



For Immediate Release

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San Joaquin County Approves 2020-2021 Final Budget
Structurally-balanced budget aims to combat COVID-19 impacts

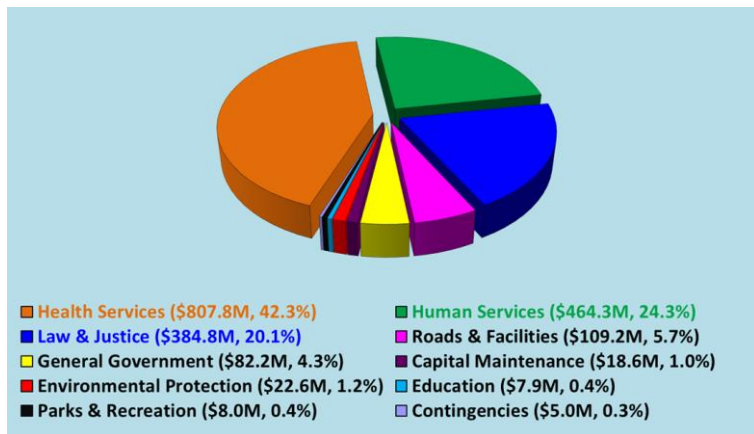
STOCKTON – Today, the San Joaquin County Board of Supervisors unanimously approved the Fiscal Year 2020-2021 Final Budget. The approved \$1.9 billion budget includes a \$60.5 million increase from the previous year and provides necessary funding for countywide programs and services including special districts. The 2020-2021 Final Budget supports the Board’s strategic priorities including good governance, fiscal responsibility, law and justice, economic development, and water. It also reflects the Board’s directive that all departments establish homelessness as an operational priority, as well as the profound fiscal impacts of COVID-19 to the State of California and San Joaquin County.

"While many counties are simply passing through existing budgets, San Joaquin County has completed our annual, rigorous budget process. This reduces the fiscal unknowns we may experience due to COVID-19 and potential impacts to staffing and program delivery," said San Joaquin County Board of Supervisors Chair, Kathy Miller. "This is especially important in a year where there are so many budget uncertainties beyond our control. The Board thanks all our County staff who worked so hard these past few months, under very difficult circumstances to ensure a structurally balanced budget for 2020-2021."

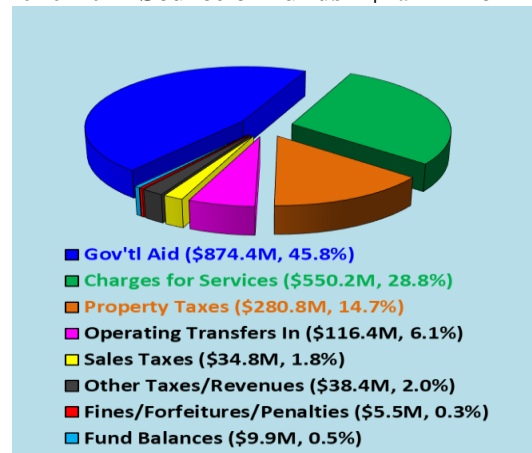
2020-2021 FINAL BUDGET HIGHLIGHTS

- The 2020-2021 Final Budget is a structurally balanced budget totaling \$1.9 billion. This represents an increase of \$60.5 million from the 2019-2020 Budget. Costs and revenues by account include:

2020-2021 Appropriations - \$1.9 Billion



2020-2021 Source of Funds - \$1.9 Billion



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- **General Fund:** The estimated general fund year-end balance for June 30, 2020 is estimated at \$25.9 million.
- **Reserve for Contingencies:** The Final Budget adds \$5.0 million to the Reserve for Contingencies in order to achieve the Board's policy of 5 percent of total appropriations.
- **Unfunded Retirement Liability:** Funds 5 percent contribution toward the unfunded retirement liability at a total cost of \$23.4 million, \$8.0 million Net County Cost, primarily financed from ongoing funding sources. An additional \$7.3 million is directed to the Unfunded Pension Liability Reserve.
- **Approved Labor Agreements Reserve:** \$11.3 million added to the Approved Labor Agreements Reserve.
- **Staff Positions:** Net staff positions remain relatively unchanged during pandemic. Decrease of 0.3 full-time staff.
- **Investment in Public Improvement Projects (new or multi-year):** Projects include Behavioral Health Services Adult Residential Treatment Modular Building; County Detention (SB 1022 Facility); Public Health Services Facility Replacement; District Attorney's Office Space; Morgue/Medical Examiner Office Space; Old Courthouse Demolition.
- **Homelessness Response:** In addition to the \$25 million allocated in 2019-2020 for homelessness in the County, another \$5.9 million in funding is available and unobligated for homelessness during the 2020-2021 fiscal year. In addition, the Crossways Residences Project is projected to open in October 2020, which converts offices to 35 housing units and on-site supportive services for Behavioral Health Services clients.
- **Office of the Medical Examiner:** Since the office transitioned from the Sheriff's Department to Health Care Services in 2019-2020, seven Medical Examiner investigators and an operations administrator were added in February 2020. A total of 15 positions, program expenses, and capital items are in the Final Budget (within Health Care Services Agency). Additionally, morgue replacement facility plans underway.

OTHER NOTABLE 2020-2021 FINAL BUDGET ITEMS:

- **Law and Justice:** \$384.8 million, which is an increase of \$3.4 million from 2019-2020.
- **Health Services:** \$807.8 million, a \$58.2 million increase from 2019-2020.
- **Environmental Protection:** \$22.6 million, a \$1.1 million increase from 2019-2020.
- **Human Services:** \$464.3 million, a \$20.0 million increase from 2019-2020.
- **Roads and Facilities:** \$109.2 million, a \$6.9 million increase from 2019-2020.
- **Capital Maintenance and Improvements:** \$18.6 million, a \$3.6 million increase from 2019-2020.
- **Parks and Recreation:** \$8.0 million, a \$1.4 million increase from 2019-2020.
- **Water:** Directs \$670,000 toward the County's efforts to defeat the California Delta Conveyance single tunnel project.
- **Economic Development:** Directs \$90,219 of transient occupancy tax to \$1.3 million economic development reserve.

POTENTIAL NEGATIVE IMPACTS

- **Severe Economic Impacts Due to COVID-19 Expected in 2020-2021 State Budget and Future Budgets:** Governor Newsom presented the May Revision to the proposed January Budget on May 14, 2020. The Governor's January 10, 2020 budget proposal anticipated a budget surplus of approximately \$5.4 billion. Four months later, due to the COVID-19 pandemic, the May Revision from the Governor's Office now projects a \$54.3 billion deficit, a change of approximately \$60.0 billion when compared to the January forecast. The following factors could severely impact the County's 2020-2021 budget:
 - 27.2% decrease in sales tax revenue
 - 15.6% decrease in consumer spending expected
 - 18.8% unemployment rate in California
 - 21% drop in housing permits
 - 23% decrease in corporate tax
 - 25% drop in personal income tax
 - On June 22, 2020, the Legislature and the Governor announced a budget deal, which is expected to be passed on Friday, June 26, 2020. This new agreement is very similar to the budget approved by the Legislature on June 15, 2020, which rejected many of the cuts proposed by the Governor, however, it does include trigger cuts and realignment funding for counties.
- **Loss of Realignment Funding:** The Governor's May Revision updates revenue assumptions for 1991 Realignment and 2011 Realignment. Due to the impacts of COVID-19, Sales and Use Tax revenue are expected to sharply decline

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which could reduce Realignment funding in the coming months. The Final County Budget includes \$96.6 million in revenue from 1991 and 2011 Realignment. A decrease in this funding source could result in impacts to core services such as public safety along with health and human services including behavior health services, child welfare, child protective services, adult protective services, CalWORKs and CalFresh. The new budget agreement does provide \$750 million in County Realignment funding with an additional \$250 million available if federal funding becomes available through a trigger cut.

- **Decrease in Proposition 172 Public Safety Revenue:** Proposition 172 tax revenues, which fund local public safety programs, were estimated to increase approximately 9.4 percent from the 2019-2020 budgeted level of \$61.5 million. The 2020-2021 Final Budget assumes an increase of approximately \$2.0 million in Proposition 172 revenue from third quarter estimates. The COVID-19 pandemic has dramatically affected the collection of sales tax Statewide, and revised Proposition 172 revenue projections are uncertain at this time.
- **Labor Agreements:** Of the County's 17 bargaining units, 10 bargaining units' agreements have expired and one unit's agreement is set to expire June 30, 2020. Additionally, two bargaining units' agreements will expire during 2020-2021 (March 21, 2021). As of June 2020, 85.4 percent of the County's workforce will have expired agreements. The potential costs resulting from these negotiations are unknown, therefore, are not included in the Final Budget.
- **Hospital Deficit of \$45 million:** The San Joaquin General Hospital (SJGH) projected a 2019-2020 operating deficit of \$45 million, primarily due to a projected decrease in net patient revenue. Other contributing factors include expenditures for staffing and overtime costs, contract staff and consultant services, and medical supplies. In addition, following the declaration of a national emergency and shelter-in-place guidelines in California due to the COVID-19 pandemic, SJGH experienced a 25-30 percent decline in inpatient admissions and census. Outpatient volume has significantly reduced due to people concerned about contracting COVID-19 in a healthcare setting.
- **Realignment of Division of Juvenile Justice (DJJ):** The Governor's May Revision proposes eliminating DJJ and realigning responsibility for youth offenders to County Probation Departments beginning January 1, 2021. While the latest negotiations of this realignment delays the implementation, and may provide additional funding to each county, the language for this proposal has not been released and therefore costs to San Joaquin County are still unknown.
- **Department of Child Support Services (DCSS):** The Budget deal proposes to reduce child support funding to 2018-2019 funding levels for the 21 underfunded counties, eliminating all increases previously identified. This would result in a decrease of \$1.0 million to San Joaquin County's 2020-2021 allocation, rather than the initial projected increase of \$3.1 million. In addition, 15 positions are recommended to be eliminated, with 12 employees potentially impacted. This proposal is one of the trigger cuts and will be immediately reduced and only be refunded in October if federal funding is provided.

"The final budget has been carefully aligned to support the Board Strategic Priorities while addressing vital homelessness issues and continuing essential core services," said San Joaquin County Administrator, Monica Nino. "Many hours of hard work and collaboration were spent by the County's dedicated executives and employees to develop this spending plan during an incredibly difficult time. It is their talent, creative thinking, and commitment to public service that help keep San Joaquin County structurally sound and prepared to help our citizens succeed now and into the future."

To review the final 2020-2021 budget or for additional budget highlights and details, please visit the website at:
https://www.sjgov.org/departments/cao/county_budget

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