



COUNTY OF NEVADA HEALTH & HUMAN SERVICES AGENCY

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NEVADA COUNTY BOARD OF SUPERVISORS Board Agenda Memo

MEETING DATE: January 9, 2017
TO: Board of Supervisors
FROM: **Michael Heggarty**
SUBJECT: Resolution approving a revision to the allocation of 1991 Health and Welfare Realignment funds.

RECOMMENDATION: Approve the attached Resolution.

FUNDING: These are State funds derived from State Sales Tax and Motor Vehicle License Fees (MVLFF) which are allocated to local counties. The County's General Fund provides a small annual statutorily required match, which is unaffected by this resolution.

BACKGROUND:

Overview:

- In January 2017 the Governor terminated the Coordinated Care Initiative, shifting substantial and unsustainable IHSS costs to Counties.
- In May 2017 CSAC negotiated compromise legislation, mitigating the short term impacts to Counties and accelerated IHSS realignment growth
- Nevada County elects to distribute certain realignment components by percentage, resulting in some of the accelerated 1991 Realignment growth going to programs other than IHSS.
- An update to the realignment distribution methodology is included so that programs other than IHSS don't get revenue intended for IHSS.
- The compromise legislation includes reopener language for January 2019, so future discussions/adjustments to this resolution may be needed.

Details:

In the January 2017 budget proposal, the Governor terminated the In-Home Supportive Services (IHSS) Coordinated Care Initiative. This triggered a drastic shift in IHSS costs from the State to the County, and would have had an immediate and profound impact to County finances. To mitigate the impacts of this change, the California State Association of Counties and other professional associations negotiated compromise legislation that secured a State General Fund contribution, and changed the structure of 1991 Realignment to sweep Health and Mental Health growth to pay for the additional IHSS costs. This renders Nevada County's realignment distribution methodology obsolete. The existing distribution would mean that Juvenile Hall and

Public Health receive part of the realignment intended for IHSS. The proposed resolution caps the distributions for those departments at their 16/17 base, consistent with current law.

With Resolution 07-035, the Board chose to distribute 1991 Realignment revenue beyond the allocations proscribed in State Law. Resolution 07-035 is attached, showing the allocations for current percentages.

Senate Bill 90 of 2017 (SB 90) added, amended or repealed several sections of State Law related to 1991 Realignment, including Health & Welfare Code 12306.17 (VLF Growth) and Welfare and Institutions Code 17600.15 (Sales Tax Growth). These changes are intended to help fund the additional costs to counties due to the new IHSS Maintenance of Effort (MOE). Because of these changes, the allocation methodology must be updated. In order to offset the new IHSS costs to counties, SB 90 redirects all MVLF growth to the Social Services Subaccount. Since this new growth, and the ensuing increase in base that growth causes, is intended to offset IHSS costs, the allocations from the Social Services Subaccount to Public Health/CA Children Services and Juvenile Hall must be capped at the FY 2016/17 base. Under this new structure, MVLF funds will be allocated by the previous method until \$10,109 has been allocated to Public Health/CA Children services for the fiscal year, and \$11,635 has been allocated to Juvenile Hall for the fiscal year. After those caps have been reached, all revenues from the State Social Services Subaccount will be deposited to the Social Services MVLF Org Code.

SB 90 also accelerates the payment of sales tax revenues and increases the Social Services subaccount base. The result is that the social services subaccount will receive more sales tax funding each month than it otherwise would have and there will be less (or no) sales tax growth revenues available at the end of the realignment year. In order to reflect these changes, and ensure that IHSS costs are offset by these redirections, the allocations to Public Health/CA Children Services and Juvenile Hall from Sales Tax revenues must also be capped at the FY 2016/17 base. Those bases are \$194,976 for Public Health/CA Children and \$224,413 for Juvenile Hall.

No changes are needed at the County level for the Mental Health Subaccount and the Health Subaccount. Growth in those subaccounts will be redirected at the state level, and the County can continue depositing that revenue by the usual method.

The MVLF caps will be in place for five years, FY 2017/18 through FY 2021/22. SB 90 does not contain any instructions for redirecting MVLF growth after FY 2021/22, so at that time the MVLF caps will expire and allocations will revert to the method established by Resolution 07-035. The Sales Tax caps will remain in place until further notice from the Department of Finance. Also, because of re-opener language in the state budget, we expect that more changes to realignment allocations are yet to come.

The recommended updates to the Nevada County 1991 Realignment Distributions are included in the attached resolution.

It is recommended that the Board of Supervisors approve the attached Resolution as the updated allocation methodology will help fund the additional costs to counties due to the new In-Home Supportive Services Maintenance of Effort.

Item Initiated by: Andrea Sexton, Administrative Analyst I
Approved by: Michael Heggarty, HHSA Director