

COUNTY OF MENDOCINO

GOVERNOR'S 2009-10 JANUARY STATE BUDGET PROPOSAL STATE BUDGET IMPACTS FY 2008-09 AND 2009-10

On December 31, 2008, the Governor released his 18-month 2009-10 January Proposed Budget. As previously reported to the Board of Supervisors, the Proposed Budget anticipates a \$41.6 billion deficit for the next 18 months through June 30, 2010.

The Executive Office will update the Board on any actions or new budget proposals by our legislatures as they occur. From all indications, analysts believe that the Governor is anticipating some relief from the federal stimulus package and the amount sent to the state.

The Governor's proposal intends to resolve the deficit in new solutions to proposals previously released during the November Special Session. The Governor proposes to cut programs mostly in the areas of Education, Health and Human Services and Corrections. The Governor also proposes to increase revenue by \$14.286 billion or 34% over 18 months which include:

- ❖ Temporary Sales and Use Tax by 1.5 cents
- ❖ Broadening Sales and Use Tax to certain services
- ❖ Increasing excise tax on alcohol by 5 cents per drink
- ❖ 9.9 percent tax on oil extraction
- ❖ Personal income tax dependent exemption credit to same level as personal exemption credit
- ❖ Increasing VLF vehicle license fees as a backfill to public safety program cuts
- ❖ Shifting revenues from tribal gaming compacts from transportation to the General Fund
- ❖ Borrowing funds internally from other special funds

CASH DEFERRALS PROPOSED IN THE JANUARY PROPOSED STATE BUDGET

Transportation

- **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 \$750,000.**
- **Prop 1B 2009-10** – The Governor is proposing the acceleration of Prop1B 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 County's 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.

Health and Human

- 7-month delay in payments from February to August to be paid in September for administration for HHSA programs, such as County Medi-Cal (administration) and Mental Health (administration), employment and support services, or CalWORKs programs, and possible other HHSA programs. IHSS and SSI/SSP payments are stated to be exempt, but all other payments for HHSA 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.

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The following is a brief summary of some of the key elements of the Governor's Proposed 2009-10 Budget that could impact Mendocino County. Although this still may be very preliminary, pending legislative action or when the Governor's May revision is released, the County Executive Office will update the Board of Supervisors continually as known with impacts to Mendocino County during the budget process.

General Government/Finance

- State Mandates – This budget proposes an increase of \$131 million for current state reimbursable mandates. \$91 million for pre-Prop 1A mandates is being deferred and will be refinanced over the remaining payment period by 2020-21. Mendocino County currently has approximately \$4 million in mandates not paid by the State.
- Senior Citizen Property Tax Deferral – This plan proposes to suspend new property tax deferrals under this program beginning in February 2009.

Health & Human Services

Cuts proposed by the Governor for Health and Human Service programs in the amount of \$1.03 billion or 3% for 2009-10 will take effect on July 1, 2009, unless otherwise stated.

- CalWORKS – The County Pay for Performance Incentive Program or administration is proposed for \$40 million in savings. The Pay for Performance Incentive is a reward to Counties for achieving certain levels of client participation. These funds were not budgeted as we had planned on them being eliminated at that time. The Governor also proposes once again to suspend the COLA. **Impact to Mendocino County is the clients in this program receiving employment services, child care and other services for children and parents with special needs.**
- Medi-Cal Administration – The Governor's plan is to suspend the statutory cost of living increase for County Administration of the Medi-Cal program. This suspension represents losses in benefits to adults and children as well as eligibility for qualifying immigrants with a scale back on benefits to a "limited scope" for newly qualified immigrants and immigrants who permanently reside. Eligibility will also be on a month-to-month basis for undocumented immigrants unless there is an emergency by case. This will generate a savings of \$9.6 million in 2008-09, and 4 million in 2009-10. Also, proposed are revisions on income requirements for Medi-Cal eligibility to reduce caseloads.
 - 2008-09 impact to Mendocino County is approximately is approximately **\$28,000** using a ratio calculation to all counties.
 - 2009-10 impact to Mendocino County is **\$12,000** using a ratio to all counties in loss of dollars to the clients of the County.
- Medi-Cal Eligibility – This proposal plans to increase Medi-Cal share of cost requirements to the 2001 levels for the Aged, Blind and Disabled program for a savings of \$9.6 million in 2008-09 and \$372 million in 2009-10.
 - 2008-09 impact to Mendocino County is approximately is approximately **\$28,000** using a ratio to all counties.
 - 2009-10 impact to Mendocino County is **\$1,116,000** using a ratio to all counties in loss of dollars to the clients of the County.

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- **Medi-Cal Checkwrite Delays** – Medi-Cal delays in payments for fee for service providers from 2008-09 to 2009-10 fiscal year are also proposed. **Impact is to the local providers and the hospitals that are already experiencing significant impacts with delays in reimbursement.**
- **Food Assistance Program** – The Governor proposes to eliminate the California Food Assistance program (CFAP). **Impact to Mendocino County is approximately \$1,667 per year and will be charged to County General Fund administration programs as a result of the loss of state funding for this program. Low-income immigrants who have resided lawfully in Mendocino County for less than five years will not receive approximately \$35,663 in Food Stamp Benefits. It is unknown the loss to local businesses as food stamp recipients are not required to spend their benefits in this county.**
- **In-Home Supportive Services** – The budget proposes a limit to the state share in wages and benefits to only non-medical services to the neediest IHSS recipients. **Impact to Mendocino County is the state participation to the IHSS provider wages from \$12.10 to \$8.60 per hour. This would be a \$3.50 cut per hour to our IHSS providers.**
- **Drug and Alcohol Funding Realignment** – The Governor proposes to impose an increase to the existing alcohol excise tax to fund a new Drug and Alcohol Prevention and Treatment Fund. This fund would support existing alcohol and drug programs effective July 1, 2009.
- **Mental Health Prop 63** – The Governor is proposing to take Prop 63 funds the Mental Health Service Act and use these funds to backfill the state's Mental Health Managed Care program. This would require voter approval to amend Prop 63 as there is a Maintenance of Effort required by Prop 63. **Impact to Mendocino County is shifting the Managed Care Allocation with MHSA funds, there would have to be a shift of approximately \$1.2 million from MHSA to "backfill" the Managed Care Allocation that is approximately \$1.2 million. The impact would be trading MHSA's flexible usage of the funding for simply paying a recurring bill.**

Elections

- **Special Election** – Pending the Governor's Proposal and action by the legislature, there may be a special election held in the spring. It is unknown at this time if this election would be reimbursed to counties. **If this election is scheduled for 2008-09, and not anticipated to be reimbursed, the impact to Mendocino County for FY 2008-09 is the cost of an additional election of approximately \$200,000.**

Law/Justice/Public Safety

The Governor proposes the creation of a Local Safety and Protection Account from the increase of vehicle license fees (VLF) funds.

- **Rural and Small County Local Assistance Program** – The Proposed Budget includes funding to maintain the Rural and Small County Local Assistance Program for enhancement of local law enforcement for 2008-09 and the funding has already been received. Funding for 2009-10 is proposed to be eliminated. **Impact to Mendocino County for FY 2009-10 is \$500,000.**

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- COPS – The Governor is proposing to decrease funding again by 10% for 2008-09 for the COPS program which supports the local law enforcement front-line services. The Governor is proposing to increase this funding from VLF funding by 3% or \$3 million for 2009-10. The Sheriff's budget receives **\$200,000** (including Pt Arena funding) and the DA and Jail get **\$25,000** each.
 - **2008-09** impact to Mendocino County is **\$22,500** in Sheriff's BU #2313 and #2510, and **\$2,500** in DA BU #2070.
 - **2009-10** impact to Mendocino County is a total increase of approximately **\$6,750** for Sheriff BU #2310 and #2510 and DA BU #2070.
- The Juvenile Justice Crime Prevention Act (JJCPA) – The Governor is proposing to decrease funding again by 10% for 2008-09. The Governor is proposing to increase this funding from VLF funding by 3% or \$3 million for 2009-10.
 - **2008-09** impact to Mendocino County is a **reduction of \$26,000** in Probation BU #2561.
 - **2009-10** impact to Mendocino County is an **increase of \$7,000** in Probation BU #2561.
- Cal-MMET – The Governor proposes to reduce this grant by 41.67%, or from a level of funding as enacted for 2008-09 of \$19.5 million, to \$11.375 million. Additionally, the Governor is proposing to eliminate this grant for 2009-10. This will impact BU #0474.
 - **2008-09** impact to Mendocino County is **\$55,627** – **However, this funding was anticipated and budgeted with a reduction.**
 - **2009-10** impact to Mendocino County is **\$133,505**.
- Booking Fees – The Governor is proposing maintaining the same level of funding of \$31.5 million in 2008-09 and in 2009-10. **Impact to Mendocino County would be zero and no change for 2008-09 and 2009-10.**
- Juvenile Probation – The Governor proposes to reduce funding by 10% to \$131.6 million for Juvenile Probation for 2008-09. The Governor is proposing to increase funding for 2009-10 by 3% from VLF funding for 2009-10.
 - **2008-09** impact to Mendocino County is a **reduction of \$30,000** in Probation BU #2560.
 - **2009-10** impact to Mendocino County is an **increase of \$8,400** in Probation BU #2560.

Also, out of the Special Session are proposals for parole reform measures as follows:

- Parole Supervision will be limited to violent, serious and or sexual offenders, while less serious will not be supervised while on parole: No immediate impact, however, future impact due to the increased number of prior high-risk offenders in Mendocino County who are more likely to commit a new offense. These new offenses will impact Probation, DA, PD, Jail, and local law enforcement agencies.
- State inmates will receive day for day early release credits earned for completing programs, and following rules: No immediate impact to Probation.
- Thresholds values for certain property crimes will be established for crimes currently prosecuted as felonies to misdemeanors: Increase in Probation caseloads. Individuals who would have been sentenced to prison will now be placed on Probation.

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Community Resources/Infrastructure

- Prop 42 – per Prop 1A. The Governor does not propose any effects to local streets and roads funding. There is also no proposal to borrow from Prop 42 funding, although it is reported that revenues are declining with the drop of gas and reduced consumption. **Impact to Mendocino County is in BU # 3010 for FY 2009-10 is increased funding of \$1.9 million.**
- Prop 1B – The Governor's budget also maintains the acceleration of Prop 1B funding of \$450 million to counties. However, there are certain restrictions to access these bond funds, such as encumbering the funds by December 2009, certifying that local fund balances do not exceed three months of Highway User Tax (HUTA) and Transportation Investment Fund (TIF) revenues and other accountability requirements, yet to be defined. With the state being unable to issue bonds, and until the credit markets improve, there may not be any way to access these revenues until late 2009. **Impact to Mendocino County is in BU # 3010 for 2009-10 is increased funding of \$2.6 million.**
- **AB 900** – The Governor is proposing to reintroduce amendments to AB 900 (Public Safety and Offender Rehabilitation Act of 2007). This bill would address support for state and local correctional infrastructure investment. **Impact to Mendocino County is not known at this time.**

Agriculture and Natural Resources

- Williamson Act – The November Special Session and in the Governor's proposal is the elimination of \$34.7 million for 2008-09 and 2009-10 for the Williamson Act. This funding provides state reimbursements to local taxing agencies that partially defray the loss of property tax revenues from contracts with local landowners who agree to limit the use of their land to agriculture, scenic or open space purposes in exchange for reduce property taxes. Counties do have ability to enter into agreements separately. This impact is to BU #1000 General Fund revenues.
 - **2008-09** impact to Mendocino County is **\$565,000 (already includes a 10% reduction).**
 - **2009-10** impact to Mendocino County is approximately **\$615,000.**

UPDATE ON LEGISLATIVE BUDGET ACTION

Below is an update of additional details on cuts and revenues for the budget deal that could be voted on soon:

- \$15 billion in total cuts;
 - \$14.4 billion in new and increased taxes on sales, vehicles, gasoline and personal income; and
 - \$12 billion in borrowing against future profits from the lottery, short-term loans, and various accounting maneuvers.
- CUTS
 - Schools and community colleges: \$8 billion in cuts.
 - State colleges and universities: \$890 million in cuts.
 - Scheduled cost-of-living increases for welfare recipients would be canceled.
 - Mental health (Prop. 63) and early childhood education programs (Prop. 10): \$830 million in cuts.
 - Public transit: \$459 million in cuts.

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• **REVENUES**

- Vehicle license fees would nearly double, going from the current rate of 0.65% to 1.15% of the value of a car or truck.
- The sales tax would increase by 1 cent.
- Gasoline taxes would increase by 12 cents a gallon.
- Californians would pay a new surcharge on their personal income taxes, amounting to 2.5% of their total tax bills.

Also, recent State budget proposals updates as late as February 17, 2009, being passed down locally are stated that there will be no cuts to the Williamson Act, Library, or Public Safety programs as proposed in the January Proposal.

If voters approved constitutional spending restraints that the Legislature would put on the ballot in the coming months or in May or June, as part of the budget package, the taxes would remain in place for five years.

The Executive Office will update the Board on new local impacts at a future Board meeting.

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