



**STATE BUDGET &
LEGISLATIVE
UPDATE**
**Impact on Proposition 10
Funds**

Agenda Item No. 7
March 4, 2009

Current Status

- Governor signed the state budget that included a ballot initiative to redirect Proposition 10 funds.
- Proposition 1D will divert approximately over 50% of Proposition 10, tobacco tax funds for 5-years.
- Special election scheduled for May 19, 2009. Majority vote is required to pass Proposition 1D.
- SB3X 25 - Senator Dave Cox (Sacramento) proposal to divert 100% of Proposition 10 funds to the state General Fund.

Proposition 1D – Budget Act of 2008. California Children & Families Act: Use of Funds: Services for Children.

- Redirects local Proposition 10 funds for 5-years to the state General Fund for health and human service programs for young children including foster care, health coverage, state preschool and child care.
- Impact to County Commissions
 - Redirects \$214 million annually through 2014.
 - Requires submitting annual audits and reports of expenditures to the county board of supervisors and auditor.
 - Requires the county auditor serve on the local commission as an ex-officio member.
 - Allows a county controller to borrow local commission funds.
- Impact to State Commission
 - One-time, immediate redirection of up to \$340 million in reserves.
 - Redirects \$54 million annually through 2014.
 - Ensure that every county commission receives at least \$400,000 annually. Eliminates media programs to offset funding.

Senate Bill SB3X 25

- Transfers 100% of Proposition 10, tobacco tax revenues to the state General Fund to be appropriated by the Legislature to fund the Healthy Families and Medi-Cal programs.
- Abolishes the state and county Children & Families Commissions and immediately transfers all unencumbered funds to the state General Fund.
- Requires a two-thirds vote of both houses of the Legislature and the Governor's signature to be placed on the next statewide ballot.
- Requires majority voter approval.

Impact on Financial Plan

- Redirects over 50% of future revenue to meet state budget.
- Limits redirection of funds to 5-years (2009-10 to 2013-14).
- Offsets the existing state General Fund costs by temporarily using Proposition 10 revenues to fund state health and human service programs for children up to age five.
- **Orange County Impact:**
 - At least \$17-18 million annually for 5-years (assumes a 3% annual decline in revenue).
 - Over \$85 million total through 2014.
 - Potential decrease in State Commission matching funds - \$4 million for Fiscal Year 2009-10.

Recommended Next Steps

- Adopt a resolution to oppose Proposition 1D.
- Oppose Senate Bill 3X 25 and maintain advocacy effort on legislation to reallocate all of Proposition 10 funds.
- Continue to provide objective information on programs supported by Proposition 10 funds including fact sheets and impact statements on current programs.