



BUDGET ALERT

Budget News Impacting Solano County

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County Launches *Budget Alert* to Keep Employees Informed on Latest Budget News

County leadership is committed to keeping our employees informed on what's happening on the various budget fronts – Federal, State and local level – and their impact on County programs and employees. *Budget Alert* allows us to quickly get news out to our employees when there is reportable information on the various “battles of the budgets.” When we can, we will share how the assorted budget decisions may change the way the County provides a service or our ability to financially maintain programs. We will, when possible, provide links to sources of additional information, so you and your colleagues, family and neighbors can stay informed.

COUNTY

FY2009/10: Tight Budget Scrutiny Contains Costs for \$6.2 Million in One-Time Savings

The Auditor-Controller told the Board of Supervisors on Aug. 3 that the final numbers for FY2009/10 were better than anticipated, reflecting a concerted effort by departments to reduce expenditures and wring out an additional \$6.2 million in savings. This year-end savings is one-time in nature and was placed in General Fund Reserves for potential use in FY2011/12 to address projected deficits.

This news comes as a bright spot in a year, in which County employees have experienced a series of cost-cutting measures designed to keep expenses in line with ever dwindling revenues. The continuous scrutiny of expenditures and belt-tightening measures by employees at all levels of the organization is being credited for the year-end savings.

There were some unique circumstances that also contributed to the one-time savings. Among those was a lower-than-anticipated jail population in the fourth quarter that resulted in reduced costs in housing inmates for the Sheriff, an infusion of various one-time monies collected by Health and Social Services that reduced the County's General Fund contribution to some H&SS programs, and savings in contract and professional services.

FY2010/11: Board Workshops to Tackle One Third of General Fund Structural Deficit

The one-time savings did not address the County's FY2010/11 General Fund structural deficit, and that's the hard work that is still ahead of us. The adopted FY2010/11 budget is balanced, but with the use of one-time funding, and has an identified General Fund structural deficit of \$18.74 million. This gap is being financed with \$6 million from the General Fund Reserves and \$12.74 from various one-time revenue sources.

The Board has directed staff to come back with a strategy to address this fiscal year approximately one-third of the General Fund gap between ongoing revenues and ongoing expenditures. A series of four Board workshops are planned to review and clarify the County's funding commitment toward its mandated and discretionary programs that will ultimately determine which programs and services the County can afford to maintain. The workshops will also provide the Board with opportunities to assess the local impacts of the state budget negotiations in Sacramento.

The dates of the budget workshops are:

- **Aug. 17:** Evaluates several General Government departments and begins the discussion on the Public Safety departments
- **Aug. 31:** Continues the discussion on Public Safety and the remaining General Government departments
- **Sept. 21:** Focuses on the Health and Social Services Department
- **Oct. 26:** Establishes program priorities and potential budget reduction actions

STATE

Day 35: Timing of FY2010/11 State Budget Still Uncertain

Despite appeals from State Controller John Chiang and new efforts by Legislative Democrats, reports from Sacramento suggest the budget stalemate – now 35 days old and counting – is far from over.

Legislative Republicans remain opposed to the major revenue components of the Democratic budget plan, including the proposed oil severance tax and the roll-back of corporate tax breaks. There is also speculation concerning whether a sufficient number of Republicans would support a Vehicle License Fee (VLF) increase, which requires a two-thirds vote of the Legislature. It should also be noted that Governor Arnold Schwarzenegger has vowed to reject a budget that does not include pension reform and tax reform. While some may argue that the new Democratic budget plan includes tax reform measures, a great deal of uncertainty remains.

The County Administrator's Office will continue to monitor the situation in Sacramento and assess the impacts of state budget decisions on the County because it affects our local programs, the funding for local services and the potential cash flow to the County. For more information, visit the California State Association of Counties website:

<http://www.csac.counties.org/>

Legislative Democrats Unveil Modified Budget Proposal

The Senate and Assembly Democrats unveiled an updated budget proposal on Aug. 3 to address the state's \$19.1 billion shortfall.

Dubbed the *California Jobs Budget*, the plan includes many of the same elements contained in budget proposals released by Legislative Democrats earlier this year, including the inclusion of a new oil severance tax and a roll back of \$2 billion in corporate tax benefits.

The plan also includes a new proposal to increase the state income tax by 1% for each tax bracket. The Vehicle License Fee (VLF) would also be increased from the current 1.15% to 1.65%. The plan permanently reduces the sales tax rate by 1.75% in this budget year and an additional 0.75% in FY2011/12 for a total reduction of 2.5%. Legislative Democrats contend that the combined income tax increase and sales tax reduction would ultimately result in a personal tax savings, as both the state sales tax and VLF are deductible when paying federal income tax.

The plan also includes a public safety "restructuring" proposal that shifts certain offenders to local jails and provides revenue generated by the proposed VLF increase. This proposal takes the place of Governor Schwarzenegger's May Budget Revision proposal to require counties to house non-violent, non-serious offenders in local jails. The plan would also maintain funding for local public safety programs and establishes a four-county parole realignment pilot program.

With respect to Health and Social Services, the Jobs Budget includes a number of reductions to health and social services programs, but rejects the Governor Schwarzenegger's proposals to eliminate CalWORKs, community mental health programs, Adult Day Healthcare, and severe reductions in IHSS.

The proposal will go to the Budget Conference Committee for review. For more information, visit the Senate Majority Caucus website: <http://democrats.sen.ca.gov/>

Controller Urges Governor, State Lawmakers to Quickly Enact a Budget to Avoid IOUs

Launches New Webpage on State Payment Delays

Last week, Controller Chiang urged Governor Schwarzenegger and state lawmakers to pass a balanced budget as soon as possible, suggesting that every passing day leads the state closer to further fiscal insolvency and threatens its already-shaky credit rating.

The Controller said that without a budget in place, his latest cash projections show the state's cash will go into the red by the end of October. To ensure the State meets its payment obligations, the Controller has indicated that he will begin issuing IOUs to cities, counties, schools and other vendors in mid-August or early September to conserve cash to get through the fall.

The Controller has also launched a new webpage, outlining what bills he can and cannot pay during the month of August due to the current state budget impasse. Payments that are essential to ensuring critical public services will not be interrupted. Such payments include debt services and other payments required by the State Constitution; federally mandated services such as Supplemental Security Income/State Supplementary Payment (SSI/SSP) and In-Home Support Services; vendor payments for services provided in the prior fiscal year; and state payroll.

The County Administrator's Office has directed Department Heads to proactively assess the impact of delayed payments and IOUs on County programs and services so a report can be made in August to the Board of Supervisors.

For more information, visit the State Controller's website: <http://www.sco.ca.gov/>