

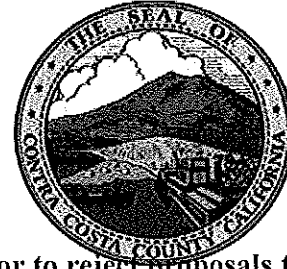
PDF Return Previous Next

D. 1

To: Board of Supervisors

From: Legislation Committee

Date: June 4, 2009



**Contra
Costa
County**

Subject: Resolution urging the California Legislature and Governor to reject proposals that would shift billions of dollars of local revenue from counties

RECOMMENDATION(S):

ADOPT Resolution No. 2009/295 urging the California Legislature and Governor to reject proposals that would shift billions of dollars of local revenue from counties.

FISCAL IMPACT:

This resolution addresses the more than \$8 billion in cuts, cost shifts, and deferrals to California Counties proposed by the Governor to address the state's FY 2009-10 fiscal crisis.

BACKGROUND:

The Legislature's Budget Conference Committee has been meeting for over a week to consider a range of disastrous cost-savings proposals to close the state's \$24 billion+ budget shortfall. (See the attachment outlining more than \$8 billion in hits to counties.) It is anticipated that the Conference Committee will begin making specific reductions as early as Friday, June 5.

Here is the scenario counties are facing given the current economic crisis and the series of devastating cost-savings proposals now before the Legislature. CSAC has crafted this story to help frame the impossible circumstances in which counties find themselves:

APPROVE

OTHER

RECOMMENDATION OF CNTY ADMINISTRATOR

RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **06/16/2009**

APPROVED AS RECOMMENDED

OTHER

Clerks Notes:

VOTE OF SUPERVISORS

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: June 16, 2009

BACKGROUND: (CONT'D)

Imagine that you are a county. Your boss, the state, comes to you and says: "We are in a real fiscal bind. We know it will be painful, but we have to take the following actions to help our situation."

• First, we are not able to pay your salary for some undefined period of time (3 to 6 months, maybe longer) – CASH DEFERRALS • Next, we need to freeze your savings and checking account and seize your assets – PROPOSITION 1A SUSPENSION • And finally, you can still go about your business, but we have decided you may visit grocery stores and gas stations one day a month (and by the way, hours are limited to midnight to 2 a.m. on the first Monday of the month) – SERVICE REDUCTION/ELIMINATION

However, we expect you to keep showing up every day for work and providing for your family.

BUDGET TALKING POINTS – JUNE 3, 2009

To protect county resources and programs, the Legislature must hear from its county elected leaders on a number of priority budget items. CSAC urges all counties to contact members of their legislative delegation TODAY to articulate the following points:

- Suspension of Proposition 1A would do nothing to resolve the state's budget problem and would have a direct and dramatic impact on local governments.
- Counties cannot accept permanent ongoing cuts (i.e. direct cuts, cost shifts or elimination), such as the permanent take of nearly \$500 million in gas taxes. These cuts will devastate local communities and the citizens we jointly serve.
- The Legislature must ensure that budget reductions to counties are proportional and rational.
- Budget solutions must be constructed and applied in a proportional manner, taking into account impact of all proposals — property tax shift, payment deferrals, and program reductions.
- The Legislature and Administration must acknowledge that certain proposals producing state savings also create county costs of a nearly equivalent magnitude (wobbler proposal; elimination of state prison rehabilitative programs; elimination of CalWORKs). These types of "solutions" only push a problem off onto county governments and are unacceptable.
- Counties will accept no new mandates or program responsibilities that impose local costs (i.e. legislative or regulatory) without a statewide, dedicated, reliable and adequate funding source. Any such realignment should include maximum county flexibility in service provision.

Finally, please find attached a resolution adopted by the CSAC Board of Directors opposing the Proposition 1A suspension that has been modified to reflect adoption by the Contra Costa County Board of Supervisors. CSAC has requested that we place this resolution on your agenda as soon as possible to broadly communicate the message that counties are unable to withstand the magnitude of cost shifts, cuts, and deferrals as proposed.

The Legislation Committee of the Board reviewed this matter at its June 10 meeting and recommended approval by the Board of Supervisors.

CONSEQUENCE OF NEGATIVE ACTION:

CHILDREN'S IMPACT STATEMENT:

THE BOARD OF SUPERVISORS OF CONTRA COSTA COUNTY, CALIFORNIA

and for Special Districts, Agencies and Authorities Governed by the Board

Adopted this Resolution on 06/16/2009 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:
RECUSE:



Resolution No. 2009/295

Urging the California Legislature and Governor to reject proposals that would shift billions of dollars of local revenue from counties

WHEREAS the Governor of California proposes to forcibly borrow billions of property tax dollars from counties and other local agencies as part of his state budget plan; and WHEREAS California's adopted 2009-10 budget will delay through the entire first quarter of the fiscal year over one billion dollars in funds counties need to administer mandated health and human service programs and make federally required payments; and

WHEREAS the state's General Fund already benefits from over \$6 billion annually of property tax revenues from counties that have traditionally funded county services; and

WHEREAS the state made no effort to end this taking of local revenue even as the General Fund was flush with multi-billion dollar surpluses; and

WHEREAS property tax dollars comprise over twenty percent of counties' general revenue and are the primary general fund source for every county in the state; and

WHEREAS county tax revenues including property taxes, sales and use taxes, and vehicle license fees have recently declined dramatically due to the global economic recession; and

WHEREAS little authority is given to counties to raise revenues independently of the state; and

Contact: L. DeLaney, 5-1097

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: June 16, 2009

David J. Twa, County Administrator and Clerk of the Board of Supervisors

By: , Deputy

cc:

WHEREAS counties throughout the state are therefore dealing with the extraordinary economic downturn and balancing their budgets honestly by cutting critical services, laying off valuable employees, and living within their means; and WHEREAS counties and other local agencies provide the services most immediate to the lives of Californians; and WHEREAS applications for health and human service programs that counties provide on the state's behalf—such as food stamps, homeless assistance, CalWORKs, Medi-Cal, and general assistance—are rising rapidly; and WHEREAS the state has not increased funding for providing human service programs in nearly a decade despite large increases in counties' costs to administer them; and WHEREAS the state has made little effort to repay the approximately one billion dollars owed to counties and other local agencies for state-mandated programs performed before 2004; and WHEREAS the state's process for determining which mandates are reimbursable is so understaffed, inefficient, and structurally biased against local agencies that counties provide mandated services for as long as a decade without any reimbursement; and WHEREAS recent significant changes in credit markets will make it difficult for counties to borrow money to make up for the revenue they would lose under this proposal, even though no county in the state has ever defaulted on its debt obligations; and WHEREAS the proposal to forcibly borrow county funds would have far-reaching, long-term consequences for counties and the services they provide to every Californian while doing nothing to resolve the real and continuing problems with the state budget; and WHEREAS the proposal would cut real services on which millions of Californians rely in a manner that would not save but in fact cost the state money in the medium-term since the forced loan must be repaid with interest; and WHEREAS the California Constitution would require the state to repay this forced loan just as the recently enacted tax increases expire; and WHEREAS to solve its structural deficit the state—like counties, cities, and special districts—must either cut programs, raise revenue, or find willing creditors to borrow money from on mutually agreeable terms; and WHEREAS the State Legislature and the Governor have failed to resolve the State's structural budget deficit through an entire business cycle; and WHEREAS economists expect a continued decline in state revenues beyond the beginning of an economic recovery and therefore by enacting this proposal the state would merely be shifting their problem into future fiscal years that will be bad enough without it; and WHEREAS eighty-four percent of voters in a high-turnout general election expressed their desire that local property tax dollars remain in their communities to provide local services by voting for Proposition 1A (2004);

RESOLVED that the Contra Costa County Board of Supervisors will make extraordinary outreach efforts to educate the Governor, members of the Legislature, and all Californians—especially voters—about the exceptional consequences adopting this proposal would cause them; and be it RESOLVED that the Contra Costa County Board of Supervisors unequivocally opposes any proposal to shift local revenue to the state, whether property tax, gas tax, a deferral of payments, or any other source.

Do the Math

Over \$8 Billion in Cuts, Cost Shifts, and Deferrals to California Counties

Brief Description	Proposal Source	County Impact
General Revenues		
Borrow property taxes pursuant to Proposition 1A; \$1.982B impact to all locals, allocation unknown	May Revision	\$1.982 billion
Delay usual payments to counties to preserve state cash - February to March 2009	Cash Management	~\$500 million
Defer July & August payments for health and human service programs to most counties and aid recipients	2009-10 Budget	\$1.3 billion
Defer unspecified further payments to local agencies	LAO/May Revision	\$ billions
Eliminate Williamson Act subventions to local agencies (on top of existing 10% reduction)	May Revision	\$34.7 million
Defer payment for pre-2004 mandates	2009-10 Budget	\$91 million
Require counties to conduct May 19 special election	2009-10 Budget	\$68 million
Suspend most state mandates, except those related to law enforcement and property taxes	May Revision	\$100.3 million
Health and Human Services		
Eliminate CalWORKs; would increase county GA costs substantially	May Revision	\$ hundreds of millions
Increase the county share of Child Welfare Services and Foster Care to 75 percent of the nonfederal costs of each program.	May Revision	\$550 - 625 million
Impose 60-month time limit on child-only CalWORKs cases; separately, modify Safety Net aspect of CalWORKs so children lose assistance when parents reach 60-month limit; increase county GA costs	May Revision	\$ tens of millions
Eliminate state funding for Prop. 36	May Revision	~\$100 million
Eliminate CAPI benefits for legal immigrants; would increase county GA costs	May Revision	\$ tens of millions
Reduce child welfare allocations to counties; counties would also lose associated federal funds	May Revision	\$70 million
Reduce mental health managed care allocation to counties by \$64 million, with no reductions on service expectations for this federal entitlement.	May Revision	\$64 million
Sweep some federal Medi-Cal funds intended for public hospitals	2009-10 Budget	\$54.2 million
Defer paying the mandate for AB 3632 mental health services	May Revision	\$52 million
Eliminate 2009-10 County Medi-Cal Cost of Doing Business Adjustment	2009-10 Budget	\$49.4 million
Suspend CalWORKs Pay for Performance program	2009-10 Budget	\$40 million
Reduce the Early, Periodic Screening, Diagnosis and Treatment (EPSDT) allocation to counties by \$28 million with the expectation that counties will backfill with Mental Health Services Act funds.	May Revision	\$28 million
Seek \$1 billion in federal waivers for unspecified Medi-Cal changes	May Revision	\$ tens of millions



California Counties: 38 Million Served — Billion\$ at Risk

Do the Math

Over \$8 Billion in Cuts, Cost Shifts, and Deferrals to California Counties

Reduce Medi-Cal scope of benefits for legal immigrants; increases costs to public hospitals & clinics	May Revision	\$ few million
Eliminate the Healthy Families Program for the 930,000 children currently served; may increase costs to public hospitals, county clinics, mental health and California Children's Services program.	May Revision	\$ few million
Suspend General Fund support for immunization assistance to local agencies	LAO	\$18 million
Establish 30% county share for Transitional Housing Program Plus for emancipated foster youth	LAO	\$12.3 million
Reduce state participation in IHSS wages from \$11.50 to \$8/hr; no relief from collective bargaining	2009-10 Budget/May Revision	\$ tens of millions
Eliminate \$24.6 million of local funding for HIV Education and Prevention	May Revision	\$ millions
Eliminate \$10 million of local funding for Maternal, Child and Adolescent Health Grants	May Revision	\$ millions
Transportation		
Borrow all 2009-10 HUTA distributions (gas tax subventions) to locals with no interest	LAO	\$500 million
Sweep three-fourths of local HUTA funds permanently	May Revision	\$375 million
Delay January through March HUTA payments until April payment is made in May 2009	2009-10 Budget	\$125 million
Repeal Prop. 42 for 2010-11 and all out-years (\$325 million/year)	LAO	\$325 million
Suspend most of Prop. 42 in 2009-10	LAO	\$225 million
Justice		
Redirect half of 0.15 VLF rate increase; eliminate COPS, rural and small county sheriff assistance, booking fees, and all CalEMA local assistance programs	LAO	\$250 million
Make certain wobblers subject only to jail time	May Revision	\$99.9 million
Phase in competitive bidding for court security	LAO	\$20 million
Charge state and local agencies for forensic lab services	LAO	\$40 million
Implement a series of sentencing and parole changes; eliminate inmate rehabilitative services (except those that are court-ordered) within state prison system	LAO/May Revision	Unknown but significant impacts

