AGENDA SUBMITTAL TO SOLANO COUNTY BOARD OF SUPERVISORS

ITEM TITLE		BOARD MEETING DATE	AGENDA NUMBER
Receive County financial report on known impacts of State budget reductions and the continued economic downturn; and consider taking actions outlined in the recommendations contained in this report		September 1, 2009	20
Dept: Contact: Extension:	County Administrator's Office Quang Ho Assistant County Administrator 6100	Supervisorial District Number All	
	Published Notice Required?	Yes______	No __X__
	Public Hearing Required?	Yes______	No __X__

DEPARTMENTAL RECOMMENDATION:

It is recommended that the Board of Supervisors:

1. Receive the County financial report on the known impacts of State budget reductions and the continued economic downturn (Attachment A).

2. Approve a reduction of ($752,000) in the Sheriff's Office appropriations for salaries and benefits, services and supplies, for food and uniforms to offset the shortfall of Prop 172 revenue.

3. Approve a reduction of ($504,830) in the Library's appropriation for salaries and benefits to offset revenue reductions related to Prop 1A funds borrowed by the State of California.

4. Approve an increase in General Fund Contribution of $115,229 in the District Attorney's budget to offset the uncertainty of mandated costs currently budgeted (4/5 vote required).

5. Approve a reduction of ($416,124) in the District Attorney's appropriations and recognize $119,390 in new revenue to mitigate the deficit for FY2008/09 and the shortfall in Prop 172 revenue in FT2009/10.

6. Adopt resolution amending the Position Allocation List to delete (23.6 FTE) in the following departments (Attachment B):

   a. (5.0 FTE) in the District Attorney's Office

   b. (12.0 FTE) in Health and Social Services

   c. (5.6 FTE) in Library Services

   d. (1.0 FTE) in Sheriff's Office

7. Authorize the Director of Human Resources with County Administrator concurrence to undertake the following actions:

   a. Continue the hard hiring freeze established in FY2008/09;

   b. Reaffirm the policy that any positions funded by one-time revenue (such as American Recovery and Reinvestment Act (ARRA) stimulus funding) be allocated and recruited as Limited Term;

   c. Change any positions to Limited Term when the funding is one-time or has time limits, for a term of up to two years; and

   d. Delete allocations for positions which have been vacant for six months.

8. Authorize the Auditor Controller, with the concurrence of the County Administrator, to make adjustments to County departmental budgets to reflect:

   a. ($831,517) for the cost savings from the deferral of scheduled 3% cost-of-living adjustment and corresponding benefits for unrepresented employees;

   b. ($218,169) for the cost savings associated with the reduction of 33% Management Incentive Program (MIP) pay for existing eligible employees; and

   c. ($691,941) for reductions to the FY2009/10 estimated county overhead charges.

SUMMARY:

Since the FY2009/10 Budget Hearings, the County's financial condition has continued to deteriorate due to the unprecedented economic downturn and additional State budget reductions. Governor Schwarzenegger signed the 2009-10 revised State budget package on July 28, 2009, after making significant reductions to health and human services programs, eliminating funding for the Williamson Act, and applying additional funding reductions to numerous other State departments. With the economic crisis and projected revenue shortfalls, as our analysis indicates, there will be a substantial budget deficit for the County this fiscal year, as well as FY2010/11 and beyond.

The revised state budget package continues to reflect a current year State budget deficit of ($14 billion). With ongoing reductions in property and sales taxes, it is very clear that the County budget will again be affected. Staff recommends that the Board take a proactive approach to prepare for the worst, while providing financial leadership to navigate the County during this financial calamity.

FINANCING:

As of this writing, the County property tax and sales tax projections continue downward. Since the FY2009/10 Budget Hearings, the latest analysis indicates a net loss of ($0.8 million) in General Revenue. In all indications, the housing market conditions will not rebound in the near future; therefore, it may be a long time before the County's discretionary revenues from property taxes return to pre-recession levels.

There are many pending financial issues the County will face in the next few months. Notably is the Prop 1A suspension, which results in a loan to the State of $10.2 million from General Fund. Prop 172 sales tax revenue continues to decline since statewide downward trend in retail sales has accelerated significantly. Included in this report is the first reduction of ($1 million) in Prop 172 revenue. If the trend continues, additional reductions may be necessary at Midyear.

As indicated in the H&SS Pending Issues in Attachment A, there is a potential for an added General Fund contribution in excess of $4 million for IHSS provider wages and costs of General Assistance.

If we do not reduce expenditures to be in line with known available resources, the County General Fund will experience a potential deficit of ($11.5 million) by year-end. This scenario assumes that the County is made whole by the $10.2 million loan to the State. If the County self-funds the loan, staff projects that the General Fund could have a deficit of ($21.7 million).

DISCUSSION:

It is essential that the County adhere to firm measures that address the structural deficit of increasing expenses and shrinking revenues. The County must focus on **long-term solutions,** to address the impacts of reductions in property and sales tax revenue and increased caseload, which cannot be corrected in the short term.

In light of this, the County Administrator's Office and departments are continuing to evaluate service delivery, programs and staffing in the current fiscal year. Not only do hard choices need to be made on eliminating or downsizing discretionary programs, but the levels of service need to be scrutinized for mandated programs. It is also important to consider multiple options to address the rising cost of compensation and benefits for County employees.

In June 2009, the Board considered a variety of adjustments to County employee compensation to achieve cost savings in FY2009/10 and beyond. The following chart outlines measures that have been instituted to reduce program costs in FY2009/10 to address declining revenues.

FY2009/10 Expenditure Reduction Measures	Total Cost
33% MIP Reduction	$218,169
Freeze Fox Lawson Comprehensive Classification and Compensation Study adjustments	$1,400,000
Deferral of 3% Cost-of-Living Adjustments (COLAs) and related benefits for unrepresented employees	$831,517
County Administrative Overhead Adjustments	$691,942
Early Retirement Incentive	To be determined

The Board's actions approving these measures enabled the County to reduce expenditures and lower the number of layoffs and program reductions in many departments. However, more needs to be done during this fiscal year. The chart below lists additional reduction options that are under review to better position the County to align programs and expenditures with anticipated revenues.

Potential Additional Reduction Options	Total Cost
Deferral of 3% COLAs and related benefits for represented employees	$7,283,549
Modification of current Health Insurance "cash-back" option to County employees for unused cafeteria plan dollars	$8,121,687
Modification of MOU's to provide for a lower retirement tier for future County employees	To be determined
Work Furloughs	To be determined

Staff is recommending that the Board continue to impose a hard freeze on new hires, with the exception for critical positions and those that are fully revenue offset with non-County funds, such as positions associated with ARRA stimulus funding. It is recommended that the Board reaffirm the long standing policy that any positions funded by one-time or time limited revenue, including grants and ARRA funding, be allocated and recruited as limited term. To facilitate this policy, staff recommends that the Director of Human Resource be authorized to change any position to limited term of up to two years, when the funding is one-time or time-limited, with concurrence of the County Administrator's Office. Staff is also recommending the deletion of allocated positions which have been vacant for six months to support the management of personnel and related costs.

Attachment A includes summaries of significant departmental changes along with the projected impact of each listed change. Staff has provided assumptions behind the projections, as well as available information concerning economic conditions and speculation on future State budget actions that may impact the County. Finally, Attachment A includes information on suspended SB 90 mandated programs along with a detailed spreadsheet (Attachment C) of those related to the County.

ALTERNATIVES:

Your Board may choose not to accept this report; however, this is not recommended as this is an opportunity to receive information on the current state of the County budget.

OTHER AGENCY INVOLVEMENT:

Developing the information included in this Report involved all County departments.

DEPARTMENT HEAD SIGNATURE:

By ______________________

Michael D. Johnson
County Administrator

Attachments:

Attachment A – County Financial Report Update, pages 5 – 31
Attachment B – Resolution Amending the Position Allocation List, page 32 – 33
Attachment C – SB 90 State Suspended Mandate Programs, pages 34 – 39

COUNTY OF SOLANO
COUNTY ADMINISTRATOR'S OFFICE
COUNTY FINANCIAL REPORT UPDATE
AS OF SEPTEMBER 1, 2009
FY2009/10

STATE ECONOMIC OUTLOOK

A report issued by the State Employment Development Department (EDD) shows that California continues to suffer disproportionately from the recession caused largely by the housing bust. According to the Department of Finance (DOF), real estate activity showed signs of stability in June with existing home prices rising for the fourth consecutive month and the inventory of unsold homes falling. However, Solano County's property values declined nearly (9.5%) since last year, the sharpest dip in Northern California and the fourth deepest statewide, according to State officials.

According to the EDD, the July 2009 unadjusted unemployment rate for California was 12.1%. In Solano County the rate rose to 11.5%, up from a revised 11.3% in June 2009, and above the year-ago estimate of 7.1%. The unadjusted unemployment rate of the nation fell during the same period to 9.7%. Solano County and the State continue to see an increase in job losses when compared to the nation.

Also with the recession, State sales tax receipts have dropped more severely than expected resulting in less revenue. This is in addition to the blow that local governmental agencies took to close California's ($24 billion) deficit. State officials had anticipated sales tax revenue to drop (14.4%) in those months compared with the same period last month, but the actual receipts fell by (18.75%).

Redemption of Registered Warrants (IOUs)

The Pooled Money Investment Board has approved the State Controller's recommendation so the State can start redeeming its nearly $2 billion in IOUs a month earlier than the October 2, 2009 maturity date printed on the IOUs. According to the Controller's announcement on August 13, 2009, the State Treasury will have enough cash to stop issuing IOUs on September 4, 2009. The Controller will begin redeeming the IOUs on September 4, 2009. Solano County has received almost $1.4 million in IOUs to date, primarily in Health and Social Services. The final tally of IOUs received by the County is likely to be higher.

STATE BUDGET UPDATE

After making significant reductions to health and human services programs, eliminating funding for the Williamson Act, and applying additional funding reductions to numerous other State departments, Governor Schwarzenegger signed the FY2009/10 State budget package that the Legislature sent to him on July 28, 2009.

Though the budget has been adopted, several aspects of the package remain in doubt. Democratic leadership is discussing revisiting the taking of the Highway Users Tax Account (HUTA), which is still a possibility, while the Legislature is trying to restore the Williamson Act funds. More on these issues and others will be known after September 11, 2009 when the current session is scheduled to end.

Below are updated highlights of the State budget:

Proposition 1A Suspension/Securitization: Proposition 1A (2004) was suspended by ABX4 15, allowing the State to borrow $1.9 billion from local government. Approximately $950 million of this amount will come from California counties. Solano County's share of $11.7 million is from all funds, of which $10.2 million is from the County's General Fund.

The amount shifted to the State from each local agency (cities, counties and special districts) equals 8% of the total amount of ad valorem property tax revenue that was apportioned to the local agency for FY2008/09. The State must repay the loan within a three-year period with interest or by June 30, 2013.

If the DOF decreases a local agency's reduction as a result of hardship, the amount of the decrease will be allocated proportionately among other local county agencies, not to exceed more than 10% of the total reduction amounts for all local agencies within the County. Requests for a hardship consideration by the cities of Vallejo and Rio Vista would impact Solano County and the other jurisdictions' share of the property tax allocation. As of this writing, the City of Vallejo had requested for exemption.

The table below shows the property tax shift from County funds to the State including a proportionate share for City of Vallejo.

Agency	FY2008/09 Property Taxes	8% Shift to State	Hardship Shift (City of Vallejo)	Total Shift to State
County General Fund	114,032,834	9,122,627	1,038,212	10,160,839
ACO Capital Outlay	1,861,216	148,897	16,945	165,843
Recreation (Parks)	467,076	37,366	4,252	41,619
County Free Library	5,665,594	453,248	51,582	504,830
Library Zone 1	859,986	68,799	7,830	76,629
Library Zone 2	26,841	2,147	244	2,392
Library Zone 6	16,640	1,331	152	1,483
Library Zone 7	404,642	32,371	3,684	36,055
Library Sub-total	6,973,703	557,896	63,492	621,388
County Consolidated Service Area	113,976	9,118	1,038	10,156
Aviation (Airport)	274,384	21,951	2,498	24,449
Special Road Fund (Transportation)	754,307	60,345	6,868	67,212
Totals	**131,451,198**	**10,516,096**	**1,196,797**	**11,712,893**

The County will be required to transfer the loan amount to the State in two equal installments no later than January 15, 2010, and May 2010. This means the County loses the use of this resource to fund current obligations and operations until 2013. The County will need to compensate for this loss either by reducing funding for its current operations, increasing revenues, or by borrowing funds from other sources.

OPTIONS:

- **Securitization** – allows an agency to sell future receivables, which in this case is the repayment of the loan by the State. A comprehensive securitization plan is being developed. However, the plan has not been finalized by the California Statewide Communities Development Authority (CSCDA).

  The legislation passed with the budget authorizing cities and counties to sell state repayment obligations to CSCDA and receive 100% of their respective receivables. Clean-up legislation is likely to be considered prior to the adjournment of Legislature in September. If CSCDA is able to put together a financing package, the County may be made whole for the property tax loan to the State.

- **Fund the Loan with existing County Funds** – If CSCDA is not able to develop an attractive securitization package to fund the receivable in the market or if CSCDA changes the terms of financing resulting in less than 100% reimbursement of the receivables, the Debt Advisory Committee will analyze the cost benefit of all options to determine if the County should participate in the securitizations pool or should consider self-funding the loan to the State from the use of contingencies.

Reductions to California Department of Corrections and Rehabilitation (CDCR): The State budget package applies an unallocated reduction of nearly ($800 million) to CDCR's budget in FY2009/10. This is in addition to the unallocated reduction of ($400 million) the Governor imposed with his line-item veto in the FY2009/10 budget in February. Taken together, these two reductions bring the total cut to approximately ($1.2 billion). Legislative discussions on how to implement a ($1.2 billion) cut to the State corrections agency will be a priority in the closing weeks of session.

State Prison Releases of Prisoners: A decision in the Coleman-Plata Federal Court lawsuit, which was brought about against the State for failure to provide adequate mental and medical health care for State prisoners, was made by the three judge panel in early August. The decision requires the State to reduce the inmate population to 137.5% of design capacity, which would require a release of approximately 40,000 inmates. The decision gives the State 45 days to come back with a plan to reduce the prison population over a period of two years. The opinion further stated that the State cannot appeal the decision to the U. S. Supreme Court until it develops a plan. If the State doesn't appeal on technical grounds, a plan is due back to the three judge panel on September 18.

The reductions of inmates in the Governor's plan wouldn't be sufficient to meet the requirements of the federal lawsuit. Should the legislature approve the pending bill to reduce ($1.2 billion) from the CDCR budget, it would only address about half of the overpopulation. The impact to Solano County is the early return of up to 1,000 offenders formerly confined to State prison.

Proposition 36/Offender Treatment Program: The budget package eliminates all $90 million in General Fund support for Proposition 36 Substance Abuse and Crime Prevention Act programs, but maintains $18 million General Fund for the Offender Treatment Program. It also includes $5 million of Edward Byrne Memorial Justice Assistance Grant program funding provided through the ARRA for the Offender Treatment Program. This is a one-time funding source; therefore, $63 million is available in FY2009/10 for the Offender Treatment Program.

Highway Users Tax Account (HUTA): While revisions to the FY2009/10 State budget ultimately did not take the local share of the gas tax, monthly payments are being deferred from

July through December 2009 to be repaid sometime after January 10, 2010. The DOF is recommending, in budget clean-up language, that the apportionment from the months of July and August be paid, along with September revenues, at the end of September. The State would then defer five months of HUTA revenues from November through March with payback around April 28, 2010 and Prop 1B could be used to backfill the HUTA deferrals.

Proposition 42: The budget package defers the first two quarterly payments of Proposition 42 (October 2009 and January 2010 payments) to counties until May 2010. These deferrals total $288 million, of which, $144 million is a direct hit to counties. At this time, counties are slated to receive April and July 2010 quarterly payments on schedule. This plan is a deferral and not a loan; therefore the State will not pay back the funds with interest.

Healthy Families: This program provides low-cost health insurance to 900,000 children and teens throughout California whose families are too poor to qualify for Medi-Cal. The budget revision package cut ($178 million) of this program's funding. New enrollments have been frozen and more than 55,000 applicants are on waiting list as of August 11. California First 5 Commission has pledged $81 million to help out, but members of the Managed Risk Medical Insurance Board stated that children will be disenrolled beginning October 1 because of a remaining funding shortfall. Administrators of the Healthy Families program are considering a number of structural changes in hopes of avoiding cuts to coverage for children and teens.

In-Home Supportive Services: The State Department of Social Services announced that it cannot meet a September 1 deadline requiring it drop or cut aid for more than 100,000 people enrolled in the State's In-Home Supportive Services program. The State has estimated it would save ($82.1 million) between September 1 and next June by dropping some recipients and cutting some services. Each month of delay results in ($8 million) lost savings to the State.

State Mandates: When the State revised its FY2009/10 Budget in late July 2009, it took the unprecedented action of suspending 51 local (SB 90) mandates. The State's action in effect suspends its obligation to pay the County for programs which the County provides on the State's behalf.

A review of existing County programs shows that currently County departments provide services to comply with 23 of the suspended mandates. The 23 mandates are listed in Attachment C. Most of these programs are in public safety.

It is the Board's policy not to back-fill funding for State programs. With the State's recent action, the County can legally discontinue the suspended mandated programs that departments currently provide. However, most affected departments recommend the County maintain these services, notwithstanding the State's decision to suspend their cost reimbursements. Departments have cited some very compelling reasons for continuing these programs, including: preserving public safety, limiting the County's liability exposure, promoting good customer service, creating goodwill in the community, and meeting legal requirements as needed by other laws and statutes.

Of special note, the State currently owes the County $9.4 million (net of $1.9 million in Allowance for Uncollectible) in unreimbursed SB90 claims for 26 local mandated programs, covering the periods FY2001 through FY2008. Unless suspended, the County is legally obligated to continue to provide the local mandated programs even when reimbursements are delayed and the payments are uncertain. Discussion with the DOF indicates that current law requires the State to pay the County the total amount that it is owed for prior year claims, no later than the year 2021. A comparison of the 26 programs with the list of suspended mandates shows that six of the programs where the County is still owed reimbursement have been suspended in FY2009/10.

The CAO staff, in conjunction with County departments, has compiled a handbook that lists mandates administered by the County arising from a statute or the California Constitution. The handbook will be made available to the Board members and departments for reference.

<u>COUNTY BUDGET OUTLOOK</u>

The State Budget will have tremendous impact on the County. Additionally, the current economic climate has negatively impacted the County's revenue.

A review of the County's Five Year Forecast was conducted for this report. It reveals that the County's revenues have not materialized as anticipated. Particularly sales taxes are lower, which significantly impacts the Public Safety departments and emphasizes the need to be fiscally conservative and proactive in dealing with the downturn.

Following is a brief summary of Departmental budgets that are impacted by State budget cuts and the continued economic downturn. In some cases, departments are anticipating added funding due to caseload growth, American Recovery and Reinvestment Act (ARRA) funding or other new revenues. Staff has provided information on significant impacts that require additional Board attention at this time.

GENERAL GOVERNMENT

<u>General Revenue – 1101</u>

Revised estimates for General Revenues show a decrease of ($800,000) primarily as a net result of the following:

- ($1,000,000) decrease in Redevelopment Pass Through as a result of a much higher property tax revenue loss for Redevelopment Agencies.

- ($400,000) loss in Disposal Fees due to lower fees as the tonnage of waste materials being disposed at the Potrero Landfill and the Hay Road Landfill have decreased.

- $600,000 offsetting increase in Property Tax in lieu of VLF because the growth factor applied to the prior year amount is higher than originally projected.

PUBLIC PROTECTION

<u>Public Safety Departments – Fund 900</u>

The Public Protection Departments have made a number of reductions to address declining Proposition 172 sales tax revenue and, in the case of the District Attorney, additional reductions were made to offset the deficit position of the Department from the previous fiscal year.

In FY2008/09, the actual receipt of Prop 172 revenues was $26.2 million, or ($5.54 million) less than budgeted. Using the financial predictions available at the time the FY2009/10 budget was prepared, Prop 172 revenue was estimated at $29.6 million. Since that time, statewide downward trends in retail sales have accelerated significantly.

The State Board of Equalization notified 337 cities, counties and transportation agencies on August 21 that the predicted (14.4%) drop in statewide sales tax revenue for April, May and June was even more significant – down (18.75%), or ($58 million), compared to the same period a year ago. Fifteen of these agencies, including four cities in the Bay Area, were told that they will not receive any revenues for the quarter. This is the third consecutive quarter that the Board of Equalization has sent mass mailings informing agencies of reduced sales tax revenues.

Given the sharper-than-expected declines in Prop 172 revenue, a minimum of ($1 million) needs to be reduced immediately from the FY2009/10 projections. Additional cuts may be necessary at Midyear, if the decline in revenue projections continues to exceed expectations.

Prop 172 monies are allocated as follows: 75.2% to the Sheriff, 13.4% to the District Attorney and 11.4% to Probation. The departments were asked to reduce appropriations to reflect a loss of ($1 million) in Prop 172 revenue. The reductions were allocated using the same factors as the tax revenue is distributed to the three departments: ($752,000) for the Sheriff, ($134,000) for the District Attorney and ($114,000) for Probation.

District Attorney – 6500

The District Attorney ended FY2008/09 with a deficit of ($516,743), which resulted in a reduction in appropriations for FY2009/10. The FY2008/09 deficit was primarily the result of the shortfall in Prop 172 revenue plus no reimbursement for the SB 90 mandate for child abduction services. There is no indication that the mandate will be reimbursed in this fiscal year. In the event that the revenue is received, the General Fund will be credited rather than the Department.

In addition to the deficit from the previous fiscal year, the Department is making a reduction of $134,000 to address the loss of Prop 172 revenue in FY2009/10. The total impact to the DA budget is $650,743. The DA has recommended reductions of $535,514. The difference of $115,229 is made up from additional County Contribution.

The District Attorney's reduction of ($535,514) is comprised of the following changes:

- ($98,150) savings in salaries due to a delay in filling the Laboratory Director, a Deputy District Attorney and a District Attorney Investigator, which were budgeted for the entire year.
- ($19,879) reduction in services and supplies for vehicle costs.
- ($73,935) reduction from the elimination of two extra help District Attorney Investigators.
- ($77,224) reduction from converting a full-time Deputy District Attorney IV to funding it as a half-time position.
- ($196,936) savings from position layoffs.
- $50,000 increase in appropriation for the Contra Cost laboratory contract due to a potential delay in the new laboratory's certification.
- $119,390 in new revenue sources, consisting of $12,000 in real estate fraud, $12,000 in misdemeanor diversion fees, $35,000 in DUI lab fees, $30,000 from a Justice Administration Grant for the laboratory and $30,390 of grant revenue from the Victim of Crime Act/Violence Against Women Act (VOCA/VAWA). Of this amount, $60,390 is due to receipt of ARRA grants.

As noted above, in order to make the necessary expenditure reductions, the District Attorney is requesting the Board approve the deletion of the following filled positions:

- (2.0 FTE) Deputy District Attorney II
- (2.0 FTE) Paralegal
- (1.0 FTE) Office Assistant III

The following table reflects FY2009/10 Proposed Budget for major departmental programs along with a summary of the impact of these changes.

Program Description	Fed/State Mandated	Discretionary	Expenditures		Increased Revenue	Impact of Change
			FY2009/10 Proposed Budget	Additions / Reductions		
Consumer and Environmental Crime-Program investigates and prosecutes consumer and environmental crimes. Program expenses are offset from cost recovery, fines and forfeitures.	X		1,145,125	(36,068)		Reflects lay-off of extra help DA Investigator. Impact is loss of dedicated investigator for this unit, with cases divided up among remaining criminal investigators.
Bureau of Forensics provides forensic analysis of blood, breath and urine for the presence of alcohol, analysis of bodily fluids for the presence of controlled substances and analysis of unknown materials for the presence of controlled substances.	X		1,224,856	27,835	65,000	Includes a $50,000 increase in the current contract with the Contra Costa County Sheriff's lab as well as transitional and projected costs for the new Solano County DA lab, offset with a reduction in salaries and benefits of ($22,165) resulting from the delay in hiring a lab director. The revenue increase is attributed to one-time JAG grant funds of $30,000 and a $35,000 increase in projected revenues received from Court imposed fines. May affect the ability to receive state certification and the lab's ability to test alcohol and drugs.

Program Description	Fed/State Mandated	Discretionary	Expenditures		Increased Revenue	Impact of Change
			FY2009/10 Proposed Budget	Additions / Reductions		
Felony Prosecution includes the general felony team as well as most of the specialized units (i.e. Homicide, prison crime, career criminal, sexual assault and family violence.	X		16,750,416	(365,156)		Program reductions (lay-off of two attorney positions ($192,068); an earlier retirement of one DA Investigator than anticipated and resulting three month salary savings ($36,817); early departure of DDA and position unfilled for remainder of year for ($39,168); one 0.5 attorney position unfilled for ($77,224); includes the turnover of four assigned fleet vehicles back to the county garage ($19,879 in savings). Impact will be higher caseload for existing attorneys and investigators, possibly resulting in delay of unsolved crimes and adversely affecting public safety. Loss of dedicated vehicles could result in delay in responding to crime scene investigations.
Fraud Prosecution includes investigation and prosecution of welfare, real estate, worker's compensation and auto insurance fraud.	X		761,835	(37,867)	12,000	Most of these programs are either fully or substantially off-set by grant or trust revenue. Reflects reduction in Worker's Compensation unit which will likely lower the number of investigated cases. Revenue increase for Real Estate fraud is attributable to an increase in the number of filings.
Victim Restitution is a partially mandated program which receives offsetting revenue from the State Board of Control.	X	X	79,691	(4,868)		Pending retirement of paralegal would result in loss of restitution recovery to victims of crimes.

Program Description	Fed/State Mandated	Discretionary	Expenditures		Increased Revenue	Impact of Change
			FY2009/10 Proposed Budget	Additions / Reductions		
Crime Victim Assistance program is partially mandated to the recent passage of Proposition 9, the Victim Bill of Rights. This unit provides direct services to both victims and witnesses, assisting with victim compensation claims, court proceedings and referrals to various support services.	X	X	533,464		30,390	Reflects program net reduction of (1 FTE OAIII) and (1 FTE Paralegal) due to lay-off, savings mitigated by possible early retirements. Impact is significantly higher caseload per advocate. Further reductions, despite lowering county contribution, would seriously impact the DAs ability to accommodate the Prop 9 mandated services for victims. Increased revenue from two one-time grants of $30,390 helps to lower the County cost of this program.
Misdemeanor Diversion Program was developed for defendants who commit qualifying misdemeanor offenses and have no prior record within the previous five years. Instead of being convicted and going to jail, the individual is diverted to this program to receive counseling. With successful completion of the program, the case is dismissed.		X			12,000	Misdemeanor program revenue increase projection is due to additional case criteria where diversion program can be offered.
GRAND TOTAL			**20,495,387**	**(416,124)**	**119,390**	

Sheriff – 6550

The Sheriff's Office reduction totals ($752,000) and is comprised of the following:

- ($445,015) from elimination of salaries and benefits of four Correctional/Deputy/Sheriff Limited Term positions in the Narcotics Enforcement Team. These positions were not extended in the FY2009/10 budget.
- ($112,868) from reduction of the Family Violence Deputy assigned to the Office of Family Violence Prevention for the remainder of the fiscal year. This position was added back during the budget hearings, however now that additional reductions are needed, the Sheriff

has chosen to give up the position as the least critical to his operations. The Deputy Sheriff will be reassigned within the Department in a vacant Deputy Sheriff position in the Patrol unit.

- ($50,000) reduction in the food service contract. This savings can be absorbed as long as the jail is not at capacity.
- ($143,117) reduction in salary and benefits in the Fairfield jail facility and patrol budget units, due to unanticipated vacancies of a correctional officer, and a Deputy Sheriff.

The following table reflects FY2009/10 Proposed Budget for major departmental programs along with a summary of the impact of these changes.

Program Description	Fed/State Mandated	Discretionary	Expenditures		Impact of Change
			FY2009/10 Proposed Budget	Additions / Reductions	
Narcotics Enforcement Team		X	745,373	(446,015)	No impact to the program. The four positions being deleted are limited term vacant allocations.
Investigations: Family Violence Deputy * Added during Budget Hearing in June 2009		X	*135,000	(112,868)	The consequences of not having a Family Violence Detective assigned to the County's Family Violence Intervention Team (FVIT) would be that the investigations would not be multi-disciplinary and would not be as thorough. An estimated 550 victims of family violence (including children) would not be served between September 2009 through June 2010, resulting in increased costs of incarceration, arrest, prosecution, defense, etc. The estimate for an entire year with FVIT program would be 943 victims unaided.
Jail Support Services: Food Service Contract	X		1,796,916	(50,000)	No impact to the program. The food service contract was calculated with the assumption of a higher inmate population in Custody; however based on the current trend, it is anticipated the Sheriff's Office will realize a savings in the number of meals served in FY09/10.
Fairfield Jail Facility: Health Benefits	X		2,414,604	(100,723)	No Impact to the program. The Sheriff's Office is anticipating realizing savings in Salary and Benefits due to additional vacancies and retirements.

Program Description	Fed/State Mandated	Discretionary	Expenditures		Impact of Change
			FY2009/10 Proposed Budget	Additions / Reductions	
Public Safety: Patrol	X		6,027,245	(42,394)	No Impact to the program. The Sheriff's Office is anticipating to realize savings in Salary and Benefits due to additional vacancies and retirements.
GRAND TOTAL			**11,119,138**	**(752,000)**	

Probation – 6650

The Probation Department is facing the loss of Substance Abuse Crime Prevention Act of 2000 (SACPA) funding (also known as Prop 36). Prop 36 funded a Senior Deputy Probation Officer, two Deputy Probation Officers and a Legal Procedures Clerk in Probation and staffing and treatment costs in Health and Human Services. Although the Prop 36 funding was eliminated, the State is passing on $45 million from the Edward Byrne Memorial Grant specifically for county probation departments for the purpose of providing evidence-based supervision, programs or services to adult felon probationers with the purpose of reducing the likelihood that these probationers will commit new crimes or other violations and be sent to prison.

This funding will be allocated based on each counties population of 18 - 25 year olds. Probation anticipates receiving about $450,000 or $90,000 more than the cost of the four positions that were offset with Prop 36 funding. These positions will be reallocated within the Department to provide adult supervision services.

The Department's reduction for the loss of Prop 172 funding of ($114,000) is reflected as a reduction in placement costs. However, due to additional Youth Offender Block Grant funds, the loss is offset with the new revenue. This results in no increase in the County Contribution.

The following table reflects FY2009/10 Proposed Budget for major departmental programs along with a summary of the impact of this change.

Program Description	Fed/State Mandated	Discretionary	Expenditures		Impact of Change
			FY2009/10 Proposed Budget	Addition / Reduction	
Placement Budget (bureau 6688) - this program serves minors ordered into Foster Care homes or residential treatment facilities that represent a risk to the community and/or themselves. Minors placed into residential treatments receive services such as specialized treatment interventions, psychological, educational, medical and behavioral interventions. This budget also includes the projected cost for placing minors at Fouts Springs Youth Facility which is a camp program that serves Solano and several other counties in the State. Fouts Springs provides various services to the minors such as structured behavioral modification program, remedial education, vocational training, physical training, crisis intervention, and many others.		X	2,715,780	(114,000) 114,000	No change, this reduction will be offset with extra revenues from the Youthful Offender Block Grant/YOBG (bureau 6682). YOBG is an approved block grant which will allow counties to oversee those offenders with less serious crimes in their home communities. This will also provide counties with resources to provide services to juvenile offenders who will no longer be housed in the Department of Juvenile Justice (former CYA) facilities or supervised by the Division of Juvenile Parole Operations.
GRAND TOTAL			**2,715,780**	**0**	

PUBLIC WAYS & FACILITIES

<u>Public Works – 3010</u>

Public Works is projecting overall an increase of $1,122,523 in revenue. The Department also anticipates a reduction in expenditures related to delays filling several vacant positions.

There was considerable discussion during the most recent California budget crisis related to the Highway Users Tax Account (HUTA). In the end the State legislature voted to shift six months of the local share of the HUTA from cities and counties to the State General Fund to pay for State debt service costs. This amounted to a shift of ($1.7 billion) statewide. For Solano County this resulted in a decrease of ($2.75 million) in FY2009/10. The repayment date for the HUTA funds is undetermined at this time. One option under consideration has repayment in June 2013.

As part of the budget legislation Prop 1B funds were released of to counties. For Solano County this equates to approximately $4.9 million. When the Department's budget was submitted, and subsequently adopted by the Board of Supervisors, it only included $1 million in Prop 1B funds. The balance of $3,939,745 is unanticipated revenue in FY2009/10.

The Public Works budget will be impacted by the deferral of on-going revenue, particularly the delay of six months of HUTA funding in FY2009/10 to an unknown repayment date in the future. The unanticipated Prop 1B funds in the current year can and will be used for road improvement projects and associated staff support costs.

The Department's receipt of Prop 1B is considered one-time funding and has many State restrictions imposed by the legislature. Further, the Department is not allowed to carryover 1B funds past FY2009/10. In order to utilize the Prop 1B funds, the County will need to revise and adopt the roads improvement project list. These changes will be presented to the Board as part of the Road Improvement Plan update later in FY2009/10. In addition, the Department is proposing to defer replacement of some equipment. The unanticipated Prop IB funds, decreases in HUTA, costs for new construction projects and deferred equipment purchases will be in incorporated into the Department's Working Budget in a separate Board action prior to the end of the calendar year.

It is anticipated that FY2010/11 will see additional deferral of HUTA funds with no offsetting Prop 1B revenue. Reduction of the work force will be a key factor in keeping future Departmental annual budgets balanced. To this end, the Department is proposing to delay filling several vacant positions until it is known when repayment of the HUTA will occur. In addition, Department management is encouraging Public Works staff to consider the early retirement incentive program.

The following table reflects FY2009/10 Proposed Budget for major departmental programs along with a summary of the impact of the significant changes noted above as a result of the revised State budget package.

Program Description	Fed/State Mandated	Discretionary	Expenditures: FY2009/10 Proposed Budget	Expenditures: Additions / Reductions	Increased Revenue	Impact of Change
Public Works programs	X		22,651,920	(2,750,000)		HUTA payments are being delayed for FY2009/10. Repayment date may be as late as 6/30/2013.
				(67,212)		Reduction of property taxes in department budget based on State borrowing of 8% of Prop 1B property tax funds.
					3,939,745	State released Prop 1B payments. This is a one-time payment and not an on-going revenue source. The additional 1B funds must be spent/ encumbered this Fiscal Year. Public Works is working rapidly to assure that all dollars are identified to projects this year.
GRAND TOTAL			**22,651,920**	**(2,817,212)**	**3,939,745**	

HEALTH AND PUBLIC ASSISTANCE

Statewide Budget Impacts to Health and Human Services Programs

On July 28, 2009 the Governor signed the State's FY2009/10 budget revision, which included ($15.3 billion) in program cuts, as approved by the Legislature on July 24, 2009. In addition, the Governor used line item vetoes to cut an additional ($497 million). The majority of the added cuts, or ($394 million), were to health and social services programs. The known financial impact of these budget cuts to Solano County Health and Social Services (H&SS) programs is approximately ($3.74 million). In several cases information on State reductions (or potential increases) continues to evolve and H&SS is still working on its short- and long-term analysis of the impacts in Solano County. In many cases, the loss of State General Fund dollars is compounded by the loss of Federal matching funds for human service programs.

H&SS is still gathering information from the various State agencies as to how the budget cuts will either be allocated to all counties or implemented through changes in existing programs. The State has not provided counties with specific allocations and without this information it is difficult to determine the full extent and impact of those reductions. H&SS has used preliminary estimates for statewide reductions, identified the impact of known cuts on programs and the community while also anticipating additional funding for caseload growth. At the same time, H&SS has recently received information on several other new program grant revenues including stimulus funds. As more details unfold, H&SS will provide updates to the Board.

The following table summarizes known budget reductions and additions to H&SS programs.

Program Description	Fed/State Mandated	Discretionary	Expenditures: FY2009/10 Proposed Budget	Expenditures: Additions / Reduction	Impact of Change
ADMINISTRATION - 7501					
Provides the overall administrative support to all H&SS program divisions.	X		3,429,079	(163,000)	This reduction eliminates funding for (1.0 FTE) accounting staff in association with divisional program cuts. The staff reduction will impact ability to meet Federal, State and local reporting requirements, collect revenue, oversee program compliance and provide various administrative services such as payroll, billing, personnel and contract development and monitoring. The Department plans to reassign the administrative position to a higher priority funded position in another H&SS division. H&SS anticipates achieving savings by working with those County departments that charge H&SS for their services to better align costs to available funding.
BEHAVIORAL HEALTH - 7780					
Mental Health – Adult Core Mental Health (MH) Services provide for emergency psychiatric services, managed care services, treatment, and rehabilitation and community support services to seriously mentally ill adults. Services include inpatient and outpatient care, medication services, case management, day treatment, and crisis services.	X		14,227,995	(200,000)	State General Fund support for core Mental Health services maintains all program requirements. The Mental Health division will reduce ($200,000) from contracted services for psychiatric residential treatment (Crestwood "Our House" contract). MH anticipates a lower need for contract services as individuals are moved from higher levels of care to lower levels with increased community based services. Revenue loss will be offset by a small increase in federal funding. H&SS is not projecting impacts to MH staffing at this time. The impact of this reduction in Solano County was mitigated due to the ongoing contractual relationship with the Partnership HealthPlan to provide mental health services to the Medi-Cal population.

Program Description	Fed/State Mandated	Discretionary	Expenditures		Impact of Change
			FY2009/10 Proposed Budget	Additions / Reduction	
Substance Abuse – Provides drug and alcohol treatment for individuals referred from the Court in lieu of jail sentences with Substance Abuse Crime Prevention Act (Prop. 36) funds.	X		308,781	(308,781)	Prop 36 program services are eliminated completely. Clients currently in programs will be continued utilizing FY2008/09 rollover funds. Eliminates funding for (2.0 FTE) Substance Abuse clinical staff. H&SS anticipates that carryover Prop. 36 funds will fund these positions until December 2009. Court referrals will no longer have priority which may delay availability of services for offenders with repeat incarcerations. H&SS anticipates receiving Federal Byrne Offender Treatment Grant funding in FY2009/10 to maintain overall treatment capacity at current levels.
HEALTH SERVICES - 7880					
Public Health – Smile In Style (SIS) provides comprehensive dental health education program from preschool to 6th grade. The Board added $270,000 to SIS during the Budget Hearings.		X	341,513	(41,233)	The SIS program is reduced by the State cut of ($41,233). Lower funding reduces contracted services for dental hygienists and will result in 2,400 fewer children receiving education, dental screenings, fluoride mouth rinses and sealant treatments. Service reductions were minimized as a result of Board's action to commit County General Fund dollar to support SIS.
Public Health – Maternal, Child and Adolescent Health (MCAH). Provides overall assessment, planning, and evaluation of the need for services and capacity to provide services to MCAH population.	X		920,921	(91,463)	Reduces (1.0 FTE) for MCAH nursing program services. This reduction will delay response time to callers and linking clients to prenatal care maybe lengthened. The Department plans to have existing MCAH/BIH staff absorb the workload and the individual will be reassigned to a funded position in Public Health.

Program Description	Fed/State Mandated	Discretionary	Expenditures		Impact of Change
			FY2009/10 Proposed Budget	Additions / Reduction	
Public Health – Adolescent Family Life Program. Provides case management and referrals for pregnant and parenting teenagers 17 years and younger.		X	374,006	(198,755)	Program reduction eliminates funding for (2.0 FTE) nursing and support personnel and reduces contracted case management (Planned Parenthood of Shasta Diablo) which will result in 200 teens and their infants not receiving case management services. These individuals will be reassigned to other funded positions in Public Health.
Public Health – Black Infant Health Program. Provides community awareness, education, outreach, and referral to decrease African-American infant mortality and morbidity rates.		X	1,449,842	(208,685)	Program reduction eliminates funding for (1.0 FTE) nursing and support personnel and reduces contracted case management (Planned Parenthood of Shasta Diablo) which will result in 150 clients not receiving case management services which includes mother and newborn assessments, psycho-social assessments, and linkage to mental health and other needed services. Impacted staff will be reassigned to other funded positions in Public Health.

Program Description	Fed/State Mandated	Discretionary	Expenditures: FY2009/10 Proposed Budget	Expenditures: Additions / Reduction	Impact of Change
Public Health – AIDS Assistance Programs. Provides a variety of services to residents living with HIV/AIDS including case management, education and prevention outreach, testing, and medical drug treatment assistance.		X	1,313,021	(212,359)	State reduction eliminates funding for (1.9 FTE) nursing and social worker personnel and reduces contracted AIDS/HIV services by approximately ($100,000) to Planned Parenthood of Shasta Diablo, Community Medical Centers, Jose Mendoza, Debra McCarthy and Gayle Schofield. Eliminates HIV education for 150 probation clients referred by the courts, HIV community education and prevention projects. Reduces outreach and education services provided to 350 monolingual Latinos or 50 monolingual Latinas whose partners put them at risk for HIV infection. Reduces prevention education, testing, or outreach to 125 monolingual Latino men who have sex with men. Reduces funding for case management services. Remaining State funds will be combined with Federal Ryan White funding and limited services will be provided by Family Health Services. The (2.0 FTE) will be deleted and existing staff will be reassigned to funded positions in the division. As a result of this loss in staff, H&SS will no longer have dedicated nursing staff assigned to AIDS/HIV programs.
Public Health – WIC and Nutrition Services for program planning, evaluation, and direction of all nutrition services.		X	3,332,724	360,000	H&SS is anticipating a $360,000 increase in the State allocation due to caseload growth for WIC services based on preliminary information.
Family Health Services (FHS) – Provide community health services including health and dental clinics.		X	12,114,113	312,218	FHS was awarded $88,028 in ARRA funding due to increased demand for services in the clinics and $224,190 in Capital Improvement ARRA grant funds to support the acquisition of Electronic Medical Records.

Program Description	Fed/State Mandated	Discretionary	Expenditures		Impact of Change
			FY2009/10 Proposed Budget	Additions / Reduction	
SOCIAL SERVICES - 7680					
Employment and Eligibility – Welfare to Work and Child Care services to assist work eligible SolanoWORKS recipients.	X		5,733,750	(1,200,000)	Welfare to Work and Child Care funding is reduced. As a result of new program rules, it is estimated that 9% of current caseload will be exempt from work participation, which will reduce child care costs by approximately ($1.2 million).
Employment and Eligibility – CalWORKS Administration and Direct Services including eligibility determination, issuance of monthly cash benefits, contracted services for job readiness and learning disability evaluation, and transportation services to assist work eligible SolanoWORKS recipients.	X		17,534,241	1,300,000	H&SS is anticipating an additional $1,300,000 in the State allocation for administration of the CalWORKS program due to caseload growth based on preliminary information. The increased allocation eliminates the need to reduce current staffing in E&E. While not reflected at this time, H&SS anticipates that later in FY2009/10 the Department will be awarded ARRA funding for a subsidized employment program that will require staffing by E&E.
Employment and Eligibility – Food Stamps Eligibility. Includes eligibility determination, transitional food stamps (TFS), and the California Food Assistance Program for legal non-citizens who are ineligible for the Federal Food Stamps Program.	X		12,337,627	800,000	H&SS is anticipating an increase of $800,000 in the State allocation for Foods Stamp administration due to caseload growth.
Employment and Eligibility – Provide administrative support of the County Medical Services Program (CMSP) for medically indigent adults.		X	8,882,410	325,000	H&SS is anticipating an increase of $325,000 in the CMSP allocation for program administration due to caseload growth based on preliminary information.

Program Description	Fed/State Mandated	Discretionary	Expenditures: FY2009/10 Proposed Budget	Expenditures: Additions / Reduction	Impact of Change
Child Welfare Services (CWS) – Child Welfare Basic Services. Includes emergency response, family maintenance, family reunification, permanency planning, dependency intake, and community liaison services.	X		7,509,150	(716,913)	State funding was reduced by more than (10%). Reduction will result in a significant loss of basic CWS services. Specific reductions are not known at this time. H&SS is estimating that up to (6.0 FTE) may be eliminated, largely Social Workers, due to the State cuts and loss of associated Federal matching funds. CWS has maintained a number of position vacancies in anticipation of this State cut.
Older and Disabled Adults (ODAS) – In Home Supportive Services staff support and Elder Health Clinic Services.	X		4,949,957	279,000	H&SS is anticipating an increase of $279,000 in the State allocation for IHSS administration due to caseload growth. Program reductions in Public Health related to HIV/AID programs funding for (2.0 FTE) nurses in Public Health that supported Elder Health Clinic services in several senior centers.
In Home Supportive Services (IHSS) – Public Authority - 1520 and 7690					
Public Authority Public Authority (PA) Administration budget supports 6.0 FTE that provide an array of oversight activities for the In Home Supportive Services program. Staff are responsible for recruiting, screening and training providers.	X		917,289	(238,222)	Reduction was estimated at (34%) but could go as high as (57%). The State has not yet informed counties of the specific allocation. Potential reduction of (2.0 FTE). At this time a PA Social Worker will be reassigned to ODAS. Staffing reductions will result in delays in processing new providers, ability of conduct trainings for providers, and other support services. State reductions in the PA and eligible services could result in a decrease in the County's share of cost.
GRAND TOTAL			**95,676,419**	**(203,193)**	The projected reduction reflects less than (1%) of the H&SS total Proposed Budget of $267,353,433. No appropriation changes are required at this time.

Changes Resulting from State Funding Reductions

H&SS Position Allocation Changes

The Department was conservative in estimating State and Federal revenues in the development of the H&SS FY2009/10. As referenced above, specific funding allocations have not been provided by the State to allow H&SS to definitively project which State allocations are reduced and which are increased due to caseload growth. As a result, H&SS cannot determine the staffing impact of changes in Federal and State funding levels resulting from the latest round of budget reductions.

At this time H&SS has indicated that the funding for approximately (19 FTE) has been eliminated. H&SS has identified funding and/or reassigned 7.0 of these FTE within the Department. It is anticipated that the hiring freeze, strategic positions reassignments and carryover funding will allow H&SS to postpone recommending any additional layoffs at this time. The following (12.0 FTE) vacant and unfunded positions are recommended for deletion:

(1.0 FTE)	Accounting Supervisor
(1.0 FTE)	Clinical Services Associate
(1.0 FTE)	Health Education Spec (Supervising)
(2.0 FTE)	Office Assistant II
(3.0 FTE)	Public Health Nurse
(3.0 FTE)	Social Services Worker
(1.0 FTE)	Welfare Fraud Investigator II
(12.0 FTE)	Total Vacant, Unfunded Positions

H&SS will continue to actively manage personnel allocations to minimize impact on the County General Fund. County direction to offer Early Retirement Incentives and negotiate furloughs and/or deferred cost of living increases may free up State and Federal dollars for positions that remain allocated but that are frozen due to funding uncertainties.

Reduction in Contracted Services

H&SS is reducing contracts by approximately ($1.67 million) for services that are no longer offset by State and Federal revenue. As indicated in the previous table, contract reductions include ($200,000) for psychiatric residential treatment, ($101,000) for AIDS/HIV education, intervention and testing, ($126,014) for contracted case management for pregnant and parenting teens, ($41,233) for dental hygienists and ($1,200,000) for child care services.

Solano Children and Family Services manages the contract child care services budgeted at $5.8 million for the CalWORKs program. The contract includes payments made to child care providers and includes funding for the contractor's administrative expenses. The State intends to exempt more families from work participation requirements, which will reduce actual child care provider reimbursements significantly.

Not reflected in the contract reductions above is the State's reduction of the reimbursement rate for Drug Medi-Cal services by (10%) which is in addition to the (5%) cut enacted in FY2008/09. This reduction affects reimbursements to providers of Medi-Cal services who provide services based on the approved rate. Since many of these local providers are non-profits, the impact of the 10% reduction in revenue will make it more difficult for some of them to maintain financial viability.

Reduction in Other Cost Areas

H&SS has already reduced operating expenditures for FY2009/10, but staff is reviewing miscellaneous operating costs, including charges from County central service departments, to identify further reductions where possible. As a result of the two new facilities opening in FY2009/10, H&SS is working to consolidate a number of offsite programs at the Fairfield and Vallejo campuses. These actions will lower rental costs and improve operating efficiencies as existing programs deal with caseload demand that has been inadequately funded by the State.

New Program Funding

Family Health Services

Family Health Services (FHS), which runs the health and dental clinics, has received an additional $88,028 per year for FY2009/10 and FY2010/11 for an "Increased Demand for Services" ARRA grant. This will be used to provide increased services at existing sites and for spikes in demand to serve uninsured populations.

FHS has also received an additional $224,190 per year for FY2009/10 and FY2010/11 for a Capital Improvement ARRA expansion grant for Electronic Medical Records. This will provide a secure, private and HIPAA compliant lifetime record of an individual's health information. It will contribute to safer patient care and reduced health system costs associated with medical error and duplicate tests. Implementation will improve safety through improved chart legibility, availability of a drug knowledge base to alert for contraindications and drug-drug interactions, and to provide medication dosing support.

Public Health

Public Health's Emergency Preparedness program has received an additional allocation of more than $1 million for H1N1 activities.

State Allocations for Caseload Growth

H&SS has received has preliminary information indicating that State allocations for FY2009/10 with be increased based on caseload growth. H&SS anticipates approximately $2.7 million in additional State and Federal revenue for administration of the CalWORKS program, Food Stamp, County Medical Services Program and IHSS programs.

Pending Issues

General Assistance (GA)

The Department is experiencing a delay in processing General Assistance applications due to caseload increases. H&SS plans to reassign staff from other eligibility programs to alleviate GA application backlogs. This may result in delayed services to those eligibility programs until the Department staffs up. Tentative cost for staffing up GA to expedite processing of General Assistance claims and the cost of the increase in GA claims paid is estimated at $2.7 million for the remainder of FY2009/10.

Healthy Families (HF)

Healthy Families, the State run program that provides low-cost health coverage for children statewide, began the year with a $194 million State General Fund reduction. While data is difficult to validate, HF projected serving 5,600 children in Solano County in FY2009/10. When the Governor reduced the State General Fund dollars to support the program, it resulted in the creation of wait lists and plans to move forward to disenroll children effective October 1. The funding reduction for this program has already resulted in growing waiting lists. It is estimated that 60% or more of the children enrolled in HF could be disenrolled and/or wait listed. In addition, the loss of State General support for HF results in California losing approximately (60%) in matching Federal funds for program costs.

California First 5 Commission recently announced that it will provide $81.4 million for children 0 to 5 to offset the loss of State General Fund dollars; but as of this writing, a ($337.8 million) funding deficit for HF remains. HF administrators are considering a number of structural changes to avoid cutting health insurance for children and teens but changes would require Legislative approval which may not occur before the disenrollment dates.

The increased number of uninsured children will directly impact County run programs through a loss of revenue, although the amount is minimal. The California Children's Services program, which pays for medical care for seriously ill children, may also be impacted by this reduction. Up to 17 cases may shift to County cost if these children lose health insurance coverage.

Realignment

H&SS anticipates $40 million in the Realignment revenue in the FY2009/10 budget, or approximately ($1.7 million) less than FY2008/09. Realignment revenue does not follow the traditional trend of sales tax collections because the State includes a factor based on caseload growth at the end of each fiscal year when distributing Realignment to counties. At this time, H&SS is not anticipating a significant change from the budgeted amount; however, they will not have actual for the final amounts for FY2008/09 until late September to allow them to validate this budgeted figure. H&SS is carefully monitoring Realignment revenues due to the tenuous economic climate.

Child Welfare Transitional Housing Program

The Transitional Housing program for foster youth was cut state wide by ($5 million). The California Department of Social Services (CDSS) has indicated that the cut will be applied to large scale programs, which would not include in Solano. However, if the cut is applied to all programs, Solano's estimated share would be approximately ($53,000). This program is operated by a contracted vendor.

In Home Supportive Services

The In-Home Supportive Service program provides services that enable individuals to remain in their homes instead of being placed in convalescent or other board-and-care facilities. In Solano County there are approximately 3,100 IHSS caregivers (aka providers) who provide over 3.8 million hours of care to approximately 2,800 clients (aka consumers). The program is mandated and there is a prescribed cost sharing formula between the State, the Federal government and counties. In California, the program is state of flux, due to an array of budget actions that impact provider wages, provider benefits, client services, new fraud activities and reductions in State support for administrative oversight of the IHSS Public Authority coupled with pending legal actions against the State. The latest known information on IHSS program changes is provided as follows:

IHSS Provider Wages

The State budget included a reduction in the State's share of provider wage to $9.50 per hour, effective July 1, 2009. The County's FY2009/10 Proposed Budget for IHSS provider wages was prepared using $9.50 per paid provider hour based on State actions lowering their participation for IHSS wages to $9.50 per hour. On June 9, 2009, the Board approved a $10.50 per hour wage for IHSS providers and was advised that the six-month unbudgeted cost of the additional $1.00 per hour was approximately $712,400.

Impact of Court Injunction on County Share of IHSS Wages

The State's implementation of a reduction to IHSS provider wages was stopped by a court injunction. The preliminary injunction, issued the U.S. District Court on June 26, required that IHSS wages be paid at the rate in place as of February 20, 2009, which is $11.50 for Solano County. The State is also required to continue participating at the higher wage rate. Since the FY2009/10 County budget for IHSS provider wages was based upon the $9.50 rate, there is a significant potential for an increased County share of cost until the injunction is lifted, or the case settled in some other way. If IHSS provider wages remain at $11.50 per hour and provider hours remain at projected the 3.8 million hours, H&SS projects that the annualized additional General Fund cost would be approximately $1.8 million.

IHSS Provider Benefit Reductions

The State budget included benefit reductions related to the reduction in the number of provider hours. The County's budget did not include this benefit reduction, at it was based upon a normal projection of provider hours. These reductions are currently scheduled to occur on October 1 when the State modifications to the payroll system are completed and all providers are noticed. It is anticipated that lawsuits initiated by recipients may further delay implementation of this benefit reduction. To the extent that the benefit reductions are implemented, the County's share of cost could be lower FY2009/10 but the amount would be nominal.

State funding reductions in service hours could result in loss of health benefits for some providers as State actions that reduce services available to clients with lower functional rankings. The specifics of the reductions have also been delayed to October 1 due to system constraints.

Overview of Changes to Client Services

The State budget includes reduced services to clients based on their assessment scores. The reduced services are anticipated to occur in October of this year. It is anticipated that the State will likely be sued as they reduce services for IHSS clients. H&SS anticipates clients will appeal the service hour reductions and that the conduct of appeal hearings will adversely impact staff workloads. In addition, the State budget legislation includes a number of new regulations and program requirements. While most of these are aimed at improving program integrity, they may significantly add to the workload of this already understaffed program. The changes are:

- Elimination of all services for clients who require minimum assistance (function index score below 2.0). It is estimated that approximately 190 clients in Solano County would lose services completely for a reduction of (10,700) provider hours monthly. County's reduced share of this cost is tentatively projected at ($180,000).

- Reduction in the level and type of service to most clients, excluding those who are totally dependent upon care from others (functional index score below 4.0). It is estimated that between 500 to 700 clients will lose certain services (domestic help, cooking and cleaning, shopping and errands) for an estimated reduction of (13,000) provider hours per month. The County's reduced share of this cost is tentatively projected at ($220,000).
- Increased investigations of reported cases of fraud, mainly funded at the State level (a small portion of the funding is set aside for County efforts, which are currently not funded at all).
- A requirement for criminal background check for all providers and fingerprints filed with the Public Authority.
- A requirement to fingerprinting of all recipients.
- A requirement for unannounced home visits by county social workers.
- A requirement that fingerprints of both the recipient and provider be affixed to all timesheets.

The local impact of added fraud activities is unknown.

<u>FY2009/10 Cost Impact</u>

Delays in settling the injunction regarding IHSS wages, timing of changes to client services and other pending IHSS program changes has resulted too many variables to accurately project the FY2009/10 County share of cost for the IHSS program. However, the requirement to maintain IHSS wages at $11.50 per hour will most certainly increase the County's share of cost as the budget was prepared at $9.50 per hour. At this time, H&SS estimates costs increases would range from $1.6 to $1.8 million over the FY2009/10 budgeted amount. If client services are reduced based on the State's actions, the nine month savings is estimated to be less than ($500,000).

<u>Public Authority Funding Reduction</u>

State funding for Public Authorities has been reduced; it is unclear the exact amount of the reduction. Current estimates range from a decrease of (34 to 57%). The State rationale for this change is based on indications that counties have not fully spent their allocations in prior years. No specifics regarding the under spending have been provided. The reduction could be distributed to individual counties based upon prior year spending, but no information is available at this time. The Department has projected a minimal reduction of ($238,000), or (34%). The Public Authority recruits, screens and trains providers, and will also be responsible ensuring background checks are completed.

EDUCATION

<u>Library – 6300</u>

The County Library anticipates a decrease in property tax revenue of ($504,830) from the State's "borrowing" of 8% of the County's property tax. The Library has identified cost control measures which will result in a savings of approximately ($600,000) during FY2009/10.

A total of (5.6) positions that are currently vacant were identified by the department for deletion from the Position Resolution. As a result the following positions will be removed: Librarian (2.6 FTE) and Library Assistant (3.0 FTE). Despite the reductions in staffing, the Department will continue to operate at current service levels to the public.

While the estimated combined sales taxes (Measure B) loss for FY2008/09 and FY2009/10 is projected to be approximately ($1 million), the reduced revenue was anticipated when the FY2009/10 budget was developed. As a result, no new expenditure reductions are needed to offset this revenue reduction.

Library staff is currently exploring additional ways to decrease spending this fiscal year by using technology to introduce more self-service applications. Plans are underway to convert the manual registration form for a library card to an electronic one the customer can fill out online. This improvement would free staff that has to manually key in all that information to work on other tasks. In addition, a trial test is being conducted that would allow the self-check machines to accept credit and debit cards for the payment of fines and fees. The Department plans to implement these changes this fall. These measures should reduce labor-intensive tasks at the customer service desks.

The Department's goal is to maintain current open hours with less staff as Library services are in high demand with the downturn in the economy. This will be a challenge, but one of the promises made during the sales tax campaign focused on more hours of operation. To the extent possible, the Library wants to keep that promise.

The following table reflects FY2009/10 Proposed Budget for the Library along with a summary of the impact of this change.

Program Description	**Fed/State Mandated**	**Discretionary**	**Expenditures**		**Impact of Change**
			FY2009/10 Proposed Budget	**Additions / Reductions**	
Library services throughout County Library service area		X	23,456,752	(504,830)	System wide impact for FY2009/10 is minimal. Losses absorbed by deletion of positions that are currently vacant. In addition Library will only fill key vacancies during the balance of the fiscal year. In support of these reductions, the department is deleting (5.60 FTE) vacant positions, including: (2.6 FTE) Librarians and (3.0 FTE) Library Assistants.
GRAND TOTAL			**23,456,752**	**(504,830)**	

INTERNAL SERVICE AND ENTERPRISE FUNDS

Internal Service Funds (ISF)

As departments implement programmatic cuts and staff reductions, Service departments, such as the Department of Information Technology, Fleet Management, General Services, Communication and others, will work with affected departments to adjust charges that may result in additional savings. Potential savings, if any, will be reflected in the Midyear Financial Report.

PERMANENT POSITION ALLOCATION

There are proposed changes to the Position Allocation listing as part of today's Board action. In total (23.6) FTE positions are proposed for deletion. These represent (18.6 FTE) vacant positions and (5.0 FTE) filled positions. The vacant positions will be deleted, effective September 1, 2009. The layoff effective date is September 18, 2009 for the impacted employees. Refer to Attachment B for additional detail.

The following table summarizes the changes made to the Position Allocation List since FY2008/09:

Position Allocation List Summary	
Allocated Positions in FY2008/09 Budget	3,115.81
Adjustments made by Board & HR during FY2008/09	(39.05)
Allocated Positions as of May 13, 2009	**3,076.76**
Positions in Proposed FY2009/10 Budget	2,907.78
Adjustments made by Board during Budget Hearings	4.00
Adjustments made by Board & HR since Proposed Budget	10.55
Allocated Positions as of August 17, 2009	**2,922.33**
Proposed Changes on September 1, 2009	(23.60)
Allocated Positions following today's Board action	**2,898.73**