

COUNTY OFFICIALS IN QUANDARY, LEFT WITH FEW BUDGETARY OPTIONS

by Joel Moreno

County administrators are readying budget strategies for the upcoming fiscal year set to start in June, meeting with the heads of county departments to negotiate the most feasible allotments possible for each department from a financially strapped general fund.

It is not an enviable task, say county officials.

Between the state economy, the state budget, the local economy, and various issues like library funding and county costs in meeting state crime initiatives like the recently passed "three strikes and you're out" legislation, an enormous struggle is once again in the works to merely carry on existing services.

"Maintaining the status quo is perceived as a victory because you've got so much adversity to deal with that if we could just keep the same cadre

of services available to the public in this time of diminishing resources then that's a great accomplishment," said Susan Mauriello, the county's chief administrative officer.

"Everybody is interested in seeing that the taxpayers out there, the electorate, are getting what they voted for."

Sheriff Noren.

Of the \$250 million county leaders received in revenues last year, only about \$58 million was discretionary, or in other words not previously obligated to particular programs and services. While this amount in discretionary funds might seem

sufficient for local programs, county administrators said it was hardly enough to maintain the basic level of services they presently offer.

As the accompanying pie chart shows, the majority of discretionary spending for fiscal 1993-94 went toward law enforcement services. The money kept the jail open, ran the probation department, and helped prosecute criminals.

Discretionary or general funds also went to dispensing health and human assistance, delivered municipal services to the unincorporated portions of the county, and maintained general government services as ordered by the state.

Past Shortfalls, Current Problems

Counties have suffered a loss of \$2.6 billion in reduced property taxes during the last two fiscal years, and in Santa Cruz County this amounted to a transfer of about \$11.5 mil-

lion in property tax revenues from the local to the state level.

Some state relief came in the form of Proposition 172 that voters approved last November. The initiative extended a half cent sales tax indefinitely, with revenues being earmarked for public safety. But this backfill only amounted to \$9.2 million, leaving a \$2.2 million shortfall unaddressed.

The county was then forced to negotiate concessions in its various union contracts to make the cost reductions necessary for a balanced budget. As it turned out, government employees took cuts ranging from 6.5 percent to 13 percent. The negotiations resulted in layoffs, work furloughs, reduced salaries for workers and hiring freezes. The two-year arrangement was made so that the majority of savings occurred in the 1993-94 budget, leaving the upcoming budget deliberations with fewer options than before.

Going into this next year, county government must face

the added costs, the incremental increases that Mauriello said are necessary "by virtue of the fact that the structure of the union agreements had the lion's share of the savings in the first of the two year" period.

"Absent some proposals or reduction scenarios that cause the elimination of positions and the cutting of programs," Mauriello added, "we would have to augment those budgets in order to let them get through this next year."

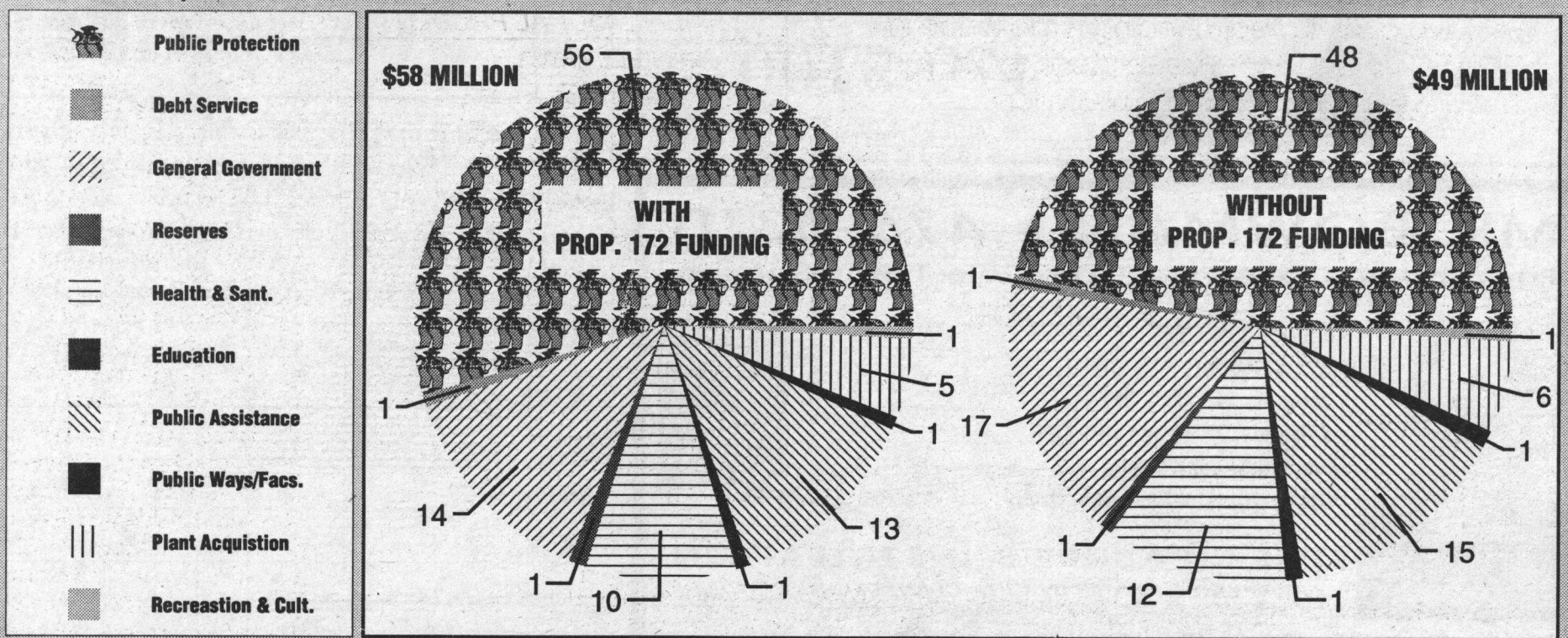
Concern as to what kinds of proposals or reduction scenarios are being considered prompted several heads of law enforcement agencies to meet with Mauriello and the County Administrative Office last month.

Sheriff Al Noren and representatives from the probation department, the Santa Cruz and Watsonville police departments, the district attorney's office and others met with Mauriello to advocate the need

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COMPARISON OF SANTA CRUZ COUNTY SPENDING (1993-94) WITH & WITHOUT PROPOSITION 172 FUNDING

Source: Santa Cruz County Auditor's Office



prop. 172
from page 20

for a high level of public safety financing, and to ensure monies earmarked for public safety spending by Proposition 172 not be relegated to other agencies which are also facing cutbacks.

"Everybody is interested in seeing that the taxpayers out there, the electorate, are getting what they voted for," said Sheriff Noren.

Noren said he doesn't care so much as to how the money is divided, just so long as it all ends up with law enforcement agencies.

Worry over getting the money "is always a concern," said Linda Erwood, the head of the county probation department.

"Over the last couple of years the state has asked counties to assume more and more responsibility for providing services to people," Erwood said. "Hence with Prop 172 we wanted to say if you want us to continue to provide adequate law enforcement services we are going to need to have a sales tax. And now we just want to make sure that what we told the people in fact happens."

Cause for Concern

After a thorough look at the county's discretionary spending proposals, the hypersensitivity of law enforcement might well be justified. The county is in the midst of developing its fiscal budget for 1994-95, and is plagued with uncertainties at all levels of government.

There is a \$5 billion shortfall in the Governor's proposed budget which has yet to be addressed. There is a \$5.4 billion realignment program which transfers certain programs and increased shares of cost to counties along with "equivalent" new revenues, but whether this will be "revenue neutral" remains to be seen. And there is the county's increasing reliance on recession-sensitive sales taxes, such as Prop 172, to meet overall budgetary requirements.

If a shortfall does crop up, where will the money come from?

County Auditor Gary Knutson speculated on where cuts could be made from the county's discretionary or general fund budget to meet any possible budget gaps.

Within the \$58 million "discretionary" budget, much of

the money for areas like social services and health and sanitation is tied to state and federal subsidies or are mandated by law.

That is, programs like the county's mental health services are principally paid for by state

but are mandated by state law. Then there are departments like the county's welfare support services that are mandated by state law and the state provides 75 percent of the funding, Knutson said.

"Under [some] health ser-

are 75/25 percent general fund money."

Knutson added that cutting some programs would also likely result in an increase in costs to other programs.

"When you cut those programs you're going to have a direct impact on the community and this is going to effect other types of spending," Knutson said.

Which brings county administrators back to looking again at public safety budgets should significant cuts prove to be necessary. Or, it seems small cuts in the 56 percent swath that makes up law enforcement's share may appear increasingly attractive to meet funding goals than in other areas where cuts could mean accepting significant losses in state and federal subsidies.

"When you get down to making your cut decisions, you can't ignore that 56 percent of your discretionary dollars," Knutson warned.

The county's budget for fiscal 1994-95 should be made public by the end of May. In the meantime county administrators are looking at their options to keep the budget balanced without resorting to cuts. □

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grants with the state providing 90 percent of every dollar the county spends, while other services like the county's public health services are not supported by significant state funding

vices [spending], most of that is 90/10 money," Knutson said. "So for every dollar's worth of cuts you make there you lose nine cents. You only save ten cents... Community programs