



COUNTY OF SAN MATEO
Inter-Departmental Correspondence

County Manager's Office

DATE: March 12, 2009
BOARD MEETING DATE: March 17, 2009
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors
FROM: David S. Boesch, County Manager
SUBJECT: County Manager's Report #3

A. Analysis of the 2009-10 State Budget

RECOMMENDATION:

Accept this report.

VISION ALIGNMENT:

Commitment: Responsive, effective and collaborative government.

Goal(s): 20—Government decisions are based on careful consideration of future impact, rather than temporary relief or immediate gain.

BACKGROUND:

On February 20, 2009 Governor Schwarzenegger signed a 17-month budget package. The total impact on the County of San Mateo is estimated to be \$25 million. The complex budget package includes: \$41.6 billion in "solutions;" \$14.9 billion in reductions; \$12.5 billion in tax increases; \$5.4 billion in borrowing; and \$1.3 billion in vetoes. The spending plan anticipates between \$8 and \$10 billion in federal stimulus funds.

State Budget Solutions

The revenue increases include:

- Sales Tax by 1 cent until July 1, 2011. If the spending cap does not pass, the increase would be in place for another year;
- Vehicle License Fee (VLF) from 0.65 percent to 1.15 percent through 2013-14 (2011-12 if spending cap fails). A portion of these funds would be used to fund local law enforcement programs.
- Personal Income Tax with a surcharge of 0.25 percent. If the state receives at least \$10 billion in federal stimulus funds, the increase drop to 0.125 percent.

Additional reductions are avoided *if* the federal stimulus funds California receives reach \$10 billion. That determination will be made by April 1, 2009 at a hearing conducted by the

Treasurer and the Director of the Department of Finance. The additional “trigger” reductions would be effective on July 1, and includes: elimination of the Medi-Cal optional benefits; a 10 percent reduction to public hospital reimbursement rates; 4 percent reduction to CalWORKS grants; and 2.3 percent reduction of SSI/SSP grants.

The State Budget continues to fund various local law enforcement programs, but at reduced levels, with a 0.15 percent of the VLF increase, including the rural county subvention, Citizen Options for Public Safety, Juvenile Justice Crime Prevention, Juvenile Probation Camps and Ranches, and booking fees.

State borrowing includes: up to \$340 million, but not less than \$275 million of Proposition 10 funds from the state commission accounts on a one-time basis and redirects \$268 million of Proposition 10 funds annually for five years (\$54 million from the state commission and \$214 million from local commissions); and \$226 million of Proposition 63 funds to support Early and Periodic Screening, Diagnosis and Treatment (EPSDT). Both require voter approval.

And vetoes of \$1.3 billion: \$255 million each in funding UC and CSU systems; \$400 million from Corrections and \$275 million from transportation.

The spending plan includes a series of “economic stimulus” measures, such as the use of public-private partnerships for state transportation projects; design-build; creates an ad hoc critical infrastructure permit review panel to expedite and streamline the environmental permitting process for transportation projects; 90-day prohibition on foreclosures; and allows rental car companies to pass through to consumers the higher cost of the VLF increase.

The State Budget agreement is also predicated on the passage of a number of propositions on May 19, 2009. An attachment outlines the ballot measures, as well as the 37 measures required to enact the complex spending plan.

DISCUSSION:

Impact on San Mateo County

The state spending plan will result in \$22.7 million in deferred payments to San Mateo County and \$3 million reductions to San Mateo County programs, including:

- Social service program payment deferrals (July/August) - **County impact—\$20 million**
- Three-month fuel excise tax deferral (February/March/April) - **County impact—\$2.7 million**
- Suspends CalWORKS grant COLAS - **Impact on CalWORKS recipients - \$1.1million**
- Suspends COLA for Medi-Cal County Administration - **County impact - \$482,848**
- Probation program reductions – **County impact \$1.5 million**

County departments have submitted their preliminary budget proposals for 2009-10. The impact of State actions will be reflected in reductions in services and/or increases in demand on County resources particularly in light of continuing challenges due to the economic recession.

FISCAL IMPACT:

The state spending agreement results in an estimated \$25 million impact on the County’s FY 2009-10 budget.