



**COUNTY OF SAN MATEO**  
**Inter-Departmental Correspondence**

County Manager's Report

**DATE:** August 24, 2009  
**BOARD MEETING DATE:** August 25, 2009  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** Majority

**TO:** Honorable Board of Supervisors  
**FROM:** David S. Boesch, County Manager  
**SUBJECT:** County Manager's Report–Supplement

**A. Analysis of the 2009-10 State Budget**

**BACKGROUND:**

On July 28, 2009, Governor Schwarzenegger signed a 27-bill budget package to close the state's \$24 billion shortfall, which includes: \$16.1 in spending reductions; \$3.4 billion in revenues and revenue accelerations; \$2.1 billion in borrowing, including \$1.9 billion from local government property tax revenues; \$1 billion in fund shifts; and \$1.3 billion in other "solutions." Analysis of the 2009-10 State Budget has identified \$67 million in potential net loss of revenues for county-operated programs.

Highlights of the July 2009-10 State Budget include:

- Diverting \$1.9 billion of local property tax revenues in 2009-10
- Allowing the state to divert up to \$2 billion in redevelopment agency property tax revenues in 2009-10 and 2010-11
- Deferral of Proposition 42 and HUTA payments
- Deferral of county mental health payments for 11 months
- Deferral of payments and suspension of 31 local government mandates
- Elimination of Williamson Act subvention

These cuts compound the previous reductions taken by the state over the past 12-months.



**FY 2008-2010  
Summary of State Budget Impact**  
(dollars in millions)

	<b>July 2009-10 State Budget</b>	<b>February 2009-10 State Budget</b>	<b>September 2008-09 State Budget</b>	<b>Total Loss to County</b>
Program Reductions	\$28	\$12	\$11	\$51
Borrowing	\$25	0	0	\$25
Deferrals	\$14	\$30	0	\$44
<b>Total</b>	<b>\$67</b>	<b>\$42</b>	<b>\$11</b>	<b>\$120</b>

**Proposition 1A Suspension—(\$25.3 million)**

The budget package borrows eight percent of 2008-09 property tax revenues, or \$1.9 billion from local governments by suspending Proposition 1A. Repayment would be required within three years with an interest rate of up to eight percent. The package includes a joint powers authority to allow local agencies to borrow against the state repayment as a group. The impact to San Mateo County is \$25.3 million.

**Redevelopment Shift—(no immediate impact)**

The State Budget includes a \$1.7 billion shift from redevelopment agencies in 2009-10 and \$350 million (2010-11) into a new fund—the Supplemental Revenue Augmentation Fund (SRAF) and allows RDA's to extend terms by *one year*. SRAF funding will be used to offset state General Fund spending.

**May 19, 2009 Special Election—(\$1.7 million)**

The State Budget does not reimburse counties for the cost of the May 19 Special Election. Efforts continue on the part of counties to obtain this reimbursement.

**State Mandates**

The State Budget agreement decreases funding for state mandates from \$142 million to about \$76.4 million and suspends funding for 31 mandates including:

- Crime Victim Rights (Chapter 441; 1995)
- Senior Citizens Property Tax Deferral (Chapter 1242; 1977)
- Peace Officer Procedural Bill of Rights
- Coroners Costs (Chapter 498; 1977)
- DNA Database & Amendment to Postmortem Examinations (Chapter 822; 2000)

**HEALTH SYSTEM—(\$9 million in reductions, \$5 million in deferrals)**

**AGING AND ADULT SERVICES (AS)**

• **In-Home Supportive Services (IHSS) (\$208,000)**

Eliminates all IHSS services for recipients with a functional index score below 2, effective September 1, 2009. The impact is a reduction of 5,625 hour per month or 56,250 hours from September 1, 2009 through June 30, 2010.

- **Limit IHSS Services (\$270,000)**

Eliminates all domestic and related services for recipients with a functional index score ranking below 4 for the particular service category, effective September 1, 2009. The impact is a reduction of 9,125 hours monthly or 82,125 hours from September 1, 2009 through June 30, 2010. This will impact an estimated 275 clients. In addition, the budget eliminates all services to individuals with greater needs based on an assessment of their ability to function within eleven Activities of Daily Living.

- **IHSS Share-of-Cost (SOC) Buyout (No impact to County Budget)**

Eliminates funding for SOC buyout for all IHSS recipients. There are currently about 100 clients who currently receive the SOC buyout. The worst-case scenario would be that an individual's SOC will increase from \$50 per month to \$800-\$1000 per month. The elimination is effective October 1, 2009. This change has no effect on the County budget.

- **Linkages Program (\$234,000)**

Eliminates funding for the Linkages Program, which provides case management, care coordination, information and assistance, and purchase of services such as in-home care and transportation for frail, at-risk seniors and adults with functional impairments. There are approximately 264 clients annually in San Mateo County who may re-enter the Health System through Adult Protective Services or the San Mateo Medical Center (SMMC) and require more expensive services.

- **Alzheimer's Day Care Resource Centers, Brown Bag services, and Respite services (\$104,774)**

Eliminates funding for the Alzheimer's Day Care Resource Centers, Brown Bag services and Respite services. The Alzheimer's Day Care Resource Centers serves approximately 80 clients annually. The Brown Bag program serves meals to approximately 2,000 low-income older adults annually. Approximately, 30 clients receive respite services annually.

- **Adult Day Health Care (ADHC) (No impact to County Budget)**

The State Budget limits ADHC services to Medi-Cal clients to three days a week effective August 1, 2009 until a higher threshold for medical necessity is established by Department of Health Care Services (DHCS). It also approves a rate freeze effective August 1, 2009, and approves seven nurse evaluators for DHCS to conduct on-site treatment authorization reviews of ADHCs. Adult Day Health Care serves provides clients with transportation to an adult day health center, a nutritious meal, assessment, care planning and necessary therapeutic services and respite for caregivers. These changes have no immediate impact to the County Budget.

- **AIDS Case Management and Waiver Program (\$275,000)**

Significantly reduces funding for AIDS Case Management and Waiver Program impacting 36 clients. AAS will be terminating the program effective September 1,

2009.

- **Anti-Fraud Initiative in IHSS (under review)**

An additional 30 state staff was added to the Department of Health Care Services and an unknown number to the California Department of Social Services to investigate IHSS fraud; and requires counties to train staff in fraud-prevention efforts, including a requirement to fingerprint IHSS recipients and providers. It is expected that these changes will have an impact on the County Budget; however, the state has not provided enough information to make a cost determination at this time.

- **Public Authorities Administration (\$350,000)**

The State Budget eliminates \$8.7 million from IHSS Public Authority Administration, leaving \$1.4 million in the 2009-10 General Fund. These funds are used to provide assistance to recipients in finding IHSS providers, investigate qualifications of potential IHSS providers, and offer training to IHSS providers.

### **BEHAVIORAL HEALTH AND RECOVERY SERVICES (BHRS)**

- **Substance Abuse and Crime Prevention Act (SACPCA) (Proposition 36) (\$886,084)**

Reduces funding for the SACPCA by fifty percent. This program serves approximately 800-900 clients each year through a network of twelve non-profit alcohol and drug treatment providers.

- **Mental Health Managed Care Services (\$3,250,000)**

Eliminates the non-inpatient portion of the state's contribution to this state-federally funded program for "non-federally required" services. This action will affect approximately 400 adult clients through a network of private nonprofit agencies and private practice clinicians.

- **Drug Medi-Cal (\$74,915)**

Reduces funding of drug Medi-Cal rates by ten percent. BHRS would lose fifty percent state and fifty percent federal funding for services provided through the Methadone Clinic and Our Common Ground.

- **Child Welfare Group Home Rates (\$88,863)**

Reduces the Group Home rate by ten percent. BHRS will lose funding for the group rate for the Canyon Oaks Youth Center.

- **AB 3632 (\$5 million)**

Defers funding for Mental Health Services for Special Education pupils.

- **Institutes for Mental Disease (IMDs) (under review)**

Eliminates ancillary services for Medi-Cal beneficiaries in IMDs. Facilities that provide these residential services will likely not accept BHRS and AAS placements of clients without local commitment to pay for ancillary costs previously covered

through the state fee-for-service Medi-Cal program. It is expected that this change will have an impact on the County Budget; however, the state has not provided enough information to make a cost determination at this time.

### **HEALTHY FAMILIES (HF)**

- **Funding Reduction (No immediate impact to County Budget)**

Reduced funding for the program by \$174 million. The State imposed a cap on new enrollments on July 17, 2009. San Mateo County currently has 10,371 healthy Family members and more than 300 children have been placed on the HF waiting list over the past month. The State First Five Commission met on August 13<sup>th</sup> and announced the direction of \$81 million to support Health Families coverage for children age 0-5. This reduces the funding loss for HF from \$174 million to \$93 million. The State agency that administers HF has not yet determined how it will meet the overall funding reduction, and therefore, the local impact remains undetermined.

### **MEDI-CAL**

- **Medi-Cal Flexibility and Stabilization (No immediate impact to County Budget)**

The State Budget requires the DHCS to submit a \$750 million waiver to the federal government to implement mandatory enrollment of seniors or person with disabilities in Medi-Cal managed care or a medical home model.

- **Certified Application Assistance Fees (\$71,000)**

Eliminates certified application assistance, which helps individuals enroll and remain in subsidized children's health insurance coverage. Currently, CHI, SMMC and BHRS receive reimbursements of up to \$60 for every successful Medi-Cal and Healthy Families application.

- **Medi-Cal Savings (No immediate impact to County Budget)**

Reduces state funding for Medi-Cal by \$323.3 million in 2009-10 without specifying how those savings will be achieved. There are currently 30,000 individuals enrolled in Medi-Cal in the County.

### **EMERGENCY MEDICAL SERVICES (EMS)**

- **Proposition 99 (\$325,529)**

Redirects Proposition 99 funds from county health and other entities to offset cost in the Medi-Cal Program.

### **COMMUNITY HEALTH (CH)**

- **HIV Prevention (\$446,794)**

Elimination of \$118,250 to subcontractors for targeted outreach services to high-risk residents. Elimination of \$328,544 to County programs providing education, testing, prevention case management and outreach services to high-risk residents.

- **HIV Care (\$618,762)**

Elimination of \$143,350 to subcontractors for health education and risk reduction services to HIV-positive residents. Elimination of \$475,412 to County programs covering medical care, laboratory costs, and social services to HIV positive residents.

### **FAMILY HEALTH SERVICES (FHS)**

- **Maternal, Child and Adolescent Health Grants (Approximately \$1.4 million)**

Eliminates funding for local health services for mothers, infants, children, adolescents and families. The affected programs include: Maternal, Child and Adolescent Health (including Comprehensive Perinatal Services Program, Sudden Infant Death Syndrome (SIDS) Program, Black Infant Health Program, and Adolescent Family Life Program. Results in the loss of federal matching dollars as well.

- **Children's Dental Disease Program (\$20,000)**

Suspends the Children's Dental Disease Program.

### **HUMAN SERVICES AGENCY—(\$19 million)**

#### **CalWORKS**

- **County Single Allocation Cut (\$2 million)**

The State Budget includes \$528 million in reductions, including a \$375 million reduction in the county allocation for employment services and child care. This is a loss of approximately \$3.8 million (twenty-six percent) for the next two years to HSA. This reduction becomes effective July 29, 2009

- **COLA Elimination (No impact to County Budget)**

Eliminates automatic cost of living adjustments for CalWORKS grants that are paid directly to clients. Grants have not been increased for the past five years. Current grant amounts have been reduced by six percent or approximately \$40 to \$80 per client based on their payment.

- **Time Limit Changes for Adult Recipients (\$500,000)**

Reduces the length of time an adult recipient who fails to meet work participation requirements may collect continuous CalWORKS benefits from 60 months to 48 months. This will affect over 120 families. Estimates are that it could mean a cost of \$500,000, should these families turn to General Assistance for help. These changes will take effect on July 1, 2011.

- **Time Limit Changes for Child-Only Cases (under review)**

Imposes a 60-month time limit on child-only cases. The County has over 1,000 child-only cases a portion of which could lose their benefits if they reach the 60-month time limit. These changes will take effect on July 1, 2011.

- **Semi-Annual Self Sufficiency Reviews (\$700,000)**

The State Budget requires self-sufficiency reviews to be conducted six months after a determination of eligibility. Change would be effective July 1, 2011 and would result in numerous families being discontinued from aid and placing a greater demand on County General Assistance.

### **CHILD WELFARE SERVICES (CWS)**

- **Child Welfare Services (\$1.4 million)**

A total \$124 million (\$80 million General Fund) from Child Welfare Services; includes \$60.9 million in unallocated reductions to county CWS programs.

### **Eligibility Processing**

- **Privatizing Eligibility Processing (Potentially \$30 million, if approved by the Legislature to take effect in 2011)**

Eligibility for CalWORKS, Medi-Cal Program and Supplemental Nutrition Assistance Programs is administered by counties. The State Budget directs Department of Health and Department of Social Services to develop a request for proposals to centralize and contract eligibility administration; requires a stakeholder process, and additional legislative authorization to initiate the contracting process. If approved, contracting would occur in FY 2011 and could potentially impact approximately 300 County employees.

### **FOSTER CARE**

- **Foster Family Agency/Group Home Rates (\$400,000)**

Reduces, by ten percent, rates for various categories of foster care providers, including foster family agencies and group homes, saving the state \$26.6 million.

### **Medi-Cal**

- **County Administration of Medi-Cal (No increase in funding)**

The Governor vetoed \$120 million (\$60 million General Funds) for county administration of Medi-Cal eliminating “workload” adjustments.

### **SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT (SSI/SSP)**

- **Grants (\$13.8 million)**

Eliminates COLAS and reduces SSI/SSP grants for couples and individuals for a state savings of \$155 million annually effective October 1. There are currently 13,000 residents on SSI/SSP in the County. It is estimated that individual clients will lose an average of \$62 per month in grant benefits and couples \$172 per month.

### ***PUBLIC WORKS (\$7.5 million)***

- **Highway User Tax Account (HUTA) (\$5.7 million)**

Monthly payments will be deferred from July through December 2009 to be paid at unspecified date in the future sometime after January 10, 2010. San Mateo County’s HUTA funding for two fiscal quarters is approximately \$5.7million.

- **Proposition 42 (\$1.8 million)**

Defers the first two quarterly payments of Proposition 42 (October 2009 and January 2010 payments) to cities and counties until May 2010. These deferrals total \$288 million, \$144 million to counties - approximately \$1.8 million to San Mateo County.

**PLANNING AND BUILDING (\$45,000)**

- **Williamson Act (\$45,000)**

Vetoed the Williamson Act subvention, taking the appropriation from \$27.8 million to \$1,000. Loss to San Mateo County landowners will be \$45,000 a year subvention return.

**SHERIFF'S OFFICE (unknown)**

- **State Prison Population and Budget Reduction (unknown/potentially significant)**

The State Budget makes \$1.2 billion in unallocated reductions to the California Department of Corrections and Rehabilitation (CDCR).

**Performance Measure(s):**

Measure	FY 2007-08 Actual	FY 2008-09 Projected
Federal/State Measures analyzed and acted on	25	35

**FISCAL IMPACT:**

Analysis of the 2009-10 State Budget indicates an estimated \$ 28 million in reductions to the County's FY 2009-10 budget, \$25.3 in borrowing and \$14 million in deferrals.