

February 3, 2009

Agenda Item #16 - Impact of State Deferral of payments

What we know:

- State Controller's Office (SCO) has announced deferrals of State payments for a number of programs and services for 30 days
 - State Departments directed to implement a four-week hold of General Fund payments to providers whose timely payments are not required by State Constitution, federal mandate or court decision
 - Weekly checkwrite for these programs will be delayed by the SCO for four weeks and released one week at a time until a solution is found to the cash crisis
 - The SCO has said that the four-week checkwrite payment hold will remain in place until such time as the State's cash deficit is rectified. As directed, the State will then resume issuance of warrants on a weekly basis.
- For the specific health and human services programs listed on the State Controller's website we estimate the monthly value of the State funds to be \$485K. Broadly, this equates to \$7M should the deferral continue for 7 months as has been occasionally predicted.
- The Governor has proposed in his budget to defer payment for some programs (not necessarily the same list as the SCO) for seven months as a budget management strategy. Very limited information has been communicated about the health and human services impact of this proposal.
- Additionally there is \$4.2M at risk in DOT for deferral of gas tax. This equates to \$600K a month.
- If we evaluated all State funds at risk in the health and human services programs that could possibly reach \$16M or \$2.3M a month if the deferral is expanded more broadly.
- We believe there could be a corresponding but undeterminable impact on health and human services programs federal funding if this continues for long (possibly up to \$9M)

What we have done:

- Regular meetings with Auditor-Controller, Treasurer/Tax Collector and County Counsel
- Established weekly cash monitoring & reporting processes
- Identified where lack of payment can be floated and for how long i.e. DOT
- Identifying what cash reserves exist and how the deferrals can be backfilled and for how long
- Tracking with all departments cash payments delays whether or not listed on SCO website

Submitted by Gayle E.H.
#16
at Board Hearing of 2/3/09

Immediate Actions being taken:

- Hard hiring freeze – 50+ vacancies in DSH and HSD
- Moving staff wherever possible to programs with cash flow i.e. grant funded or fully federally funded
- Consolidating staff/programs by vacating facilities for savings in rent/utilities and office equipment:
 - DHS - \$30K/mth
 - HSD - \$14K/mth
- By Friday will have issued termination notices for contractors in HSD and DSH funded by deferred payment sources where ever possible

Actions being considered to bring back on February 10th:

- Furloughs (Challenge in DHS is that February is time study month).
- Possibly with corresponding closure of offices

Actions being considered to bring back on February 23rd:

- Contract terminations
- Extra help elimination
- Office closures
- Position reductions
- Program eliminations or cuts