

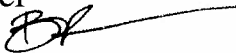


**CITY AND COUNTY OF SAN FRANCISCO**  
**OFFICE OF THE CONTROLLER**

**Ben Rosenfield**  
**Controller**

**Monique Zmuda**  
**Deputy Controller**

**TO:** Mayor Gavin Newsom  
Board of Supervisors

**FROM:** Ben Rosenfield, Controller 

**DATE:** August 4, 2009

**SUBJECT:** State Budget Impact – Preliminary Report

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Section 9.3 of the FY 2009-10 Annual Appropriation Ordinance (AAO) requires the Controller to issue a report to the Mayor and Board of Supervisors within one week of the adoption of the State budget with an estimate of the State revenue impact on the City's General Fund budget.

The FY 2009-10 AAO includes an allowance of \$18.0 million for potential state revenue reductions. As shown on the attached summary, we currently estimate the impacts of the State's FY 2009-10 budget amendments signed July 28, 2009 on the City's general fund to be \$36.4 million as a result of State funding reductions to general fund programs. There are also unknown potential costs related to many other State programmatic changes.

In addition, there is a potential \$14.5 million general fund impact from the State's shift of Redevelopment property tax increment funds and \$72.4 million from the State's Proposition 1A borrowing of property tax revenues, making a combined potential general fund impact of \$123.3 million.

Taking into account adjustments to baselines and set-asides, the property tax-related actions would also potentially reduce funding to the MTA by \$9.0 million, and to the Library Fund, Children's Fund and Open Space Fund by a combined total of \$13.7 million. We are investigating the potential for financing the Redevelopment tax increment shift and Proposition 1A borrowing in ways that could reduce or eliminate the current county impact.

There are large uncertainties regarding these estimates due to lawsuits challenging State actions and pending finalization of potential financing mechanisms, formulas and other programmatic details that will affect San Francisco's funding levels.

Given the uncertainties, we regard this report as preliminary and plan to submit an updated report to the Mayor and Board of Supervisors by September 14, 2009. The updated report will trigger the FY 2009-10 AAO provision requiring the Mayor's office to issue a report to the Board of Supervisors outlining a plan to address the shortfall within 21 days.

Highlights of the local general fund impacts include:

- Estimated \$19.8 million reductions to Department of Public Health programs, including \$8.6 million in Medi-cal reductions, \$4.6 million in State Office of AIDS reductions, \$2.9 million Proposition 36 drug treatment funds, \$1.9 million reduced state support for Healthy Families, \$1.2 million Proposition 99 funds for County Health Services, and \$0.6 million in reduced funding for other public health programs.
- Estimated \$16.1 million reductions to Human Services programs, including \$9.0 million in CalWorks employment services and childcare funding, \$2.8 million in shelter and other employment services funding, \$4.5 million in Child Welfare Services cuts, \$2.4 million in Medi-cal administration funding and \$0.5 million in Aging grants to provide services to seniors and adults with disabilities, offset by \$3.1 million in potential net savings from the county share of reduced service hours provided to In-Home Support Services clients.
- Estimated \$0.5 million in reduced funds to the County Sheriff's office for court security due to Court closures one day per month. In addition, the Sheriff's office faces unknown but potentially substantial costs from increased county jail populations as a result of cuts to the State Department of Corrections budget and court closures.
- A lawsuit pending in federal court challenges the ability of the State to reduce wages to In-Home Support Services providers without meeting certain federal guidelines, and has resulted in a stay of the State's budgeted reduction in support for IHSS wages. Should the State lose the lawsuit, the general fund is expected to save approximately \$1 million per month that the State is required to maintain existing wage support levels. However, those savings could be offset by other programmatic reductions that the State might carry out to make up for its increased wage costs.

If you have any questions, please contact me or Leo Levenson, Budget and Analysis Division Director, at (415) 554-4809.

**FY 2009-10 Local Impact of July 2009 State Budget Adjustments, \$ Millions**  
**Information Available as of 8/4/09**

State Budget Item	Savings/ (Cost)
<b>Public Health</b>	
Statewide Medi-Cal reductions	(8.6)
State Office of AIDS reductions	(4.6)
Eliminates funding for Prop 36 Substance Abuse Treatment & Crime Prevention and Substance Abuse Offender Treatment (treatment-not-jail program)	(2.9)
Reduced state support state support for Healthy Families	(1.9)
Elimination of Prop. 99 funds for County Health Services	(1.2)
Elimination of funds for Immunization Program; Maternal, Child and Adolescent Health Program; and Children's Dental Disease Prevention Program	(0.6)
<b>Subtotal - Public Health</b>	<b>(19.8)</b>
<b>Human Services Agency (HSA)</b>	
IHSS eligibility reductions. Fewer service hours would result in estimated \$4.1M GF savings on county share of wages, offset by potential loss of \$1M to DPH from reduced number of providers participating in San Francisco Health Plan	3.1
CalWORKs: Welfare to Work employment services and childcare services 26% cuts	(9.0)
TANF Shelter Funds and Subsidized Employment - Maintenance of Effort Requirement	(2.8)
CWS: Child Welfare Services Allocation reduction and adjustments to provider rates	(4.5)
Medi-cal Administration 6.7% Cut and potential cuts to CalWIN and CWS/CMS welfare information systems maintenance allocations	(2.4)
Eliminate California Department of Aging support for Linkages case management program and Community Based Services Programs, including Alzheimer's Day Resource Center, Brown Bag, Respite Purchase of Services and Senior Companion Programs	(0.5)
<b>Subtotal - Human Services Agency</b>	<b>(16.1)</b>
<b>Public Safety</b>	
Court furloughs 1 day/month reducing security work order with Sheriff	(0.5)
State reductions to Corrections budget that may result in earlier releases and shifts of prisoners to county jails plus court closure impacts to inmate census	unknown
<b>Subtotal Not Including Property Tax Borrowing/Shifts</b>	<b>(36.4)</b>
<b>San Francisco Redevelopment Agency Tax Increment shift to ERAF (potential to finance)</b>	
Net General Fund Share after baseline transfer adjustments	(14.5)
MTA share (from reduced baseline transfer)	(1.5)
Children's Fund/Open Space Fund/Library Fund combined share (from reduced property tax set-asides and baseline transfer)	(2.6)
<b>Subtotal - Redevelopment Tax Increment Shift (all funds)</b>	<b>(18.6)</b>
<b>Proposition 1A 8% Property Tax Borrowing by State ~ \$91M (potential to finance)</b>	
Net General Fund Share (after baseline transfer adjustments)	(72.4)
MTA share (from reduced baseline transfer)	(7.5)
Children's Fund/Open Space Fund/Library Fund combined share (from reduced property tax set-asides and baseline transfer)	(11.1)
<b>Subtotal - Proposition 1A Borrowing (all funds)</b>	<b>(91.0)</b>
<b>Total Potential State Impacts (General Fund)</b>	<b>(123.3)</b>
<b>Total Potential State Impacts (All Funds)</b>	<b>(146.0)</b>