



MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors
FROM: Thomas M. Miller, County Executive Officer
Submitted by: Jeff Bell, County Budget Administrator 
DATE: May 26, 2009
SUBJECT: Request Administrative Direction to Further Restrict Expenditures in the
FY 09-10 Proposed Budget

REQUEST

It is requested that the Board of Supervisors:

1. Direct the County Executive to pursue further reductions in expenditures based upon the non-staff related Tier I-III Reduction Scenarios developed earlier this year.
2. Direct the County Executive to evaluate and further restrict county expenditures beyond that already constrained in the 2009-10 Budget, including Extra Help, Over Time, Travel and Transportation, Professional Services, and other areas of expenditure.
3. Confirm continuation of existing hiring restrictions previously directed by the Board.
4. Direct the suspension of work on capital projects yet to be initiated, freezing \$10 million - \$15 million in project expenditures in response to the suspension of State Proposition 1A and yet to be determined adopted other state program reductions.

BACKGROUND

In February the Governor signed the State Budget Act for FY 2009-10 (The Budget) five months before the beginning of the new fiscal year. The Budget included spending cuts and revenue increases designed to eliminate an estimated \$41.6 billion state budget deficit. The Budget also included assumptions that revenue from a number of statewide ballot would be available to balance against expenditures. However, those propositions (1A, 1C, 1D, and 1E, respectively) all failed to pass on the May 19 Special Election. Additionally, since February, the state budget has fallen out of balance by \$15 billion, which is now compounded by the additional loss of \$6 billion in anticipated proposition revenue, for a total \$21.3 billion state budget deficit.

Probable Impact of Suspension of Proposition 1A

Since the revenue generating propositions failed on the May 19 ballot, the Governor has proposed suspension of Proposition 1A. This will authorize the state to borrow eight percent of the property tax revenues received by cities, counties, and special districts in 2008-09 as

authorized in Article XIII of Section 25.5 of the State Constitution. This would imply that all city, county, and special districts are technically in the pool of eligible candidates for a Proposition 1A this reduction. In addition to Placer County, this would include for example, the fire districts, the library, water districts, as well as all the cities in the county. As of this writing, the enabling legislation for this suspension has not been made available. According to the State Constitution, repayment must be made with interest within the next three years. For Placer County, this will mean a loss of at least \$8 million in property tax revenue from the General Fund in the 2009-10 fiscal year that will be repaid at some point in the next three years, in some manner (undefined) with interest (at a rate yet to be determined).

Anticipated Impacts of Other State Budget Reductions

In addition to the estimated \$8 million General Fund revenue reduction mentioned above, the May Revision also proposes to reduce funding in a number of programs, while changing program criteria to ease the state burden in others. The May Revision eliminates an estimated \$3 million in Health and Human Services funding for Placer County, hitting In-Home-Supportive-Services, Substance Abuse, and Child Welfare Services, in particular. It also eliminates Williamson Act subvention funding (\$47,000). Additionally, the May Revision contains changes in the criteria used to determine whether offenders will serve prison or jail time, shifting more responsibility onto counties, and potentially significantly increasing county costs.

Tier I-III Budget Reductions

During the fall and early winter, county departments submitted 3%, 5% and 7% budget reduction packages that were subsequently ranked in terms of their effects on the budget. They were then ranked in terms of the service impact they would have on the county based on tiers (Tiers 1-3). A Tier 1 budget reduction would have little to no impact on county services, while a Tier 3 budget reduction would have a significant service impact on the county. The requested direction could result in further budget reductions based upon this analysis.

DISCUSSION

The Placer County Proposed Budget had gone to print by the time recent state actions took place. As such, this companion measure is proposed to provide the additional tools necessary to address and mitigate the potential impacts of recent state developments. The tools requested in items 1-3 above will allow Placer County to continue to manage its resources with the necessary flexibility respond to unknown program impacts as state developments continue to unfold. It is the intent that staff will return to the Board on June 23rd with a more refined proposal to address the impacts of the probable state budgetary actions.

FISCAL IMPACT

This proposal will provide the county with fiscal flexibility and programmatic reduction options designed to mitigate the yet to be determined reduction in revenue that will be felt from the state.