

California counties brace for the worst

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Rich Pedroncelli / AP

Bay Area counties, drowning in deficits, aren't expecting any life preservers when state officials finally agree on a plan to close the state's nearly \$15 billion budget gap for the current fiscal year.

Many of the proposed state cuts, like those in the long-delayed 2008-09 budget package approved in September, are likely to pull cash from county programs for health, welfare and crime fighting, local administrators say.

Like the state, California's 58 counties are being inundated by the same financial tsunami that's rolling across the nation. With the housing market plummeting to new lows and sales tax revenues skidding, there's no money for public programs, even as the recession pushes up the demand for help.

Marin County cut \$3 million from its budget as a result of trims in state funding. Now it faces another \$3 million to \$6 million in reductions, depending on what cuts the Legislature finally approves.

"We're reliant on state money for many of our programs," said County Administrator Matthew Hymel. "What's worse is we won't know what we have to do until the state reaches an agreement."

It's a similar situation next door in Sonoma County, which trimmed about 100 positions to balance its budget for the current fiscal year, which ends June 30.

"We're in a wait-and-see mode," said Chris Thomas, the deputy county administrator. "We're cautiously optimistic we can manage this year, but you never know what the state will do."

A state budget agreement could be a long time coming. Gov. Arnold Schwarzenegger

promised Thursday to veto a plan by the Legislature's Democrats to partially close the \$40 billion budget gap through mid-2010 with a combination of program cuts and tax and fee hikes, and Democrats and Republicans in the Assembly and state Senate remain at odds over how to solve a growing financial problem they all agree needs to be fixed.

Time running out

But California counties, in the Bay Area and elsewhere, can't afford to wait.

"Regardless of what the state does, we're going to have a hard time," said Paul McIntosh, executive director of the California State Association of Counties. "Counties adopted budgets last June that reduced expenses, and now they're having to reopen those budgets to make even more cuts."

San Francisco already plans to lay off 409 workers, and Mayor Gavin Newsom and the Board of Supervisors are talking about asking employee unions to accept a wage freeze and slashing deeply into health and social service programs.

In Contra Costa County, reductions in state funding have forced a \$16.5 million cut in the Employment and Human Services Department, forcing the loss of 203 positions, including about 80 layoffs, said County Administrator David Twa.

The county already has chopped \$111 million from its \$1.2 billion budget, with more trims coming.

"I told the supervisors this week that I'll be back in early February with more bad news," Twa said. "I expect we'll cut an additional \$10 (million) to \$20 million for the rest of the year."

Hard for politicians

It's a discouraging time for politicians, said Contra Costa County Supervisor Mary Piepho.

"People don't get into public service to take services away from the public," she said.

San Mateo County has seen home sales drop by 20 percent, even as the median home price fell by 22 percent, said Jim Saco, the county's budget director. While there were 1,200 requests for lower property tax assessments last year, that number has risen to 7,000 in 2008, which means less money coming in.

While the county has enough budget reserves to cover any deficits for the next few years, there are already plans to cut \$20 million over the next four years from the \$72 million annual subsidy for San Mateo Medical Center and trim \$11 million a year from county department budgets.

"It's going to be tough," Saco said. "But if we don't do something, we'll be in the same situation as other counties."

Counties that have managed to put money aside in past years are relying on those rainy-day funds to keep from slashing staff and services. Santa Clara, Solano and Napa counties all are confident they can avoid major financial trauma, at least for this year.

Earlier this month, Santa Clara County cut about \$17 million from its current budget, including \$7.8 million in health care costs and \$3 million from social services. County officials will look at the budget again in February, but are hoping to avoid more trims.

Contingency plans

"We don't believe things will be severe enough to do any other midyear corrections," said Gary Graves, the acting county executive. "If we have to use our contingency funds to balance, we will."

But even counties that managed to avoid financial disaster this year are worried that things will only get worse. The state is predicting a \$25 billion deficit in the 2009-10 fiscal year, beginning July 1, and cities and counties across the state can see their own growing problems.

With no one expecting the economy to rebound anytime soon, upcoming budget deliberations are likely to be grim. San Francisco already is predicting a 2009-10 shortfall of more than \$500 million, while Santa Clara is looking at a \$220 million deficit.

Precarious position

Alameda County used a variety of one-time strategies to help balance this year's budget, but it left the county in a "fragile and precarious" situation, said County Administrator Susan Muranishi.

"Given the magnitude of the state's problems, history has shown that local government always gets hit with the costs," she said. "We expect we will have a significant gap to close next year and will have to make some hard decisions."

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