

ATTACHMENT D

Sacramento County
FY2015-16 Recommended Budget
Supplemental Budget Information and Adjustments Proposed By the County Executive
June 15, 2015

The following adjustments to the FY2015-16 Recommended Budget are proposed to address information that has become available since the Recommended Budget document was prepared.

1. Human Assistance – Administration/Budget Unit 8100000: Increase appropriations and revenue by \$1,428,840; Add 17.5 FTE Positions.

Counties received one-time additional FY 2014-15 Mid-Year Medi-Cal allocation augmentations to assist with costs of administering the growing caseloads resulting from the Affordable Care Act (ACA) implementation; Sacramento County received \$5.9 million. The Governor's January Budget did not propose to continue this additional funding in 2015-16, therefore, the Department of Human Assistance (DHA) assumed reductions to the Medi-Cal program in its recommended budget. On May 14, 2015 Governor Brown released the May Revision to the State's 2015-16 recommended budget which includes the proposed continuation of the \$150 million statewide augmentation for FY 2015-16. This results in additional Federal/State Medi-Cal funding to the County and although the individual county estimates are not known at this time, DHA anticipates receipt of sufficient funding to support this Budget Adjustment for the restoration of 17.5 FTE Eligibility Specialist positions. DHA continues to be adversely impacted by the State's Healthcare Benefits Exchange and their CalHEERS computer system. Errors created by these systems include the generation of erroneous discontinuances and Notices of Action coupled with the lack of computer functionality have created duplicated efforts in the processing of applications thereby causing customer confusion and increased calls to the Service Center and foot traffic in DHA bureaus. The restoration of these 17.5 FTE positions in the Medi-Cal division is essential for DHA to continue current service levels and ensure warm transfers from Covered California. Budget adjustment details are provided in the attached Appropriation Adjustment Request.

2. Non-Departmental Costs/Budget Unit 5770000: Decrease appropriations by \$565,000.
Financing Transfers-Reimbursements/Budget Unit 5110000: Increase appropriations by \$565,000.
Transient Occupancy Tax/Budget Unit 4060000(Transient Occupancy Tax Fund/Fund 15A): Increase appropriations and reimbursements by \$565,000.

The Recommended Non-Departmental Costs budget unit includes \$2.6 million in discretionary resources that are identified as available to be allocated based on Board priorities. The Recommended Budget was prepared before the May 13th Budget Study Session, where the Board indicated a desire to allocate \$500,000 in TOT revenue to fund community projects or organizations. This adjustment would shift \$500,000 in appropriations and Net County Cost from the Non-Departmental Costs budget unit to the Financing Transfers-Reimbursements budget unit, where it would be transferred as a reimbursement to the Transient Occupancy Tax

Fund. It is also recommended that the Board establish policies for use of this money (consistent with the policies for the allocation of Community Improvement Project funds (attached as Exhibit 1). The only proposed change compared to Community Improvement Project Allocation policies is that the administration of the program will reside in the Office of Economic Development & Marketing rather than the Office of Financial Management (consistent with administration of other TOT-funded contracts).

It is also recommended that the Board increase the TOT allocation to the Sacramento Metropolitan Arts Commission (SMAC) by \$50,000 (for a total of \$336,000) and the allocation to the Sacramento History Museum by \$15,000 (for a total of \$108,000). This adjustment would also shift \$65,000 in appropriations and Net County Cost from the Non-Departmental budget unit to the Financing Transfers-Reimbursements budget unit, where it would be transferred as a reimbursement to the Transient Occupancy Tax Fund to provide for the increased allocation to SMAC and the History Museum.

3. Non-Departmental Costs/Budget Unit 5770000: Decrease appropriations by \$1,900,000.
Health-Medical Treatment Payments/Budget Unit 7270000: Increase appropriations by \$1,500,000.
Health & Human Services/Budget Unit 7200000: Increase appropriations by \$400,000.

The Recommended Budget includes approximately \$3.3 million in funding as part of the County's share of cost for a proposal to provide healthcare services to undocumented immigrants. The total cost of the proposal is estimated to be \$6.7 million, with a County share of cost of \$5.2 million. At the time the Recommended Budget was prepared, staff was still evaluating options for bridging the \$1.9 million gap between the needed County share of cost of \$5.2 million and the \$3.3 million in the Recommended Budget. At this point, the only option available appears to be the use of additional Net County Cost. Consequently, as the effort to provide healthcare to undocumented immigrants is clearly a Board priority, this recommendation is to utilize a portion of the remaining discretionary resources available in the Non-Departmental Costs budget unit for Board priorities to bridge the \$1.9 million gap.

This adjustment would: (1) shift \$1.5 million in appropriations and Net County Cost from the Non-Departmental Costs Budget Unit to the Health-Medical Treatment Payments budget unit to help fund the cost of specialty care for undocumented immigrants; and (2) shift \$400,000 in appropriations and Net County Cost from the Non-Departmental Costs budget unit to the Health & Human Services budget unit to fund administrative costs and navigation related to the undocumented immigrants healthcare initiative.

4. Non-Departmental Revenues/Budget Unit 5700000: Increase revenue by \$3,526,391.
Probation/Budget Unit 6700000: Reduce revenue by \$3,380,000
Non-Departmental Costs/Budget Unit 5770000: Increase appropriations by \$146,391

Based on information in the Governor's January State Budget, the Recommended Budget included \$14,591,068 in pre-2004 SB 90 repayment revenue in the Non-Departmental Revenue budget unit. Based on the Governor's May Budget Revise, the estimated amount of SB90

repayment revenue the County will receive has increased by \$3,526,391, to \$18,117,459.¹ With this one-time payment, the State will have repaid all of the pre-2004 SB90 revenue owed to local governments.

At the same time, the Governor's May Revision adjusts downward the amount of SB678 revenue the Probation Department will receive by \$3,380,000. Thus, this recommended adjustment increases discretionary revenue in the Non-Departmental Revenue budget unit by the \$3,526,391 in additional SB90 repayment revenue and uses most of that increased discretionary revenue to backfill a \$3,380,000 reduction in SB678 revenue in the Probation Department with additional Net County Cost.

This leaves \$146,391 in un-used discretionary revenue that is available to be allocated as Net County Cost. It is recommended that appropriations and Net County Cost in the Non-Departmental Costs budget unit be increased by this amount as resources available to be allocated by the Board.

5. Non-Departmental Costs/Budget Unit 5770000: Reduce appropriations by \$9,200,000. Provision for Reserve – General Fund: Establish a \$9,200,000 Reserve for Mental Health Audit-Report Pay-back.

As indicated in the Recommended Budget, the State has audited FY2008-09 Mental Health expenditures and has identified the need to repay the State as much as \$14 million. Nothing was included in the Recommended Budget for this purpose. After the Recommended Budget was prepared, it became clear that the County will almost certainly need to repay the State whatever is owed in FY2015-16 and that the amount that will need to be repaid will likely be somewhere between \$5 million and \$10 million. It is recommended that a General Fund reserve of \$9.2 million be established for this purpose. A \$9.2 million reserve (rather than a lower amount) is recommended: (1) because the General Fund has no Contingency and only limited discretionary reserves; and (2) because the State is currently auditing FY2009-10 Mental Health expenditures and there is a likelihood that the County will have to repay something to the State as the result of that audit.

To provide resources to establish the \$9.2 million reserve, it is recommended that the \$11.2 million re-payment of money previously transferred to the General Fund – which is included in the Recommended Non-Departmental Costs budget unit - be reduced by \$9.2 million. Staff recommends that the \$9.2 million repayment be a first priority for restoration at Budget Adoption hearings, if additional General Fund ending fund balance or other discretionary resources are identified.

6. District Attorney/Budget Unit 5800000: Increase appropriations and revenue by \$86,084.

¹ There is also a possibility that all of the pre-2004 SB90 reimbursement revenue will be distributed in this fiscal year (FY2014-15), in which case the General Fund's ending fund balance will be higher by this amount, and FY2015-16 revenue will be lower by an equivalent amount; with the same bottom-line impact on FY2015-16 available discretionary resources. In addition, the State has indicated that they will be distributing interest on the "borrowed" SB90 revenue once all of the amount owed has been repaid. The State will calculate the exact amount of interest due to each city or county, and distribute that money, next fiscal year.

On May 19, 2015, the Board authorized the District Attorney to accept \$108,440 in grant funding in support of a human trafficking advocacy program for the period of October 1, 2014 through September 30, 2015. That action also included approval of an additional Human Services Social Worker position. At that time, the FY2015-16 Recommended Budget had already been finalized and did not include funding related to this grant (\$86,084 for FY2015-16), but it did include the additional FTE position.

This recommended adjustment increases appropriation and revenue to the District Attorney's budget by \$86,084.

7. Sheriff/Budget Unit 7400000: Increase appropriations and reimbursements by \$120,000. Community Investment Program/Budget Unit 5060000 (Community Investment Fund/Fund 001F): Reduce Services & Supplies appropriations and increase transfers-out appropriations by \$120,000.

On June 2, 2015, the Board authorized the use of District 4 Community Improvement funds in the amount of \$120,000 to continue to support supplemental law enforcement services provided in the Antelope area during the 2015-16 fiscal year. At that time, the FY2015-16 Recommended had already been finalized and did not include funding related to this program.

This recommended adjustment increases appropriations and revenue in the Sheriff's Department's budget by \$120,000, funded by an inter-fund transfer from the Community Investment Fund.

8. Probation Department/Budget Unit 6700000: Increase appropriations and revenue by \$250,000.

In FY2014-15, the County was awarded a one-time Recidivism Reduction Grant from the Board of State and Community Corrections (BSCC) in the amount of \$250,000 which includes a 5% administration fee for the County. The funds are to be used to provide small grants to nongovernmental organizations (NGOs) engaged in a broad scope of recidivism reduction efforts in the community. Awards to individual NGOs are capped at \$50,000. A Request for Proposal was issued and five organizations were selected to receive \$47,500 each. The Probation Department will be administering the contracts which begin on July 1, 2015.

9. Non-Departmental Revenues/Budget Unit 5700000: Increase revenue by \$179,558. Non-Departmental Costs/Budget Unit 5770000: Increase appropriations and Net County Cost by \$179,558.

The Recommended Non-Departmental Revenues budget (where discretionary revenue is budgeted) includes \$4 million in estimated Cable Television Franchise Fee revenue. This number was based on estimates provided by Cable Commission staff in April of 2015. After the Recommended Budget document was prepared, Cable Commission staff revised their FY2015-16 revenue estimates to \$4,179,558.

This recommended adjustment increases estimated discretionary revenue in the Non-Departmental Revenues budget unit by \$179,558 and appropriations and Net County Cost in the

Non-Departmental Costs budget unit, providing additional discretionary resources to be allocated by the Board.

10. Sheriff/Budget Unit 7400000: Increase appropriations by \$223,280 and revenue by \$657,445.
Correctional Health Services/Budget Unit: 7410000: Increase appropriations by \$1,268,683 and revenue by \$1,357,243.
Non-Departmental Costs/Budget Unit 5770000: Increase appropriations and Net County Cost by \$522,725.

On June 9, 2015, the Board authorized the Sheriff to enter into a revenue agreement with the Department of State Hospitals (DSH) whereby the State would provide funding up to a maximum of \$2.8 million to the Sheriff's Department for the operation of a jail-based competency treatment program designed to restore the competency of individuals held on felony charges that are found incompetent to stand trial. Currently, these individuals are supposed to be transferred to a State Psychiatric Hospital until they are deemed competent, however, lack of space in State Hospitals has led to a situation where many of these individuals are either not transferred or held in the Jail for a long period of time awaiting transfer.

The goal of the program is to reduce the length of time that it takes to restore the competency of individuals held on felony charges that are found incompetent to stand trial, thereby reducing the total time they are held pre-trial and resulting in a cost savings to the criminal justice system. The Sheriff's Department will charge the DSH a per diem rate of \$377 for each of the 16 beds utilized in the program whether those beds are occupied by a program participant or not. This results in additional revenue to the Sheriff's Department and Correctional Health Services during FY2015-16 of at least \$2,104,688 based on a program start date of August 1, 2015. The Sheriff's Department and Correctional Health Services will incur additional expenditures to support the program during FY2015-16 of approximately \$1,491,963. This figure could be higher depending on program participant medical needs, or lower if the program does not start by August 1. The program related expenditures result from 2.2 FTE staff positions needed to operate the program, various supplies, and a contract with University of California Davis Health Services for treatment services. Since the per diem rate charged to DSH includes the regular daily jail rate of the Rio Cosumnes Correctional Center (RCCC) in addition to the anticipated costs of operating the program, a portion of the fixed costs of operating the RCCC are reimbursed through the contract, resulting in a potential savings of net county cost of up to \$522,725.

The Sheriff's Department is requesting that the \$522,725 in potential savings that may result from the contract be appropriated within the Sheriff's Department and Correctional Health Services budget units. This would effectively create a 'contingency' appropriation within these budget units that would be used to fund expenses resulting from higher than anticipated program participant medical costs or other program costs. Should these costs not arise during the fiscal year, the appropriations would go unexpended and revert to fund balance at the close of FY2015-16.

Staff is recommending that \$522,725 in potential Net County Cost savings be transferred to the Non-Departmental Costs budget unit and added to the discretionary resources available for allocation by the Board. Typically, it is not good fiscal practice for General Fund departments to

budget “contingencies.” Instead, General Fund departments should budget the best estimate of revenues and expenditures and, if necessary, make budget adjustments during the fiscal year.

This recommended adjustment increases appropriations by \$223,280 in the Sheriff’s budget unit and by \$1,268,683 in the Correctional Health Services budget unit, increases revenue by \$657,445 in the Sheriff’s budget unit and by \$1,357,243 in the Correctional Health Services budget unit and increases appropriations and Net County Cost by \$522,725 in the Non-Departmental Costs budget unit. With this adjustment, and those above, the total amount available in the Non-Departmental Costs budget for allocation by the Board will be \$1,002,840.