

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors
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Agenda Number:
Prepared on:
Department Name: CAO
Department No.: 012
Agenda Date: 1/13/04
Placement: Administrative
Estimate Time: 45 minutes on 1/20/04
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors
FROM: Michael F. Brown, County Administrator
STAFF CONTACT: Jim Laponis, Deputy County Administrator
Lori Norton, Analyst
SUBJECT: Governor's Proposed State Budget

Recommendation(s):

That the Board of Supervisors:

Set a Hearing for 45 minutes on January 20, 2004, to receive a report on the Governor's Proposed Fiscal Year 2004-2005 State Budget.

Alignment with Board Strategic Plan:

The recommendation is primarily aligned with Goal No. 1. An Efficient Government Able to Respond Effectively to the Needs of the Community

Executive Summary and Discussion:

On Tuesday January 5th, Governor Schwarzenegger will deliver his first State of the State Address, which will provide a broad overview of the Administration's strategy for balancing the State's Fiscal Year 2004-2005 Budget. The State of the State Address will be followed by the submittal of the Governor's Proposed State Budget for Fiscal Year 2004-2005, on Friday, January 9th, to the Senate and the Assembly. The Proposed State Budget will provide an indication of how the Schwarzenegger Administration proposes to deal with a \$10 - \$14 billion annual deficit, which will continue to exist until State expenditures and revenues are brought into balance.

During the next several months, the Legislature will debate the Governor's proposed budget, and on May 14, following an update of State revenue projections by the State Department of Finance, the Governor's May Revise Budget will be released. In addition to containing updated State revenue projections, the May Revise incorporates proposals and agreements generated through the preceding months of legislative debate,

recommendations from the Legislative Analyst, etc.; thus, it is actually a much more accurate indicator of the State Budget that will ultimately be enacted.

Counties anticipate that further reductions in funding to local governments will be included in the State's Proposed Fiscal Year 2004-2005 State Budget. As the Board is aware, in each of the past two years, local governments— particularly county government— has suffered significant State funding reductions for a variety of state-local programs. Statewide, these reductions total \$4 - \$5 billion and include the State "borrowing" \$1.3 billion owed to local governments for vehicle license fee backfill, the State deferring (\$800 million) annually in payments to local governments for State imposed mandates (SB 90), a reduction in funding for local streets and roads as a result of the partial suspension of Proposition 42 (\$187 million); reductions to public libraries (\$15.8 million); and reductions to local law enforcement under COPS (\$16.3 million), Juvenile Justice Challenge (\$16.3 million), and High Technology (\$18.5 million) grant programs. The State has also established a 25 percent county share for the Federal child support automation penalty (\$52.1 million). In addition to these reductions, the State has for the past several years significantly reduced funding for a variety of Social Service, Alcohol, Drug and Mental Health, and Public Health programs. These reductions translate into reduced funding to the Counties, which are the providers of these State programs at the local level. Ultimately these reductions mean reduced services to members of community who rely on and must avail themselves of State services, often to meet their most basic human needs.

Santa Barbara County has been significantly impacted by reductions in State Funding for local programs. In Fiscal Year 2002-2003, the County suffered the loss of approximately \$8 million in State Funding reductions. The reductions in Fiscal Year 2002-2003, were primarily categorical revenue in the areas of Health and Public Assistance, Law, Justice, and Public Safety, and Public Works. In the current fiscal year (FY 03-04), the County anticipates the loss of another \$11 - \$19 million. This includes the loss of approximately \$8 million in vehicle license fee funding which has already occurred. During the past two months, the Board has taken action to reduce the County's adopted budget to reflect that loss of vehicle license fee revenues. These budget reductions will impact the level of service County department's are able to provide to the public.

In addition, the County continues to provide State mandated services (SB90) without reimbursement of approximately \$1.8 million. (As noted above, the State has deferred payment for SB 90 mandates, but has not relieved the County of the mandate responsibility. As such, the County continues to provide the service or program but is not receiving reimbursement from the State.) The State imposed share of the Federal child support automation penalty will shift an additional cost (approximately \$650k for FY 03-04) which must be paid from the County General Fund. The County of Santa Barbara has also suffered the loss of categorical funding in various departments resulting in a reduction of services in Social Services, Public Health, Public Safety, Public Works, Alcohol, Drug, and Mental Health Services, etc. Finally, should the Governor's promised backfill of VLF backfill to local governments be challenged and stayed in some manner, the County could lose an additional \$12 million in discretionary GF revenue in the remaining six months of Fiscal Year 2003-2004.

As the State's Proposed Budget for Fiscal Year 2004-2005 is debated in the Legislature, it is imperative we continue to impress upon our representatives, that local governments have already contributed significantly to helping the State resolve its ongoing budget crisis. As such, staff will be working diligently to identify

and analyze the impacts of any proposals to further reduce State funding of local governments to help ensure that local governments and in particular counties are not disproportionately impacted.

Mandates and Service Levels:

Mandate and Service level impacts resulting from proposed State Budget actions will be presented to the Board on January 20.

Fiscal and Facilities Impacts:

Fiscal and facility impacts resulting from proposed State Budget actions will be presented to the Board on January 20.

C: Shane Stark, County Counsel
Ken Masuda, Director of Budget and Research
Cliff Berg, Governmental Advocates