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County Supervisors Direct Departments to Bring Back Plans to Reduce Budget by \$17.1 Million *Action Taken In Response to State Budget Cuts*

SAN JOSE, CALIF.—On Tuesday, the County of Santa Clara Board of Supervisors unanimously agreed to follow the strategy set by the County Executive to direct County agencies and departments to make reduction plans for another \$17.1 million from the FY 2009 General Fund budget. This action was taken in response to the State budget signed into law by Governor Schwarzenegger on September 23, 2008. The Governor “blue penciled” or exercised his line item veto to reduce the State budget by \$510 million. Approximately \$153 million of these reductions were in the Health and Human Services areas. For Santa Clara County the total impact of the “blue pencil,” as well as the reductions in the State budget approved by the Legislature, mean that \$13 million in additional budget reductions must be made.

When the Board of Supervisors approved the Fiscal 2009 budget in July, the Board set aside a reserve of \$32.4 million in one-time funds in anticipation of State budget reductions that were estimated to be in excess of \$70 million. A small portion of the reserve funds will be used to cover the cost of operating programs until January, when it is expected that reductions will be implemented. The current plan is to implement ongoing reductions in January, which will be annualized for FY 2010, thus avoiding an incremental increase in the FY 2010 deficit. During the FY 2009 budget hearings in June, the Administration recommended that the Board delay action on a \$4.1 million local shortfall in ongoing revenue due to a loss of the planned Emergency Response and Disaster Preparedness Fee, eliminated based on recent court actions.

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"I feel like the physician who keeps bringing the patient medicine that is hard to swallow," said County Executive Pete Kutas. "Having to cut programs and services for the vulnerable members of our community is extremely difficult. They are not numbers. They are people who really need these services."

Supervisor Don Gage implored the Board to address the problem head-on rather than delaying reductions for another year. "We've known for a while that revenues are falling short of our expenditures," said Gage. "If we don't address this structural deficit, we will find ourselves in a similar position as the federal government which ignored all signs that action was needed to avoid an economic crisis."

In recent years, the Board has been able to use one-time funds to soften the impact of the structural budget deficit in anticipation of improved revenue performance associated with future improvements in the economy. Based on today's action, the Board unanimously agreed that difficult funding reduction decisions have to be made to avoid compounding the shortfall during the coming year. Agencies now have to figure out how to meet the new budget targets. The Board will review reduction plans on December 9.

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