



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

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

Department Name: CEO
Department No.: 012
For Agenda Of: 11/18/08
Placement: Departmental
Estimated Tme: 40 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Michael F. Brown, County Executive Officer
Director(s)
Contact Info: Terri Maus, Assistant County Executive Officer, 568.3412
SUBJECT: Adopted Fiscal Year 2008-09 State Budget Impacts to County

County Counsel Concurrence

As to form: N/A

Other Concurrence: Select_Other

As to form: Select_Concurrence

Recommended Actions:

Receive a report on the impacts of the Adopted Fiscal Year 2008-2009 State budget on County departments and operations.

Summary Text:

On September 23, 2008, the Fiscal Year 2008-2009 State budget was adopted, resulting in impacts to various County departments and their associated operations. In terms of positive impacts, the State's enacted budget did not borrow from local discretionary revenue (a possible \$10 million reduction to the County's Proposition 1A funds), provided reimbursement for the February 2008 special election (\$1.5 million to the County) and fully funded transportation funding via Proposition 42 (\$3.5 million to the County). However, the budget did promulgate funding cuts of approximately \$3 million to public health and public assistance programs administered by the County. Most of the funding impacts, whether positive or negative, occurred within the special funds administered by various departments, with the exception of the reimbursement to the General Fund for the cost of conducting the special election.

As forecasted, the Governor did call a Special Session of the Legislature and, on November 6th, put forth a budget proposal to address a current year budget deficit of \$11.2 billion and a possible bleak forecast of the State running out of cash in January or February without additional budgetary action. The budget proposal includes \$4.7 billion in revenue increases, mostly through increased taxes, and \$4.5 billion in program reductions, primarily in the area of health and human services and Medi-Cal reform (the proposal does not address the additional \$2 billion budget shortfall). The budget proposal also includes an economic stimulus package focusing on workplace reform, a possible short-term federal loan to ensure the financial solvency of the State unemployment Insurance Fund, foreclosure relief and the

acceleration of the release of monies from previously approved bonds to encourage the earlier construction of infrastructure projects related to streets and roads, transit and flood and water.

Background:

This item is before the Board of Supervisors to receive a report on the impacts of the adopted State budget on County operations. The State faced a \$17 billion deficit and the State budget adopted on September 23, 2008 attempted to balance the budget and address this shortfall. However, given the rapid change in national and State economy, an estimate \$11.2 billion State budget deficit is now expected. Consequently, the Governor has called a special legislative session to reexamine the budget adopted in September and enacted additional budgetary measures related to spending reductions and increased revenues. Highlights of the potential impacts of the Governor's proposed budget package on the County are presented for information.

Performance Measure:

Fiscal and Facilities Impacts:

Facilities: One positive impact of the Adopted State Budget is in the area of street maintenance and repair. The County's Public Works Department (Road Fund) will receive \$4.2 million in funding from a combination of the full funding of Proposition 42 and Proposition 1B. Proposition 42 requires state gas tax to be used for state and local transportation projects, but payments have often been delayed or not fully funded in the past. Proposition 1B was passed by the voters in 2006 and authorized the issuance of \$19.9 billion in bonds for highway safety, traffic reduction, air quality/ goods movement and port security.

Fiscal Analysis:

Narrative: Adopted State Budget: As illustrated on the attached spreadsheet, Public Health and Social Services sustained significant funding losses as a result of the Adopted State Budget. Public Health incurred funding reductions totaling \$722,000 in several program, with the greatest impact (-\$450,000) occurring in the California Children's Services (CCS) program. Service level impacts will be delayed authorization and access to care for children with catastrophic illnesses/health conditions. Social Services incurred a funding reduction of \$2.4 million to CalWORKs as a result of a five percent funding reduction to CalWORKs statewide. This will result in staff reduction of eligibility workers. The Adopted State Budget implemented a ten percent funding reduction to many public safety programs (see administration of justice section of attached chart); however, most departments budgeted for this reduction within their FY 08-09 budgets since the ten percent reduction was anticipated in January. The Adopted State Budget also included reimbursement to counties for the cost of administering the February 2008 special election (\$1.5 million to County).

Governor's Special Session Budget Proposal: The Governor called a Special Session of the Legislature to address the current year budget deficit of \$11.2 billion on November 6, 2008. In addition to proposals to reduce the budget deficit, the Governor also submitted proposals related to preventing foreclosures, stimulating the economy and funding the Unemployment Insurance Fund for consideration by the Legislature. While the budget deficit proposal put forth is still under consideration by the Legislature and subject to change, a preliminary assessment of the potential impacts of this proposal is presented below (other proposals being considered are currently being analyzed by various departments to determine the impact):

- Increase the State sales tax by 1.5 cents for three years and increase the amount of services subject to taxation and impose a oil severance tax of 9.9 percent on the gross value of a barrel of oil on oil producers: These proposals may impede the County's ability to use either of these taxes as local

funding mechanisms and/or influence the local populace's willingness to support additional tax increases for local projects and services.

- Re-introduction of AB 900 (Public Safety and offender Rehabilitation Act of 2007) that may assist in the ability of the State to sale bonds for construction of State and local correctional infrastructure (jails and re-entry facilities) such as a new jail facility located within the County.
- Increase alcohol excise tax by five cents per drink to fund drug and alcohol abuse treatment programs: Has the potential to offset the reductions implemented as part of the Adopted State Budget.
- Elimination of the Williamson Act subvention: The Adopted State Budget included a ten percent reduction to the Williamson Act (-\$65,000 to County). However, the elimination of the program would equate to a reduction of approximately \$600,000 to the County's General Fund.
- Ten percent reduction to Cal WORKS grant by March 1st 2009: Maximum grant for family of three would decrease from \$723 a month to \$651 a month. County caseload of 4,300 families a month that this cut would impact. CalWORKs grants have been frozen for five years despite the price of basic goods increasing, notwithstanding any sales tax increase, so the reduction of the grant amount further diminishes the purchasing power of CalWORKs recipients.
- Modified Safety Net that eliminates safety-net benefits for timed-out families not meeting federal work participation requirements effective March 1st 2009: Social Services projects a monthly average of 481 families that have either timed out federally or are in the CalWORKs state only safety net program.
- CalWORKs Self Sufficiency Review proposes a face-to-face "Self Sufficiency Review" every six months with a county Welfare-to-Work worker for all CalWORKs families who are not meeting federal work participation requirements effective March 1st 2009. Failure to comply would be treated as non-compliance with an eligibility requirement and would result in being cut off aid: Social Services currently experiences a 30% work participation rate (whereas, California has a 21% rate), so nearly 70% of County CalWORKs caseload (about 3,000 families) would be subjected to this requirement. The increased workload is difficult to quantify without knowing more about what the review process entails.
- CalWORKs Childcare Stage 2 and 3 reductions: Reducing Stage 2 funding means that Social Services will likely experience an inability to transfer clients from our Stage1 child care program to the community based (state funded) Stage 2 child care program, thereby escalating already rising child care costs. This would result in a Social Services Child Care caseload increase of approximately 30 children per month.
- Medi-Cal 1931 (b) Program – Eligibility for parents in 1931(b) would be reduced to 61 percent of the Federal Poverty Level and the 100 hour rule would be reinstated: Social Services has 4,200 families (about 12,000 individuals) receiving 1931(b) Medi-Cal. Most of these families would lose coverage due to the stricter eligibility criteria, decreasing the number of County residents with access to healthcare. Without a Medi-Cal card, most of these families will likely use the County's health clinics for care, which Public Health estimates at a \$350,000 to \$600,000 increase in uncovered costs.
- Undocumented immigrants receiving limited-scope benefits would have to reapply on a monthly basis rather than semi-annually: Undocumented immigrants may not follow through with reapplying monthly, which could impact the population of Medi-Cal eligible used in determining the County's funding. The caseloads would remain the same but the number of individuals on Medi-Cal would decrease. In Santa Barbara County, 21% (4,633) of active cases has an undocumented person in the household. The proposed changes would require monthly reports for 4,633 households. Most of these families would lose coverage due to the stricter eligibility criteria, decreasing the number of County residents with access to healthcare and shifting costs to County health clinics.

- Limited Medi-Cal scope of benefits for legal immigrants-Newly Qualified Immigrants – Benefits for newly qualified immigrants (those who have been in the United State for less than five years and are subject to the five-year bar on benefits) would be reduced from full-scope to limited-scope and the same monthly re-application requirements would apply: This has the potential to reduce the number of Medi-Cal eligible within the County. Santa Barbara County currently has 816 beneficiaries that have been in the United States for less than five years. These individuals would have their benefits reduced to limited scope and the same monthly re-application requirements would apply. Santa Barbara County has 65 other beneficiaries that would be impacted in terms of having benefits reduced to limited scope and having to reapply monthly.
- In-Home Supportive Services (IHSS) elimination of domestic and related services for certain IHSS consumers: In Santa Barbara County, an estimated 1,300 clients will lose some domestic and related services under this proposal and over 200 clients will lose service hours in more than one category. This represents 46% of the clients being served in this County with elderly and disabled clients estimated to lose more than 5,600 monthly hours of services designed to keep them safe in their homes. The Social Services Departments also projects that at least half of the recipients whose hours are reduced will file an appeal. The amount of County work time that goes into both evaluating an appeal and participating in an actual hearing from start to finish is conservatively estimated at five hours, average. If 50% of the affected clients appeal, the Department estimates 3,250 staff hours will be needed to address these appeals. County workload would be impacted under this scenario and State cost savings could be less than anticipated.
- Share of Cost Buy-Out –The state share-of-cost buyout, whereby the state pays the difference between the Medi-Cal share-of-cost and the IHSS share-of-cost for PCSP and Waiver cases, would be eliminated for IHSS consumers with a functional index score below 4: Having to pay a higher share of cost for services may result in current IHSS clients not longer accessing IHSS services and therefore, put them a greater risk of out-of-home placement. More than 70 Santa Barbara County residents would be affected by this proposal, with an estimated monthly cost exceeding \$40,000 (an average of \$570 per individual per month).
- IHSS Provider Wages- The Governor proposes to roll back the state’s participation in wages and benefits to the state minimum wage of \$8.00 per hour plus 60 cents for health benefits for savings of \$82.9 million GF in the current year and \$248.8 million in 2009-10. The proposal would result in a direct cost shift to counties. Under current law the state participates in wages up to \$11.50 per hour plus 60 cents for health benefits: Santa Barbara County IHSS providers currently earn \$10.50 per hour (plus health benefits). Over 2,200 IHSS providers will see their hourly wage cut by \$2.50 (24%) if this proposal goes through. The cost to the County of backfilling the State contribution is estimated at \$2.9 million.

Staffing Impacts:

Legal Positions:

FTEs:

Adopted State Budget: As noted above, the CalWORKs’ funding reduction of \$2.4 million has resulted in the lay off of 16 staff. Public Health would have to lay off six FTE as a result to the State funding reduction to its CCS program had it not been for the furlough program implemented by the County.

Attachments:

Impacts of Adopted State Budget FY 07-08 Budget on County

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CC:

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CEO Fiscal and Policy Analysts