

# SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

## Agenda Number:

**Prepared on:** 9/11/02  
**Department Name:** County Administrator & Auditor  
**Department No.:** 012  
**Agenda Date:** 9/17/02  
**Placement:** Administrative  
**Estimated Time:** 2 hrs  
**Continued Item:** Yes  
**If Yes, date from:** 9/3/02

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**TO:** Board of Supervisors  
**FROM:** Michael F. Brown , County Administrator  
**STAFF CONTACT:** Jim McClure & Lori Norton  
568-3413  
**SUBJECT:** County Impacts of FY 02-03 State Budget

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## Recommendations:

That the Board of Supervisors:

- A. Accept an update on the impact of the State's FY 02-03 Budget on the County.
- B. Direct departments to initiate whatever actions they deem appropriate to live within the funding provided by the state.
- C. Direct the County Administrator to return to the Board in November 2002 with a FY 02-03 budget update. This update would include discussions and recommendations on Budget Expansions deferred until after the 1<sup>st</sup> quarter at the June FY 02-03 Budget hearings as well as any added Budget Expansions resulting from state budget impacts.

## Alignment with Board Strategic Plan:

[An efficient government able to anticipate and respond effectively to the needs of the community.](#)

## Executive Summary and Discussion:

During the FY 02-03 Budget Hearings held in June 2002 we shared with the Board potential impacts of the proposed state budget on various county departments and programs. At that time we indicated we would return to the Board when the budget was passed and we had greater clarity as to impacts upon county programs. The state budget was signed by the Governor on September 5, 2002 and departments have been working hard to determine specific impacts. ***Due to the difficulty in determining these specific impacts, this Board Letter will only provide a general overview. Several department heads will be visiting***

***Sacramento over the next couple of days and hopefully they will bring home more detailed information. We will provide any updated information in our presentation to the Board on September 17, 2002.***

The state faced a \$23.6B shortfall for FY 02-03. To close this gap the state took the following actions:

	<u>Governor's</u> <u>May revise</u>	<u>Final Budget</u>
• <b>Spending Reduction of</b>	<b>\$7.6B</b>	<b>\$7.5B</b>
• <b>TSAC Securitizations</b>	<b>\$4.5B</b>	<b>\$4.5B</b>
• <b>Loans/Fund Shifts</b>	<b>\$3.0B</b>	<b>\$3.3B</b>
• <b>VLF Offset</b>	<b>\$1.3B</b>	<b>\$0.0B</b>
• <b>Deferrals</b>	<b>\$2.3B</b>	<b>\$2.9B</b>
• <b>Debt Restructuring</b>	<b>\$1.1B</b>	<b>\$1.1B</b>
• <b>Federal Funding/Compliance Incr.</b>	<b>\$2.1B</b>	<b>\$2.2B</b>
• <b>Fund Transfers</b>	<b>\$0.6B</b>	<b>\$0.9B</b>
• <b>Other</b>	<b>\$1.1B</b>	<b>\$1.2B</b>
<b>Total Proposed Solutions</b>	<b>\$23.6B</b>	<b>\$23.6B</b>

The impacts on Santa Barbara County for FY 02-03 are projected to be:

	<i>May</i>	<i>September</i>
• <b>General Fund</b>	<b>\$ 1.8</b>	<b>\$ 0.5 million</b>
• <b>Mental Health</b>	<b>\$ 2.1</b>	<b>\$ 1.7 million</b>
• <b>Social Services</b>	<b>\$ 6.6</b>	<b>???? Million</b>
• <b>Public Safety</b>	<b>\$ 1.4</b>	<b>\$ 0.8 million</b>
	<b>\$11.9</b>	<b>\$ 3.0+</b>

**Potential Additional Loss:**

Public Works (Roads)	\$ 0.0	\$ 1.0 Million
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**Note: Detail by departmental program will be provided to the BOS at the meeting to the extent it is available.**

For the General Fund the direct reductions are related to the suspension/deferral of SB-90 claims which will reduce revenues roughly \$523K for the following departments:

<b>Elections</b>	<b>\$315K</b>
<b>DA</b>	<b>\$ 60K</b>
<b>CA</b>	<b>\$ 35K</b>
<b>Treasurer</b>	<b>\$ 31K</b>
<b>Dept 990</b>	<b>\$ 30K</b>
<b>Auditor</b>	<b>\$ 21K</b>
<b>Sheriff/PD/Parks</b>	<b>\$ 31K</b>

Alcohol, Drug & Mental Health expects \$1.7 million in reductions to the following programs:

- **\$1.1 Million – SB90 Individualized Education Plan for developmentally disabled children**
- **\$307 Thousand – Children System of Care Program**
- **\$150 Thousand – Integrated Services for homeless adults**
- **\$181 Thousand – Early Periodic Screening Diagnosis and Treatment Program (EPSDT)**

The California Department of Social Services and the Department of Health Services are working on the program allocations for programs administered by the Department of Social Services in the fifty-eight California counties. We

will be able to assess the impacts only when the specific funding allocations for our programs are received and analyzed. Social Services Director Charlene A. Chase will be available to share the latest information with your Board during the scheduled presentation. However, to frame the discussion....at the June Budget Hearings we indicated that for Social Services the potential impacts were in the range of \$5 to \$7 million. The program impacts were as follows:

- <i>Medi-Cal</i>	<i>\$ 2.50M</i>
- <i>Food Stamps</i>	<i>\$ 1.80M</i>
- <i>Child Welfare Services</i>	<i>\$ 1.10M</i>
- <i>CALWORKS Admin</i>	<i>\$ .80M</i>
- <i>IHSS</i>	<i>\$ .27M</i>
- <i>Foster Parent Care</i>	<i>\$ .07M</i>
- <i>Adoptions</i>	<i>\$ .05M</i>
- <i>Foster Care</i>	<i>\$ .04M</i>

**Other projected impacts:**

**The Probation Department** has indicated that the Challenge Grant II funding of approximately \$833 thousand will be lost.

**The Public Works Department** reports that they could lose approximately \$1 million in Roads Maintenance monies as well as up to \$1.5 million in Bridge Maintenance funding. The Bridge Maintenance funding reduction would be in FY 03-04. Another potential outcome of the state budget could be increased fees associated with our NPDES program...called Storm Water Fees. The State Water Resources Board is meeting on September 19<sup>th</sup> to consider these proposed increases.

**The Parks Department** has responsibility for the SB Arts Commission and annually receives a grant for approximately \$40K/year....for FY 02-03 this has been reduced by \$10K to \$30,000.

**The IV RDA project** revenues will be impacted as the state is now including RDAs in the ERAF shift. State wide they are projecting a \$75M impact, however, they have not finalized the allocation method so that we can determine the local impact.

**The TSAC Securitization** (selling a stream of income for upfront cash) resulted in \$4.5 billion in revenues for FY 02-03. However, commencing in FY 03-04 it will result in \$500 million less funding available to Health related programs.

**Other considerations:**

While the state budget has been passed there are still many unknowns and uncertainties.

- For example, \$750 million of spending reductions to be made to state operations have yet to be identified and evaluated as to impacts upon the county.
- The state is currently running considerably behind on their FY 02-03 revenue projections, which will create an additional shortfall, ...the only question is how large this additional shortfall.
- The state pension fund (PERS) has announced that in FY 03-04 charges to the employer will rise considerably due to the value reduction caused by the decline in the stock market.
- The state has not sold billions in bonds as anticipated to repay general fund loans used to procure electricity. As a result, FY 02-03 interest expense will increase, as short-term loans are required to meet cash flow needs.

- The state Legislative Analyst Office is projecting a \$10-12 Billion shortfall for FY 03-04 that will be much harder to accommodate since most available onetime options were used to close the gap in FY 02-03.
- The Governor has directed state departments to submit FY 03-04 budgets with a 20% expenditure reduction from the FY 02-03 level, which could result in significant impacts upon county programs.
- It appears very likely that the governor will call a special session after the November elections to make further adjustments to the FY 02-03 Budget.

The County Administrator and the Department Heads are scheduled to spend September 27, 2002 at an all day retreat discussing these as well other issues within the overall framework of our strategic planning process. One of the hoped for outcomes would be a list of suggestions and recommendations to the BOS that may assist the board in difficult allocation decisions in November for FY 02-03 and in formulating budget policy and principles for FY 03-04.