



COUNTY OF MENDOCINO

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MEMORANDUM

TO: Board of Supervisors
FROM: Jennifer Wyatt, Deputy CEO/Fiscal
SUBJECT: Budget Officer Report

DATE: February 3, 2009

Report from State Controller's Office on Deferral on Payments to Counties

On January 21, 2009 State Controller, John Chiang stated that he was sending a letter to legislators and the Governor telling them that in order to preserve cash for payments they must enact sufficient solutions to solve the cash crisis by February 1st. The State Controller is estimating a \$346 million shortfall by February 27th. He also stated that he will be forced to put a 30-day hold on other critical payments.

Payments scheduled to be made

Payments to schools
Debt Service
Payroll
Pensions
Medi-Cal

Payments that will be delayed at least 30 days

Tax Refunds Business Corporate and Individual
Cal Grants- mostly to schools
Disability
CalWORKS payments
HHSA (Mental Health, AODP) (county administration)
Medi-Cal (county administration)

This is basically welfare and disability checks and payments to counties to run the HHSA programs they administer. **The total impact for Administration and Assistance advances to Mendocino County is approximately \$1,198,000.**

The State Controller is not imposing delays on realignment sales tax dollars at this time, but he could delay other payments including realignment funds if the State Budget is not resolved in time. A 30 day delay in total realignment dollars in HHSA- Mental Health, Public Health and Socials Services would be **an impact to cash flow of approximately \$750,000.**

Separately and more of an immediate critical concern to Mendocino County relative to cash flow, is the administration proposal to defer payments for a longer period of time and more widespread. Basically, this is another ERAF shift by the state to borrow from counties. Some counties are just recovering from last years deferral of state payments on “interest free” loans to the state. The following is being proposed by Administration:

- **Possible deferrals for 3 to 6 months of Prop 42-** Impact to Mendocino County is approximately **\$400,000 to 600,000**. However, Prop 1B funds of \$400,000 for 2008-09 are slated to come in soon and could be used to offset deferrals proposed in the (HUTA) or Highway Users Tax or Gas Tax.
- **Delay in HUTA-** Administration is proposing a delay in payments for 7 months or from January to July to be paid back in September or October. **Impact to Mendocino County is approximately a \$750,000.**
- **Prop 1B 2009-10 –** The Governor is proposing the acceleration of Prop 1B funding as a plan for economic stimulus for California. If Mendocino receives the remainder of the balance of funds or 45%, this would be \$2.9 million and could assist with the counties cash flow. However, there will be time provisions or “use it or lose it” for spending the funds and this will only be a short temporary solution to the cash flow situation if needed.

As proposed by Administration, HHS payments are also being targeted for delays in several areas that could impact Mendocino County. They are as follows:

- 7 month delay in payments from February to August to be paid in September for administration for HHS programs, such as county Medi-Cal (administration) and Mental Health (administration), employment and support services, or CalWORKs programs, and possible other HHS programs. IHSS and SSI/SSP payments are stated to be exempt, but all other payments for HHS programs may be delayed. Also, reimbursement on state claims will be delayed until October or 2 months. If all of these proposals for deferrals are approved by the legislature, the total impact to Mendocino County might be approximately **\$9,242,096**.
- Medi-Cal provider payment delays for 1 month which impact our local providers and hospitals.

Mendocino County and other counties are facing significant impacts due to the looming state “cutoff” of payments to counties. This is another additional crisis counties could be facing in addition to program cuts proposed by the Governor.

Mendocino County has had the ability to “float funds” if needed within our county pool due to the administration of “pass through” funding. This includes payments to schools and other agencies. It is unclear at this point whether payments to schools may also be in jeopardy and will be proposed as a deferral by Administration. This globally wide-spread delay of payments from the state may cause Mendocino County to be unable to continue to internally borrow or float funds into next fiscal year. Additionally, for this fiscal year 2008-09, the County’s ability to borrow additional TRAns for the remainder of the year is at the maximum ability to borrow further. The County may again have future delays in payments to local vendors as we did a few months ago, and if state delays continue thru next fiscal year, services may be jeopardized to meet payment obligations locally.

2008-09 Mid-Year Budget Review

Departments were sent the 2008-09 Mid-year budget worksheets on January 20th for projections and fiscal status updates for the remainder of this fiscal year. This budget report will be brought back to the Board on February 23rd or 24th and is also a key factor for this fiscal year in going forward and determining our fund balance available (if any) or deficit balance forward for 2009-10.