

# COUNTY OF MENDOCINO

## SUMMARY OF FINAL STATE BUDGET FISCAL YEAR 2008-09

Governor Arnold Schwarzenegger signed a \$103.4 billion dollar general-fund spending plan on September 23, 2008. The signing of the budget was delayed 85 days, and marks the longest budget delay in the state's history. The Governor exercised his line-item veto power, with another \$510 million in last minute cuts, mostly to social services programs. However, the finance director stated that the Governor did prioritize public safety programs.

Although the State Budget is now in place, a budget watch is in place by leaders of the Senate and Assembly. Fiscal analysts believe that the continued drag on the economy may have a large impact on revenues available for state spending and that California may be faced with another multibillion dollar budget gap next year. As a new legislature will be sworn in on December 1, counties might anticipate a special session to be called to address a fiscal emergency with mid-year budget cuts. State leaders are concerned about the state's short term cash needs, as a short-term RAN (revenue anticipation note) has yet to be issued due to the global credit crisis. If the state is unable to sell its RAN, then Governor Schwarzenegger has suggested that the state may request a \$7 billion loan from the federal government.

Mendocino County forecasts a grim outlook, with a more difficult task in balancing a budget for next fiscal year, anticipating a continuing weak economy with State revenue projections falling short, resulting in more cuts to local governments.

The following is a summary listed below of the major significant revisions included in the 2008-09 State Budget:

- Budget Reform- Added SCA 13 and SCA 30 which are measures included in the budget which establish the "rainy day fund" or Budget Stabilization Fund and also restricts transfers from this fund and can only be transferred to the General Fund when revenues are not sufficient to support spending levels, and will require voter approval
- SCA 12 – Added measure that securitizes State Lottery and will require voter approval
- SB1X 28 – replaces AB 36xxx and amends AB 1452 and AB 88 - frontloading of personal income and corporate quarterly estimated requiring a larger percentage for the first two quarters to be paid and lower on the last two quarters increasing the revenue cash flow. It also eliminates safe harbor for taxpayers with high incomes
- No suspension of Prop 1A (local property taxes) or Prop 42 (transportation funding)
- Continuation of Prop 1B Local Streets and Roads funding to counties
- Majority of budget reductions to Health and Human Services programs

### Cash Flow/Payment Delays

- State delays in payments to Mendocino County for departments affected are anticipated and remain in effect with on the annual TRANS borrowing at the beginning of the year including

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interest on delayed flow of cash needed. Payments are expected to be received by September 30<sup>th</sup> or earlier according to the State Controllers office.

On a local level, due to the global credit crisis, Mendocino County could face the inability to liquidate maturing investments which generate needed cash flow. This could possibly jeopardize the ability to meet obligations of the Prop 98 payment to schools and special districts. However, since the Bail-out bill has been passed by the House, economists feel that this should relieve the freeze on credit markets soon which may enable the county to liquidate maturing investments.

Not included in the 2008-09 State Budget and did **not** happen:

- Corrections Reforms –The Corrections Trailer Bill (AB 841) was not taken up and thus not passed. Consequently, the parole reforms and sentencing changes discussed earlier this year will not be carried out.
- Health Care Receiver – The budget package did not include funding for the federal healthcare receiver's demands to provide up to \$8 billion over the next five years to bring the state's health and mental health system in California's 33 prisons up to a constitutional level of care.
- No Emergency Response Initiative Surcharge – The final budget deal did not include the insurance surcharge for the Emergency Response Initiative (ERI) (formerly known as the Wildland Firefighting Initiative). Through this program, the emergency response capabilities of the California Department of Forestry and Fire Protection (CAL FIRE), the Office of emergency Services (OES) and the Military Department would have been increased. ERI funds are partially backfilled by increased General Fund spending.
- No Department of Justice (DOJ) Forensic Laboratory Fees – The previous budget proposal for the Department of Justice to charge local agencies a fee-for-service for forensic laboratory tests was eliminated.

The following is a brief summary of related impacts to Mendocino County due to the enactment of State Budget for fiscal year 2008-09:

### **General Government/Finance**

- Library – The State Budget Act appropriation for the Transaction Based Reimbursement (TBR) Program was reduced by \$1.434 million. The Library of California (LOC) will be reducing reimbursement in the first quarter, but may “true up” reimbursements by the end of the year 2008-09 based on annual cost studies submitted in April. The budget still includes a reduction of 10% or \$5.1 million for local library support

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and reimbursement for inter-and intra-library book loan programs. **Impact to BU #6110 is approximately \$35,000 but is budgeted.**

- Mandated Costs – Statute requires that costs are fully repaid by 2020-21. Mandates suspended in the Prop 1A in the previous three Budget Acts will remain suspended for 2008-09. **The State owes Mendocino County approximately \$3 million in mandated costs.**
- Redevelopment – The budget includes a one-time \$350 million shift in property taxes from redevelopment agencies to ERAF of approx 4.385% of gross tax increment. **Impact to Mendocino County is approximately \$31,307. The Ukiah, Ft Bragg, and Willits redevelopment agencies will shift property tax increment in total by approx \$360,000.**

#### Health & Human Services

- CalWORKS Administration– The Governor has line item vetoed single allocation funding for administration of this program by an additional \$70 million from what the legislature approved in the budget previously passed which included suspension of the CalWORKS COLA. **Impact to Mendocino County is the impact to the clients in this program receiving employment services, child care and other services for children and parents with special needs.**
- CalWORKS – (WINS) Per AB129- DSS is required to establish this program to provide food assistance by 2010. The Governor reduced funding for this program by \$2 million. **Impact to Mendocino County will delay implementation by one year.**
- In-Home Supportive Services – The budget includes a reduction in county IHSS administration funding by 5%. **Impact to Mendocino County is social worker staffing, which will reduce the hours available for assessing and monitoring in-home assistance services to elderly and disabled clients.**
- Medi-Cal Rate Reductions to Providers – The budget will restore about 9 % of the 10% reductions of the Medi-Cal reimbursement rates proposed by the Governor for Med-Cal providers and services in the May Revise. 5 % of the rate cut will be restored to pharmacies, managed care and long term care facilities. A court ordered preliminary injunction is in effect blocking all MediCal reductions in rates which will prohibit the state from implementing rate cuts beyond August 18, 2008. **Impact to Mendocino County is to the hospitals and various health care providers in the community.**
- Food Stamp (administration) – The budget does not provide a COLA and cuts the administration budget by 3%. **Impact locally to Mendocino County will be a \$108,000**

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**reduction in the Food Stamp administration budget. The cut will have to be absorbed in reduced staffing, which will increase the time individuals and families needing food and nutrition assistance will have to wait to receive help.**

- **Medi-Cal Eligibility (administration) – The budget includes a cut to the COLA and to the caseload growth representing a 7 % reduction. Adults and children would lose MediCal benefits in Mendocino County. Undocumented and Newly Qualified immigrants will have trouble qualifying or staying eligible. Impacts to Mendocino County is approx \$325,000 with increase in workload for eligibility workers processing Medi-Cal applications. Funding will be shifted to absorb the cut within the agency. Additionally, a trailer bill AB 1183, exempts counties from penalties on meeting standards when the cost of doing business increases or the funding is suspended.**
- **Mental Health Managed Care and Healthy Families – The Governor cut budget cuts by a total of \$10.7 million in the Managed Care allocation to delete state support for implementation of federal regulations with no reductions in mandates for services. Impact to Mendocino County is reduced reimbursements of approximately \$120,000 in hospital costs with possible increases rates or re-negotiations of contracts to retain providers.**
- **Prop 36 and the Offender Treatment Program – The Governor cut \$12 million from the \$120 million allocated for Prop 36 and (OTP) which is 10% reduction. Funding is already inadequate due to increased costs and new mandates. Impact to Mendocino County is the mandated staffing required providing these services, and the clients impacted by a decline in lower levels of care and provider services with possible increase in recidivism in parole operations.**
- **AODP Prop 36 - The Governor vetoed \$9.7 million in county local assistance for Drug and Alcohol Programs. This reduction impacts counties with reductions to services in Drug Court and Offender Treatment programs. Impact to Mendocino County is \$84,000 and is budgeted.**

#### Elections

- **The Governor's proposed budget includes \$85.6 million for reimbursement for the February 5<sup>th</sup> Presidential Primary election. Impact to Mendocino County is to BU #1410 for approximately \$200,000, and is budgeted.**

**Special Note: In order to meet the budget reform provisions a statewide special election will have to be called. This would mean a \$200,000 impact, and at this time it is unknown how it will be funded and if there will be any local reimbursements to**

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counties. There may be more information later on the time line or in the state January Proposal or May Revise for 2009-10.

#### Law/Justice/Public Safety

- Rural and Small County Local Assistance Program – The budget full funds the May Revise proposal to reduce this program by 10%. **The Recommended Budget was reduced; therefore, the impact to Mendocino County is an additional \$50,000 increase in revenue in Sheriff's BU #2310.**
- COPS– The budget includes a 10% reduction of support for the COPS program which supports the local law enforcement front-line services. The Sheriff gets \$100,000 and DA and Jail get \$25,000. The City of Pt Arena also receives \$100,000 in funds from this program, in which the Sheriff BU #2310 receives, impacting the budget by \$10,000. In addition, payments will be made quarterly instead of a lump sum payment to assist with the state's cash flow. **Impact to Mendocino County is a total of \$22,500 in BU #2313 and BU #2070 and is budgeted.**
- The Juvenile Justice Crime Prevention Act (JJCPA) – The budget continues with the 10% reduction for the current year level of support. In addition, payments will be made quarterly instead of a lump sum payment to assist with the state's cash flow. **Impact to Mendocino County is \$25,000 or minimal and is budgeted in BU 2561.**
- Public Safety Programs - Cal-MMET Program – The budget includes \$19.5 million in funding for this grant program. AB 88, a supplemental budget bill, contains language to develop a competitive grant process that would permit counties to apply for funding, which will be award in three-year cycles and will be awarded to counties who demonstrate the greatest need for addressing the local methamphetamine problem. **The Recommended Budget was reduced; therefore the impact to Mendocino County is an additional \$25,000 increase in revenue in CalMMET BU # 0474.**
- Jail Efficiency Funds – Also in the budget is AB 88, containing an appropriation of \$31.5 million pursuant to the provisions of AB 1805, to replace that which counties would have derived from the imposition of booking fees. **Impact to Mendocino County is the reduction in funding gives the authority to allow counties' to charge prorated booking fees when the state appropriates less that \$35 million. Pursuant to Mendocino County Ordinance # 3849 and Government Code 29550 Chapter 5.120, the Sheriff has authority to charge for booking fees to the arresting agencies.**
- Indian Gaming Special Distribution Fund (SDF) – The budget includes a \$30 million disbursement from the SDF to local governments for mitigation of gaming to communities.

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Policy changes have been included, with a sunset extension of the program until 2010. This bill is in the senate appropriations pending action. **Impact to Mendocino County is approximately \$280,000, with priorities to previously earmarked grant recipients awarded multi-year funding in FY 2006-07.**

### Agriculture and Natural Resources

- Williamson Act – The budget still reduces local subventions for this program by 10%. AB 1389 maintains the 10 % reduction for subsequent fiscal years as well, and revises the State Controller to make payments on or before June 30, but no later than April 20<sup>th</sup> of each year. **Impact to Mendocino County is \$60,000 to BU # 1000 and is budgeted.**

### Community Resources/Infrastructure

- Prop 42 – per Prop 1A. The budget includes the full transfer of the sales tax on gas for transportation programs and the loan repayments on Prop 1A (which was the Prop 42 loan protection guarantee). This is the first year counties are receiving full Prop 42 allocations. **Impact to Mendocino County is approximately \$1.9 million in BU #3010 and is budgeted.**
- Prop 1B – The budget includes \$63 million to counties for local roads and high-priority projects. **Impact to Mendocino County is approximately \$2.6 million already received and budgeted.**

### Federal Funding

- HR 6049 The Secure Rural Schools and Payments in Lieu of Taxes (PILT) funding was passed as by the House as part of the bail out bill on October 2, 2008. This bill fully funds PILT through 2012 with a re-tooled reauthorized Secure Rural Schools program through 2011. **Impact to Mendocino County for PILT is approximately \$236,000 and is budgeted in BU #1000, and approximately \$300,000 to DOT BU #3010, which was reduced in the Recommended Budget; therefore, will be an increase in revenue to DOT BU # 3010.**