



ATTACHMENT A

## SAN MATEO COUNTY COUNTY MANAGER'S OFFICE

Date: September 16, 2002

**To:** John Maltbie, County Manager  
Paul Scannell, Assistant County Manager  
Reyna Farrales, Deputy County Manger  
Jim Saco, Assistant Budget Director

**From:** Mary McMillan, Deputy County Manager

**Subject:** Almost Final 2002-03 State Budget

---

The Assembly and Senate passed 21 measures to accomplish the \$98 billion 2002-03 State Budget on August 31. It was 62 days into the state's new fiscal year and 77 days past the constitutional deadline. In order to close the \$23.6 billion budget gap, \$2.4 billion in new revenues and \$1.2 billion in additional reductions were made to that approved by the Senate in June. They include a four-percent across-the-board cut, funding public schools at the minimum Proposition 98 level and an early retirement "golden handshake" program to reduce the number of state employees.

*The budget requires an additional current year reduction of \$750 million in state government programs and the elimination of additional 1,000 state positions. Thus, unspecified reductions to local programs may still be made.*

To date, just one measure has been signed by the Governor, Assembly Bill 425 (Chapter 379, 2002-03, Oropeza). The 15 remaining budget trailer bills are subject to line-item veto.

The budget relies on several one-time fixes:

- \$1.7 billion year-end shift in education spending;
- \$145 million anticipated from tax amnesty program;
- \$170 million realized from the suspension of the teacher tax credit;
- \$1.2 billion from suspending the net operating loss provision for businesses until 2004-05;
- \$225 million from increasing real estate withholding;
- \$400 million from increasing withholding on stock options and bonuses; and
- \$285 million from changing the bad bank debt statutes.

### Future Years Capped

Additionally, both houses agreed to cap spending for the coming fiscal year in an effort to avoid future deficits now estimated to total \$45 billion over the next five years.

### ACA 11

Both houses approved Assembly Constitutional Amendment 11 to establish the "Twenty-first Century Infrastructure Fund" and requires one percent of the State General Fund revenue in 2006-07 increasing by increments of thirds, up to three percent in 2013-14 to be used as pay-as-you-go funding for state and local infrastructure projects. The funding would be split half for local and half for state projects, including transportation, education, natural resource preservation, parks, and water projects.

Department of Finance would be required to annually plan an expenditure plan for the funds.

The amount of the annual transfer would be reduced by the amount of sales tax revenue on vehicles that would be diverted for infrastructure pursuant to Proposition 51 on the upcoming November 5 statewide ballot. Prop. 51 would redirect 30 percent of the sales tax revenue from the lease and sale of new and used motor vehicles from the state General Fund to finance new transit and road infrastructure and purchase school buses.

According to the author, the State owns 2.5 million acres of land, 180 million square feet of building space and 15,000 miles of highways that require a dedicated revenue source to maintain and improve. Further it is argued that the aging infrastructure is not keeping pace with the state's growing population, estimated to increase by 15 million people by 2020. ACA 11 creates a revenue stream to fund infrastructure projects. Estimates indicate that, if approved by the voters, ACA 11 would result in \$112 billion over 20 years for infrastructure projects -- of which \$56 billion would be available for local government projects, or about \$2.8 billion annually.

### House Resolution 96

The Legislature did agree to establish a bipartisan commission to study the State's fiscal problem. The Commission on Structural Challenges to Budgeting in California is charged with reviewing the state's General Fund revenues and expenditures for potential reforms that improve government efficiency and improve the state's long-term strategic planning.

The 12-member commission will include the Speaker (chair) Minority Leader (vice-chair) five members appointed by the Speaker and five members appointed by the Minority Leader begin work no later than February 1, 2003. The commission is charged with reviewing State General Fund revenues and expenditures as well as requirements resulting from statute, initiatives and ballot measures, court decisions and federal government mandates. Specifically, the commission is to identify potential changes in statute or to the California Constitution that would "enhance the state's ability to do long-term and strategic planning, and improve the state's budget process to make government programs and departments more accountable to the public."

### Final State Budget Reductions

The final state budget reductions to county programs include:

- CalWORKS, Medi-Cal administration, child welfare services, adoptions and food stamp reduction: **\$3 million cut to Human Services Agency;**
- increases and makes permanent the state "administrative fee" on the Disproportionate Share Hospital funds from \$30 million to \$85 million or **\$700,000 loss to San Mateo County;**
- suspends county incentive payments for obtaining third-party health coverage or insurance and suspends county performance payments for achieving child support standards;
- Suspends the statutory cost-of-living adjustment for CalWORKS recipients from October 1, 2002 to June 1, 2003 and that for SSI/SSP for elderly and disabled from January 1, 2003 to June 1, 2003;
- Indefinitely suspends the expansion of the Health Family Program to parents loss of \$143.2 million, foregoing \$90.8 million in federal matching funds;
- \$168.3 million reduction in reimbursements for state mandates;
- \$17.3 million reduction to eliminate the third year of the Mentally Ill Offender Crime Reduction Grant Program;
- reduces county documentation requirements for Adult Protective Services program;
- \$18.5 million retained for High Technology Grants for law enforcement with each local law enforcement agency to receive a minimum grant of \$30,000, the remaining funds allocated on a population formula;
- \$13 million retained for High Technology Theft Apprehension Program provided through Office of Criminal Justice Planning grants;
- \$6.2 million reduction to stormwater runoff contracts and increases the maximum fee on water discharges from \$10,000 to \$20,000, to be adjusted annually by inflation estimated to cost the C/CAG members upwards of **\$300,000;**
- \$3.1 million suspension of payments to coastal cities and counties pursuant to the Coastal Resources and Energy Assistance Act;
- deleted \$21.5 million from Mental Health Supportive Housing Program;
- implemented a 10 percent county match for the state's Early Periodic Screening Diagnosis and Treatment Program (EPSDT) **\$35,000 cost to San Mateo County Health Services Agency;** and
- \$10 million reduction to homeless programs resulting in a nearly **\$1 million loss to San Mateo County.**

### IHSS

The In-Home Supportive Services (IHSS) program went untouched thus pulling the statutory increase trigger of \$1.00, which the Department of Finance (DOF) *confirms the intent of the state to pay its share of the dollar increase.* **Increase of \$550,000 to County of San Mateo.**

### AB 915

On a positive note, before adjourning the 2001-02 Legislative Session, the Assembly and Senate approved without a dissenting vote, Assembly Bill 915 (Frommer) to allow publicly owned health care facilities to obtain matching funds for unreimbursed costs for outpatient services Medi-Cal recipients. It is estimated that California will receive an additional \$65 million annually in federal matching funds with **San Mateo County Medical Center would receive an additional \$750,000.**

Roberti-Z'berg

Assembly Bill 2997 eliminates the 30 percent local match to receive Robert-Z'berg grant funds for cities and counties that have "urgent unmet needs for recreational lands or facilities, and lack funds to acquire and develop recreational facilities and vests the discretion to the director Parks to waive the match.

Seismic

The final budget action extends the deadline for hospitals to meet the state's seismic structural requirements.

Report Back

In addition, the final state budget action requires numerous report backs of interest to local agencies, including:

- account balances for each of the Proposition 40 accounts;
- numerous issues relating to CalFed Bay-Delta program including environmental justice, and program accounts;
- on or before, January 10, 2003 the CARB shall provide a report on what Transportation Mitigation Strategies they are undertaking to assist the San Joaquin Valley Air Quality Control District and other affected local air districts in complying with state and federal standards;
- LAO to prepare a report on the Drug Medi-Cal program;
- Directs the

Finally, the state budget provides for the issuance of lease revenue bonds for the Los Angeles Regional Forensic Laboratory.

The 2002-03 State Budget is contained in the following 16 measures:

Bill Number	Subject	Status
AB 425	Budget Bill	Chapter 379, Statutes of 2002
AB 442	Health	To enrollment
AB 444	Social Services	To enrollment
AB 925	Medi-Cal Reporting	To enrollment
AB 1100	Basic Aid School Districts	To enrollment
SB 1832	2001-02 Deficiency Bill	To enrollment

AB 2996	Transportation	To enrollment
AB 2997	Resources	To enrollment
AB 2998	Charter Schools	To enrollment
AB 3000	General Government	To enrollment
AB 3004	City of Millbrae Loan Forgiveness	To enrollment
AB 3006	Reinstates Medi-Cal Provider Rates	To enrollment
AB 3008	2001-02 Education Deferral	Chapter 99, Statutes of 2002
AB 3009	Natural Heritage Tax Credit Suspension/ERPA	To enrollment
AB 3010	Alternative Base Period of Unemployment Insurance	To enrollment
SB 1834	Transportation	To enrollment

Program	State Share Funding Loss	Total Funding Loss	Staffing Loss (1)	Impact
CalWORKs	\$953,000	\$953,000	5.5 Benefit Analysts 2.5 Support Staff	<p>Client:</p> <ul style="list-style-type: none"> <li>• Reduced / eliminated access to CalWORKs enrollment at clinics, schools, other community service centers.</li> <li>• Risk of loss of income assistance from reduced / eliminated assistance in maintaining CalWORKs enrollment after changes of address, changes of family members, etc.</li> </ul> <p>Program / Community Outcomes:</p> <ul style="list-style-type: none"> <li>• Impossibility of administering program in full compliance with federal and state regulations. Risk of financial sanctions for noncompliance.</li> </ul>
Medi-Cal	\$493,000	\$986,000	6 Benefit Analysts 2.5 Support Staff	<p>Client:</p> <ul style="list-style-type: none"> <li>• Reduced / delayed access to Medi-Cal enrollment at regional offices.</li> <li>• Reduced access to Medi-Cal enrollment at clinics, schools, other community service centers.</li> <li>• Reduced / delayed access to medical care from reduced / eliminated assistance in maintaining Medi-Cal enrollment after changes of address, changes of family members, etc.</li> </ul> <p>Program / Community Outcomes:</p> <ul style="list-style-type: none"> <li>• Impossibility of administering program in full compliance with federal and state regulations. Risk of financial sanctions for noncompliance.</li> <li>• Will have to reengineer and restructure the way the Medi-Cal program is administered in San Mateo County.</li> </ul>

(1) Represents magnitude of funding reduction if offset only by staff reductions at standard configuration. Actual reduction may involve other cost reduction strategies and/or staffing changes.

Program	State Share Funding Loss	Total Funding Loss	Staffing Loss (1)	Impact
Child Welfare Services	\$373,000	\$660,000	4 Social Workers 1.75 Support Staff	<p>Child / Family Client:</p> <ul style="list-style-type: none"> <li>• Potential harm and increased suffering from delay in investigations of reported abuse and neglect.</li> <li>• Increased suffering from longer stays in emergency and temporary placement.</li> </ul> <p>Program / Community:</p> <ul style="list-style-type: none"> <li>• Delayed and fewer successful reunifications.</li> <li>• Impossibility of administering program in full compliance with federal and state regulations. Risk of financial sanctions for noncompliance.</li> </ul>
Adoptions	\$103,000	\$103,000	.5 Social Workers	<p>Child / Adoptive Parent Client:</p> <ul style="list-style-type: none"> <li>• 5 fewer children adopted per year.</li> <li>• Longer wait for adoption which is detrimental to child and detrimental to adoptive family.</li> </ul> <p>Program / Community Outcomes:</p> <ul style="list-style-type: none"> <li>• Longer wait for adoption which is detrimental to recruitment of adoptive parents.</li> </ul>
Food Stamps	\$80,000	\$229,000	1.5 Benefit Analysts .5 Support Staff	<p>Client:</p> <ul style="list-style-type: none"> <li>• Reduced / eliminated access to Food Stamps enrollment at clinics, schools, other community service centers.</li> <li>• Risk of hunger from reduced / eliminated assistance in maintaining Food Stamps enrollment after changes of address, changes of family members, etc.</li> </ul> <p>Program / Community Outcomes:</p> <ul style="list-style-type: none"> <li>• Impossibility of administering program in full compliance with federal and state regulations. Risk of financial sanctions for noncompliance.</li> </ul>
<b>Total FY 02-03</b>	<b>\$2,002,000</b>	<b>\$2,931,000</b>	<b>24.75 Positions</b>	

(1) Represents magnitude of funding reduction if offset only by staff reductions at standard configuration. Actual reduction may involve other cost reduction strategies and/or staffing changes.

**Attachment A: Impact of State FY 02-03 Budget on San Mateo County Health Services/San Mateo Medical Center (as of September 12, 2002)**

<b>Program</b>	<b>Funding Loss</b>	<b>Service/Workload Impacts</b>
<b>Mental Health</b>		
Children System of Care reduction estimated to be 50% of \$725,000 program	\$362,500	<ul style="list-style-type: none"> <li>➤ Will result in the loss of \$362,500 (50%) of a \$725,000 initiative to reduce out-of-home placements for seriously emotionally disturbed youth involved in multiple public systems including Mental Health, Probation, and Child Welfare. This reduction equals a 66% cut for the last three quarters of FY 02-03 since the first quarter has elapsed. The State Department of Mental Health will provide some guidance regarding how counties should apply this severe reduction to the Children and Youth System of Care. The reduction will be the equivalent of 5.3 FTE and services for up to 132 high-risk seriously emotionally disturbed youth currently served through Mental Health partnerships with Probation, Education, and Child Welfare. Mental Health has held off filling a sufficient number of positions on a permanent basis to address this contingency. Given the Governor's budget message and the severity of the cut, Mental Health will need to reprioritize target populations and services for the Children and Youth System of Care. This process will involve Probation, Education, and Child Welfare agency partners and other stakeholders.</li> </ul>
EPSDT – Addition of 10% local match for growth over FY 01-02	\$32,000 (estimate)	<ul style="list-style-type: none"> <li>➤ The State Department of Mental Health will provide more direction regarding the imposition of a local match requirement that would equate to reduction of .5 FTE position (to-be-determined) or equivalent contract cost with an approximate caseload reduction of 20 clients.</li> </ul>
Homeless Mentally Ill – reduction by 10 million statewide	\$950,000 (estimate)	<ul style="list-style-type: none"> <li>➤ The State Department of Mental Health will determine the exact financial impact on San Mateo County Mental Health's homeless mentally ill program contracted through Telecare. The worst case scenario would be a reduction of \$950,000 to the \$1,211,308 program, and a loss of 75 assertive community treatment slots and 40 shelter beds for homeless mentally ill adults who have been unable to link with any other treatment programs.</li> </ul>
<b>Aging and Adult Services</b>		
Adult Protective Services	\$148,000	<ul style="list-style-type: none"> <li>➤ Will not fill position of Social Work supervisor for APS, which is currently vacant. Will slow down development of an adequate infrastructure for the APS unit. As a</li> </ul>



**Attachment A: Impact of State FY 02-03 Budget on San Mateo County Health Services/San Mateo Medical Center (as of September 12, 2002)**

		result, will be unable to meet goals for quality assurance, case oversight and review and staff training or the reduction of response times.
<b>IHSS</b>	\$550,000	County portion of \$1.00/hour wage increase
<b>San Mateo Medical Center</b>		
Medi-Cal: Increase in DSH Administrative Fee	\$690,000	➤ Will exacerbate financial deficit in Hospital and Clinics (may be offset by new outpatient revenue legislation – see below).
<b>Other Medi-Cal (primarily affects MH and SMMC)</b>		
Medi-Cal administrative cuts (Human Services)	Difficult to estimate	<ul style="list-style-type: none"> <li>➤ Reduction of Medi-Cal benefit analysts in Human Services could reduce Medi-Cal worker coverage at SMMC and Health sites throughout the County.</li> <li>➤ Would hamper efforts by all Health Services divisions and SMMC to place clients on Medi-Cal.</li> <li>➤ Would reduce Medi-Cal revenues, particularly for Mental Health and SMMC. For example, Hospital receives more than \$1,800 per day for Medi-Cal patients in the hospital; and up to \$360 per visit for an outpatient Medi-Cal visit. SMMC and Mental Health receive no revenue for uninsured patients.</li> <li>➤ Would undercut County efforts to provide insurance for all children. Outreach and Medi-Cal/Healthy Families enrollment is key to this effort. Medi-Cal enrollment requires eligibility workers from Human Services.</li> </ul>
Healthy Families/Medi-Cal Outreach Funding	\$250,000	<ul style="list-style-type: none"> <li>➤ Eliminates funding for three outreach workers stationed at clinics and for three community-based organizations involved in insurance enrollment.</li> <li>➤ Could hamper efforts to enroll individuals in Medi-Cal, Healthy Families, and County's new insurance initiative for children.</li> <li>➤ Note: SMMC will fund three outreach workers through Medi-Cal Administrative Activities (MAA) claiming and/or FQHC Scope of Service Change funding. Community organizations may be funded through new Children's Health Initiative.</li> </ul>

Note: Legislature approved AB 915; if signed by the Governor, this legislation will provide an estimated \$750,000 (according to the California Association of Public Hospitals) to San Mateo Medical Center for unreimbursed costs for outpatient services to Medi-Cal recipients.