomes.
- Reduces incentives for cost shifting among programs.



**If state and local governments share a program's costs, the state's share should reflect its level of program control. If the costs of closely linked programs are shared, the cost sharing arrangements should be similar across programs.**

- Increases accountability to the public.
- Promotes efficiency in expenditures and discourages inappropriate cost shifting.



## Overarching Considerations Relating to Realignment

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- Realigning Some State-County Programs Makes Sense
- Programs, Not Taxes, Should Be the Focus of Realignment
- Realignment Plans Are Not Easily Changed
- Counties Will Need Control Over Realigned Programs
- Roughly Match Revenues and Expenditures
- Details Matter in Designing the Structure of Realignment
- Achieving General Consensus Will Be Critical



## **Realignment Worth Considering**

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- \$8.2 Billion Shift in Program Responsibilities**
- Realigned Program Growth: 7% to 8%**
- \$8.2 Billion in realignment revenues in 2003-04**
- Drop in revenues of \$500 Million in 2004-05**
- After 2004-05, Revenue Portfolio Growth: 5.5% to 6%**



## Estimated Ongoing Costs of Governor's Proposed Realigned Programs

### Dollars In Millions

	2003-04	Average Growth 2003-04 Through 2007-08
<b>Major Social Services</b>		
IHSS	\$1,171	12.6%
Foster Care/Food Stamps Administration	306	6.7
CAP	95	4.9
Foster Care grants	460	2.8
Adoptions assistance	217	13.6
CWS	596	2.9
CalWORKs	547	—
CFAP	15	-7.5
Subtotals-Social Services	(\$3,407)	(7.2%)
<b>Health Programs</b>		
Medi-Cal 15% cost share	\$1,620	7.9%
Long-term care	1,400	7.4
Health programs	124	2.8
DADP local programs	219	2.2
Subtotals-Health Programs	(\$3,363)	(7.2%)
<b>Court Security</b>	\$300	7.9%
<b>Child Care<sup>a</sup></b>	\$1,189	8.5%
<b>Total-Itemized Programs</b>	<b>\$8,259</b>	<b>7.4%</b>
<sup>a</sup> Includes an additional \$158 million in 2003-04 in order to fully fund program.		



## Revenue Effects of the Governor's Tax Increase Proposal

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2003-04 Through 2005-06<sup>a</sup>  
(In Billions)

	2003-04	2004-05 <sup>b</sup>	2005-06 <sup>b</sup>
<b>Sales and Use Tax</b>			
1 percent increase	\$4.6	\$4.9	\$5.2
<b>Personal Income Tax</b>			
High-income brackets	2.6	1.8	2.0
<b>Cigarette Excise Tax</b>			
\$1.10 per pack increase <sup>c</sup>	1.2	1.1	1.0
<b>Totals</b>	<b>\$8.3</b>	<b>\$7.8</b>	<b>\$8.2</b>

<sup>a</sup> Detail may not total due to rounding.  
<sup>b</sup> LAO estimates based on Governor's revenue forecast.  
<sup>c</sup> Includes backfill amounts for the provisions of Proposition 99, Proposition 10, and Breast Cancer Fund legislation.



## The Administration's Realignment Plan

### Dollars in Millions

Programs	Cost Shift <sup>a</sup>	Level of County Discretion
<b>Health Programs</b>		
Medi-Cal benefits	\$1,620 <sup>b</sup>	Minimal
Medi-Cal long-term care	1,400	Minimal
Substance abuse treatment programs and drug courts	230	Partial
Integrated Services for Homeless and Children's System of Care	75	Full
Public health	68 <sup>c</sup>	Partial
Subtotal	(\$3,393)	
<b>Social Services Programs</b>		
In-Home Supportive Services and administration	\$1,171	Partial
Child Welfare Services	610	Partial
CalWORKS (administration and services)	547 <sup>d</sup>	Partial
Foster Care grants	460	Minimal
Foster Care administration	34	Partial
Food stamp administration	268	Partial
Adoptions Assistance	217	Minimal
Programs for immigrants	110	Full
Adult protective services	61	Full
Kin-GAP	19	Minimal
Subtotal	(\$3,497)	
<b>Child Care</b>		
Required child care matching payments	\$498	Partial
Discretionary child care	470 <sup>e</sup>	Full
<b>Court Security</b>		
	\$300	Partial
<b>Total<sup>f</sup></b>	<b>\$8,154</b>	
<p><sup>a</sup> Represents 100 percent cost shift unless other wise noted (excluding federal funds).</p> <p><sup>b</sup> 15 percent cost shift to counties.</p> <p><sup>c</sup> In addition, counties would receive \$78 million in Proposition 99 and federal funds.</p> <p><sup>d</sup> 50 percent cost shift to counties.</p> <p><sup>e</sup> In addition, counties would receive \$63 million in additional realignment revenue and \$863 million in federal funds.</p> <p><sup>f</sup> Detail may not total due to rounding.</p>		



## LAO Realignment Program Summary

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### In Millions

Program	LAO Recommendation	
	Consider	Remove
<b>Administration's Plan</b>		
Health	\$1,773	\$1,620
Social Services	2,357	1,140
Child Care	968	—
Criminal Justice	—	300
Subtotals	\$5,098	\$3,060
<b>Additional Programs Suggested by LAO</b>		
Health	\$1,171	—
Social Services	833	—
Criminal Justice	1,811	—
Mandates	140	—
Subtotals	\$3,955	—
<b>Totals</b>	<b>\$9,053</b>	<b>\$3,060</b>



## Programs Meriting Consideration for Realignment-Social Services, IHSS, Mental Health, Drug Treatment, and Child Care

### In Millions

Programs	Fund Shift	Recommendation	
		Consider	Remove
<b>Administration Recommendations</b>			
<b>Children's Programs—100%</b>			
Child Welfare Services	\$596	X	
Foster Care grants	460	X	
Adoptions Assistance	217	X	
Foster Care administration	34	X	
Kin-GAP	19	X	
Child abuse prevention, intervention, and treatment	13	X	
<b>CalWORKs</b>			
50% county share of CalWORKs employment services	\$423	X	
50% county share of CalWORKs administration	123	X	
<b>Other Social Services</b>			
Food Stamp Administration—100%	\$268	50% <sup>a</sup>	
Cash Assistance Program for immigrants	95		X
California Food Assistance Program	15		X
Adult Protective Services—100%	61	X	
<b>In-Home Supportive Services (IHSS), Mental Health and Drug Treatment</b>			
IHSS—100%	\$1,171	50% <sup>a</sup>	
Substance Abuse Treatment Programs and Drug Courts	230	X	
Integrated Services for Homeless and Children's System of Care	75	X	
<b>Child Care</b>	968	X	
<b>Changes Suggested by LAO</b>			
Adoptions—100%	\$41	X	
Food stamp administration—50% county share of costs	134	X	
25 percent county share of CalWORKs grants	750	X	
25 percent county share of automation projects	42	X	
IHSS—50% county share of cost	275	X	
<b>Additional Mental Health Programs</b>			
EPSDT	\$381	X	
Mental health managed care	213	X	
Other mental health	39	X	
<sup>a</sup> The LAO recommends realigning 50 percent, rather than 100 percent, of these costs. See the "Changes Suggested by LAO" section of this table for the proposed shift.			



## Impact of Suspending Proposition 98 in 2003-04

### In Millions

<p><b>Alternative 1: Governor's Proposition 98 Funding and Realignment Proposal</b></p>
<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• \$8.3 billion in new tax revenues do <i>not</i> count toward Proposition 98.</li> <li>• Proposition 98 funding at level proposed by Governor.</li> </ul> <p><b>Proposition 98 Outcomes</b></p> <ul style="list-style-type: none"> <li>• Proposition 98 funding level is \$44.1 billion.</li> <li>• Outstanding maintenance factor requiring restoration in future is \$3.5 billion.</li> </ul>
<p><b>Alternative 2: \$8.3 Billion New General Fund Revenues and Proposition 98 Suspension</b></p>
<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• \$8.3 billion new tax revenues count toward Proposition 98.</li> <li>• Suspension of Proposition 98.</li> </ul> <p><b>Proposition 98 Outcomes</b></p> <ul style="list-style-type: none"> <li>• Suspension would allow Legislature to appropriate Proposition 98 at any level.</li> <li>• The Legislature could hold Proposition 98 harmless—\$44.1 billion.</li> <li>• Outstanding maintenance factor requiring restoration in future is \$3.5 billion.</li> </ul>