

**MEMORANDUM**  
**OFFICE OF THE**  
**COUNTY EXECUTIVE**  
**COUNTY OF PLACER**

**TO:** Honorable Board of Supervisors  
**FROM:** Thomas M. Miller, County Executive Officer  
By: Bekki Riggan and Allison Carlos, CEO Principal Management  
Analysts and Linda Oakman, Administrative Services Manager  
**DATE:** October 18, 2010  
**SUBJECT:** State Budget Impacts

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**Informational Item:** This informational item provides a brief summary of the FY 2010-11 state budget agreement.

**Background:**

The FY 2010-11 budget agreement, including the Governor's vetoes, generates "solutions" to close an estimated \$17.9 billion General Fund shortfall. The budget includes approximately \$8.5 billion in spending reductions; \$5.3 billion in assumed new federal funds; \$5.2 billion from additional revenues and fund shifts, and \$.5 billion in "alternative funding". State General Fund spending would total \$86.6 billion in FY 2010-11, essentially unchanged from the FY 2009-10 spending level of \$86.3 billion. Using line-item veto authority, the Governor reduced state General Fund spending by \$963 million and spending from state special funds and bond funds by \$162 million. The vetoes allowed the Governor to increase the budget reserve fund from \$375 million to \$1.3 billion.

The Governor vetoed the proposed \$80M restoration to Child Welfare Services and eliminated all funding for Proposition 36-related services. These actions result in a local funding reduction for Health and Human Services of \$1 million to Child Welfare Services and \$160k to Drug and Alcohol services. However, these reductions were largely anticipated and are factored into the FY 2010-11 Final County Budget. The Governor also suspended the mandate and eliminated funding for mental health services to special education students (AB 3632) - a \$133 million line item. While no immediate funding impact is anticipated for the current year, this state action will most likely require a new service model between counties and schools by FY 2011-12.

The State Budget does not extend the Vehicle Licensing Fee (VLF) increase dedicated to several Local Safety and Protection Account (LSPA) programs, including the Citizens' Option for Public Safety (COPS), Juvenile Justice Crime Prevention Act (JJCPA), Rural and Small County Sheriffs' Local Assistance Programs, and Booking Fee "Replacement" Revenues. While there is no direct fiscal impact to the FY 2010-11 Budget, the increased VLF is set to expire on June 30, 2011, which would reduce the amount of LSPA funding available in FY 2011-12 for these programs.

There are no net changes to funding levels to Road Fund with the state's FY 2010-11 Final Budget. The Final Budget retains the "swap", passed during a special session of the Legislature in March of the Highway Users Tax Account (commonly known as HUTA, or the "gas tax"), which supports road maintenance activities at the local level. Although we do not anticipate reduced funding FY 2010-11, the gas tax shift from sales tax to excise tax delays distribution of funds from the state. In the Final Budget, the state loaned an additional \$112 million from the HUTA allocation that was designated to pay State General Fund debt service costs, but this has no impact on local road maintenance funding.

The Road Fund cash flow through FY 10-11 is expected to be tight but stable despite deferrals of 50% of HUTA during the first six months of the fiscal year and County commitments to construct the Foresthill Bridge. The County benefitted from an earlier-than-expected release of previously-deferred gas tax funds and payment of Federal grants, American Reinvestment and Recovery Act (ARRA) funds and Proposition 1B funding.

**Fiscal Impact:**

The FY 2010-11 State Budget includes several relatively minor impacts to HHS primarily in the areas of public health and county administration funding for human services. The most significant impact relates to the elimination of State funding for the AB 3632 mandate on counties to provide mental health services to special education students, which will require development of a new service model between the counties and schools in FY 2011-12.

The County Executive Office continues to work with departments to detail specific impacts to the County, and will return to your Board mid-year with any necessary policy issues or budget adjustments.