Variations in County Fiscal Capacity
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How and Why Does Fiscal Capacity Vary Among the State's Counties? What Options Does the Legislature Have for Improving It?

Summary

The fiscal capacity of California's 58 counties varies considerably. While all of the counties are subject to many of the same sources of fiscal pressure, our analysis indicates that the fiscal capacity of a number of counties is low and declining. As a result, their ability to deal with ongoing fiscal pressures is worsening.

Contrary to widespread belief, low fiscal capacity is not confined to the small rural counties; a number of larger counties also are characterized by low or declining fiscal capacity. While the specific contributing factors vary from county to county, low capacity counties generally experience some combination of limited revenue, low growth in revenue, and/or high or increasing costs for state-required programs. In addition, the state may aggravate the differences in fiscal capacity to the extent that the assistance it provides does not reflect the current county populations in need of services.

In 1987-88, state grants for fiscal relief had a positive impact on county fiscal capacities, particularly with regard to the smaller counties. However, given that the state has not provided a similar amount of targeted fiscal relief in subsequent years, it is likely that some counties have continued to experience a decline in fiscal capacity.

If the Legislature wishes to avert future declines in county fiscal capacity, it can provide short-term fiscal relief to counties by increasing the funding provided under the County Revenue Stabilization program. In the longer term, the Legislature may wish to examine more permanent solutions to the county fiscal dilemma, such as the reallocation of state program funding or property tax revenues, the creation of additional county revenue sources, or the realignment of county program responsibilities.
In September 1989, Butte County officials announced that the county could not balance its 1989-90 budget, and therefore planned to seek bankruptcy protection in federal court. While subsequent state relief and budgetary reductions by the county allowed it to finance projected 1989-90 expenditures, these actions did not provide a long-term solution to the county's fiscal dilemma. Butte County officials currently are projecting an $8 million deficit for 1990-91. (Please see our recent Policy Brief County Fiscal Distress: A Look at Butte County for more information.)

While it is tempting to isolate Butte County as a lone example of a California county in fiscal straits, our analysis indicates that many other counties are experiencing serious fiscal difficulties. Furthermore, our review indicates that this is not merely a rural county problem.

The state has a clear interest in maintaining the fiscal viability of county governments. They are the entities which serve all Californians through programs of statewide interest (such as health, corrections, and welfare programs). In addition, they provide to residents of unincorporated areas such local services as sheriff and library services. In this piece, we examine county fiscal capacity—the ability of counties to respond to these needs.

First, we describe the county-state relationship and discuss our framework for identifying variations in county fiscal capacity. Second, we provide our findings regarding the fiscal capacity of counties, and discuss some of the counties which rate below average in this regard. Third, we identify the primary factors that contribute to low fiscal capacity. Finally, we offer several alternatives that the Legislature may wish to use to improve the fiscal capacity of California's counties.

BACKGROUND: A FRAMEWORK FOR COMPARING COUNTY FISCAL CAPACITY

For the purposes of this analysis, we define county fiscal capacity broadly as the ability of a county to meet whatever public service needs may arise in its community with the resources it has available to it. Low fiscal capacity leads to fiscal distress when the imbalance between resources and responsibilities leads the county to have severe difficulty addressing service needs.

The Dual Role of Counties

Counties in California play a dual role in providing services to their residents. First, counties are charged with the responsibility to administer a variety of programs required by state law.
These state-required programs include welfare (such as Aid to Families with Dependent Children--AFDC--and general assistance), county health services, In-Home Supportive Services (IHSS), community mental health, corrections and the trial courts. Second, the counties administer a variety of local programs. These include some programs of state interest, such as public health and social services, and others of primarily local import, such as the municipal-type services provided to residents of unincorporated areas (for example, fire and sheriff services).

The state provides substantial funding for many, but not all, of its required programs. In many cases, specific county contributions are also required. Such programs include AFDC, county health services, community mental health, IHSS and the trial courts. The counties bear the primary fiscal responsibility for other state-required programs, because the state in these cases does not provide funding specifically for these purposes. Such programs include general relief, probation, indigent legal defense, and corrections.

**County Revenue Sources**

Counties pay for their share of state-required program costs and for local programs out of the revenue they have available for general county purposes. County general purpose revenue (GPR) comes from a variety of sources, including the property tax, state general purpose subventions (such as vehicle license fees), and the sales tax. Due to the constraints imposed by Proposition 13, counties have very limited power to increase GPR. For example, counties cannot increase their property tax rate, and must get voter approval to increase other taxes.

As service demands or costs grow over time, state-required programs and local programs compete for the growth in the existing GPR base. Because counties have relatively limited control over the costs of state-required programs, these programs may absorb an increasing share of GPR over time. Thus, the GPR available for local purposes may decline over time, requiring counties to restrict spending on local programs.

**Fiscal Capacity Indicators**

Based upon our review of county financial data, we have identified three useful indicators of the fiscal capacity of counties:

- **Local Purpose Revenues (LPR).** The first indicator is the total GPR available for local purposes, after expenditures on state-required programs are accounted for. We refer to this residual as local purpose revenue, or LPR.
This measure shows the residual fiscal capacity of counties to meet local needs after meeting state requirements.

- **Change in LPR.** Another important indicator is the change in LPR over time. A decline in LPR shows that a county's revenues are not growing at the same pace as the costs of state-required programs, and suggests that the county may be faced with difficult trade-offs between state programs and local service levels.

- **Proportion of GPR Dedicated to State-Required Programs.** A third indicator is the percentage of total GPR spent on state-required programs. The advantage of this measure is that it enables one to compare the relative load that various counties carry in the financing of state-required programs.

For purposes of this analysis, all of these measures are computed on a per capita basis, unless otherwise indicated.

Our review of county fiscal capacity is based on county revenue and expenditures from 1984-85 to 1987-88 (the latter is the most recent year for which complete data are available). We obtained data on county financial transactions from the State Controller's Office, the Department of Mental Health, the Department of Health Services, and the Department of Social Services. Our analysis excludes San Francisco because, as a city/county, it is not directly comparable to other counties. For example, San Francisco's charter city powers allow it greater ability to raise local revenues.

**FINDINGS REGARDING COUNTY FISCAL CAPACITY**

Statewide, the capacity of county governments to meet local needs with local revenues did not keep pace with the growth in population and the cost of living over the period 1984-85 through 1987-88. On a statewide basis, county LPR increased 12 percent during this period. After adjusting for population growth and inflation, however, LPR declined 6.5 percent over the period.

Counties also bore an increasing share of costs for state-required programs. In 1984-85, counties used approximately 50 percent of their general purpose revenues to support state-required programs. By 1987-88, this share had increased to 55 percent. This trend is attributable to the fact that, statewide, the cost increases in state-required programs outpaced local revenue growth. Between 1984-85 and 1987-88, the costs of state-required programs increased 40 percent, while general purpose revenue increased by only 26 percent.
Variations in County Fiscal Capacity

The statewide trends mask considerable variation in fiscal capacity among counties. The counties vary in terms of their total LPR, as well as in the growth or decline of this funding base over time.

As Figure 1 shows, in 1987-88, the average county had LPR of $108 per capita. However, county LPR ranged from Solano County, with only $57, to Sierra County, with $599. Alpine County is an outlier in this comparison, with LPR of $1,837. Alpine County exhibits much higher per capita LPR because it receives a relatively large share of the local property tax (68 percent), has an extremely small population, and spends relatively lower amounts for state-required programs.

The counties also show considerable variation as to changes in their LPR over time. For example, Solano County experienced a 33 percent decline in LPR between 1984-85 and 1987-88, while Alameda County experienced a 50 percent increase during the same period. In all, 23 counties experienced a decline in LPR during this period, while 14 of these counties experienced a double-digit decline in this revenue. In contrast, 34 counties experienced an increase in LPR, with 20 of these counties experiencing a double-digit increase in this revenue.

Figure 2 identifies the counties which experienced a double-digit decline in LPR between 1984-85 and 1987-88. These counties are of interest because they appear to have shifted a relatively large share of general purpose revenue from local purposes to support state-required programs. It is interesting to note that many of these counties are clustered in the northern central valley.

County Fiscal Capacity and Fiscal Distress

It is difficult to determine whether a county is experiencing fiscal distress based purely on these measures of fiscal capacity. Clearly, a county with low fiscal capacity is more likely to experience fiscal distress; however, the level of distress depends on the unique circumstances of each county. For example, a county which has a high level of LPR may be better equipped to sustain a decline in LPR without serious detriment to its residents. On the other hand, if the residents demand a high level of local services, the county may face practical difficulty in limiting services, and residents may feel deprived if traditionally local resources are shifted to support state-required programs. Conversely, a county with high growth in LPR may still have difficulty "making ends meet" if the absolute level of such resources was low to begin with.
Figure 1
Per Capita Local Purpose Revenue
1967-88 (dollars)

County Size
- Small rural (population less than 100,000)
- Medium (population between 100,000 and 350,000)
- Large (population greater than 350,000)

Solano
Shasta
Alameda
San Diego
Butte
Stanislaus
Orange
Santa Clara
San Bernardino
Tulare
San Joaquin
Imperial
Yolo
Yuba
Riverside
Fresno
Contra Costa
Santa Cruz
Merced
Ventura
San Mateo
Los Angeles
San Diego
Sacramento
Monterey
Santa Barbara
Sutter
Sonoma
Humboldt
Madera
Tehama
Napa
Kings
Glenn
Nevada
Del Norte
El Dorado
Marin
Kern
Lassen
Fresno
Mendocino
San Luis Obispo
Tuolumne
Calaveras
Amador
Colusa
Siskiyou
Mariposa
Inyo
Trinity
Modoc
Plumas
Mono
Sierra

Note: Alpine County is excluded because LPR is off this chart at $1,837 per capita. San Francisco County is excluded due to lack of comparability.

Source: Legislative Analyst Office estimate.
Figure 2

 Counties Experiencing Double-Digit Decline in Local Purpose Revenues

1984-85 to 1987-88

Source: Legislative Analyst's estimate.
Counties are particularly likely to face fiscal distress when they experience both a low level of LPR, and a decline in that level. For example, Butte County experienced a double-digit decline in LPR between 1984-85 and 1987-88. At the same time, Butte County had the fifth-lowest per capita LPR in the state in 1987-88. Butte County also spends less than the state average (measured on a per-capita basis) for a variety of local programs, including general administration, public health, social services, and recreation/cultural programs. Thus, the county has less flexibility to implement local service reductions in response to the increasing expenditures required in state-required programs. As Figure 3 shows, 10 counties are characterized by both a below-average amount of LPR, and a decline in LPR between 1984-85 and 1987-88.

**Figure 3**

**Counties Characterized by Both Below-Average and Declining LPR**

1987-88

- Butte
- Fresno
- San Bernardino
- San Joaquin
- Santa Clara
- Santa Cruz
- Shasta
- Solano
- Tulare
- Yolo

*Source: Legislative Analyst estimates*

**Low Fiscal Capacity—Not Just a Rural County Problem**

In the past, rural counties have appeared to be particularly plagued by the gap between resource availability and service requirements, and state programs have been established to address the unique problems of such counties. For example, the Homicide Trials Program primarily benefits small rural counties. The 1990-91 Governor's Budget also reflects the perception that low fiscal capacity is a particularly rural problem, and calls for a "Rural County Review" to examine the situation. Our analysis indicates, however, that the problem of low fiscal capacity is not merely a rural county problem.
Figure 4 provides information about changes in LPR for small rural, medium-sized, and large counties. Small rural counties are defined as those with populations under 100,000, medium-sized counties as having populations between 100,000 and 350,000, and large counties as those with populations in excess of 350,000. In each category of county size the figures indicate that there are counties with improving as well as declining fiscal capacity. For example, among small rural counties (upper panel), change in LPR varies from a 31 percent decline (Lake County) to a 38 percent increase (Inyo County). Among medium-sized counties (middle panel), it varies from a 33 percent decline (Solano County) to a 36 percent increase (Monterey County). Among large counties (lower panel), San Joaquin experienced a 16 percent decline in LPR, while Alameda County experienced a 50 percent increase.

Further, some of the larger counties which show declines in LPR also have a relatively low base amount of LPR (please refer to Figure 1). These counties include Santa Clara, San Bernardino, and Fresno. Thus, these data indicate that the problems of low and declining fiscal capacity are not confined to the rural counties.

The Role of State Fiscal Relief in Preventing Fiscal Decline

In 1987-88, the state established one-time block grants for county fiscal relief under Chapter 1286, Statutes of 1987 (AB 650, Costa). This program provided $110 million to California's counties. Of the total, $89 million was allocated to counties based on their relative shares of certain county health services grants, discretionary COLAs, and population. An additional $21 million was allocated based on a "revenue stabilization" formula established by Chapter 1286. Specifically, these grants were intended to stabilize the percentage of county GPR expended for the county share of costs in AFDC (exclusive of Foster Care), the IHSS program, the Community Mental Health program, and the Food Stamps program. In addition to the grants provided under Chapter 1286, several rural counties received state grants in 1987-88 for the reimbursement of certain homicide trial costs ($2 million) and for marijuana eradication ($2.8 million).

Our analysis indicates that the fiscal relief provided in 1987-88 reduced the magnitude of the fiscal decline experienced by counties between 1984-86 and 1987-88. In the absence of this relief, counties would have experienced a 10 percent decline in inflation-adjusted LPR, rather than the 6.5 percent decline they did experience. Thus, state fiscal relief appeared to have a marginal positive effect on overall county fiscal capacity in 1987-88.
Figure 5
Counties With Low or Low-Growth GPR
1984-85 to 1987-88

Ten Counties with Lowest Per Capita GPR
- Butte
- San Diego
- Stanislaus
- Orange
- San Bernardino
- Solano
- San Benito
- Yuba
- Yolo
- Riverside

State Average

Ten Counties with Lowest Growth or Declining Per Capita GPR
- Yolo
- Lake
- Colusa
- Mono
- Plumas
- Lassen
- Glenn
- Sutter
- Merced
- Fresno

State Average

Source: Legislative Analyst Office estimate.
ange, San Bernardino, and Riverside Counties). Only one county—Yolo—was in the bottom 10 both in terms of absolute level and changes to GPR during the study period. As discussed below, a variety of factors are responsible for a county experiencing a low level of GPR, or low growth in that base.

**Economic Characteristics.** The county's characteristics, such as its economic base and the pace and pattern of development within its boundaries, are critical factors in determining GPR. For example, counties with primarily agricultural economies tend to have lower property values and retail sales and, therefore, more limited revenue. Even if a county has a growing economy, it will receive only limited fiscal benefit from this growth if commercial or industrial growth occurs within city boundaries.

**Actions of Other Entities Within the County.** The actions of overlying governmental entities can have an important effect on county resources. For example, Yolo County's decline in GPR during the study period is largely attributable to the incorporation of the City of West Sacramento in January 1987. While a county may experience some reduction in service responsibilities as a result of incorporation, these reductions are not always commensurate with its loss of revenues. In addition, city redevelopment policies can have an effect on county revenue. This is because current law allows redevelopment agencies to retain most of the increased property tax revenues (tax increment) occurring within a redevelopment project area.

**State Policies.** State policies also can affect county resource availability. One of the most important of these is the allocation of county property tax revenues established by state law. Under the AB 8 property tax allocation formula (enacted following the voters' approval of Proposition 13), the share of the property tax allocated to each local agency is based on its share of the total amount of property taxes collected in the county during the three fiscal years prior to 1978-79. Many counties imposed low property tax rates during this period and, therefore, currently receive a relatively low share of countywide property tax revenues. While counties receive on average 33 percent of total property tax revenues, county shares range from 18 percent in Orange County to 68 percent in Alpine County.

As discussed above, counties have extremely limited access to independent revenue sources. One potential revenue source for smaller counties is the sales tax. Chapter 1257, Statutes of 1988 and Chapter 277, Statutes of 1989 (both AB 999, Farr), allow counties with populations under 350,000 to increase sales taxes by one-half cent, subject to voter approval. Counties have had
difficulty, however, obtaining voter approval for general sales tax increases. In all, 16 county measures have sought sales tax increases under these provisions. Only two of these measures have succeeded (in San Benito and Monterey Counties).

High or Rapidly Increasing Costs for State-Required Programs

Our analysis indicates that a number of counties expend a disproportionate amount per capita for state-required programs. Figure 6 shows the 10 counties with the highest per capita expenditures for state-required programs (upper panel), and the 10 with the highest growth in per-capita expenditures for state-required programs (lower panel). While many of the counties with high or increasing costs for state-required programs are small rural counties, several larger counties are also included (Alameda, Sacramento and San Bernardino Counties). Three counties show both extremely high and rapidly increasing costs for state-required programs (Trinity, Sierra and Mariposa Counties). Of these, only two are characterized by declining LPR (Mariposa and Sierra Counties). Trinity County did not experience a decline in LPR primarily because its increase in GPR outpaced cost increases during this period.

A variety of factors contribute to a county experiencing high or rapidly increasing expenditures for state-required programs.

**Population Characteristics.** Counties face high costs for state-required programs in large part because of local population characteristics. For example, in 1987-88, AFDC caseloads ranged from six cases per thousand residents in Marin County, to 50 cases per 1,000 in Del Norte and Yuba Counties. Counties also have differing populations in need of specialized services, such as elderly individuals or recent immigrants.

**Local Program Choices.** Counties can exert some influence over program costs through decisions regarding program administration, access to services and service levels. The ability of counties to determine eligibility and service levels varies, however, from program to program and from county to county. For example, counties have extremely limited control over expenditures in AFDC because the eligibility criteria and grant levels are established by the state and federal government. Counties generally have more control over general assistance expenditures because the state does not impose specific standards in this program. County decisions regarding law enforcement also have a substantial impact on their costs for administration of the courts and correctional facilities.
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Figure 6
Counties with High or Increasing Costs for State-Required Programs
1984-85 to 1987-88

Ten Counties with Highest Per Capita Expenditures for State Required Programs

Sierra
Mono
Alpine
Trinity
Mariposa
Inyo
Kern
Alameda
Del Norte
Sacramento
State Average

Ten Counties with Highest Growth in Expenditures for State-Required Programs

Mariposa
Modoc
Trinity
Lake
San Luis Obispo
San Bernardino
Santa Cruz
Tuolumne
Sonoma
Solano
State Average

Source: Legislative Analyst Office estimate.
**Court Actions.** In many counties, the courts have established guidelines for state-required programs which restrict the county’s ability to control program costs. For example, a number of counties face court-imposed minimum eligibility standards and grant levels for general assistance. The courts also have imposed population caps on correctional facilities in 19 counties, requiring those counties to incur increased costs for staffing and operations of new or expanded correctional facilities.

**Actions of Other Governments.** The actions of other governmental entities also affect county expenditures for required programs. For example, the state is constitutionally required to reimburse counties for the costs of new programs or higher levels of service imposed after 1975. This requirement specifically does not apply, however, in the case of county program costs resulting from changes in crimes and infractions. Thus, county court and correctional costs are sensitive to state criminal justice policies. In addition, the law enforcement actions of cities, whose police departments operate independently of counties, can increase county costs by placing demands on the courts and jail facilities.

**Variations in State Funding Affect Fiscal Capacity**

As we discussed above, targeted state fiscal relief played a role in mitigating fiscal decline in 1987-88. Ironically, differences in state grants also may contribute to county fiscal disparities. Figure 7 illustrates the per capita state assistance provided to counties in 1987-88. This measure includes general purpose state subventions as well as state grants for programs such as mental health, county health services, and social service administration. It excludes payments for programs providing direct grant payments to individuals (such as the Supplemental Security Income/State Supplementary Program and AFDC). It also excludes state payments for social service program costs that are primarily caseload driven. We exclude these caseload-driven payments because they are directly related to the service population and, therefore, would distort county-by-county comparisons.

As Figure 7 demonstrates, state assistance payments vary considerably, from $100 per capita in Ventura County, to $300 per capita in Colusa County. To the extent that these variations do not accurately reflect variations in county service requirements or fiscal need, they may contribute to county fiscal strain.

Our analysis indicates that this may in fact be the case, for two reasons. First, funding for many programs is allocated in proportion to each county’s relative level of expenditure during a “base year.” For example, the subvention for county public health services is based partially on the level of “net county costs”
Variations In County Fiscal Capacity

Figure 7
Per Capita State Assistance
1987-88

Statewide Total

Note: Alpine and Sierra Counties excluded because they are off the chart at $1,094 and $931, respectively. San Francisco County excluded due to lack of comparability.

Source: Legislative Analyst Office estimates.
for health programs during the 1977-78 fiscal year. Counties which chose to provide higher levels of service that year, at county expense, are now rewarded by higher allocations of state funds than counties that were providing lower levels of services at that time. As these allocations are fixed, they do not respond to changes in service demands over time. Second, some programs, such as the state’s alcohol and drug programs, provide a minimum amount of assistance regardless of population. This results in a higher per capita allocation of program funds for the less-populous rural counties.

These differences in state funding levels can have the effect of requiring counties to bear differing burdens for state programs. For example, state payments for community mental health under the Short/Doyle Act vary considerably from county to county. Until recently, these grant levels had not been adjusted to better reflect current county populations in need of these services. Counties which receive relatively low grant levels may find it necessary to increase expenditures to respond to their increasing service needs. As a result, they may bear a higher share of program costs than counties receiving higher levels of state assistance. This differential in county costs for state-required programs is responsible for some of the difference in LPR between counties shown in our data.

CONCLUSIONS

In sum, while county fiscal capacity varies considerably throughout the state, our analysis indicates that a number of counties are characterized by low fiscal capacity. Low fiscal capacity is not confined to small rural counties, as a number of the larger counties also are characterized by low or declining LPR. While the specific contributing factors vary from county to county, low-capacity counties generally experience some combination of limited revenue, low growth in revenue, and/or high or increasing costs for state-required programs. In addition, the state may contribute to fiscal disparities to the extent that the state aid it provides does not reflect current county fiscal conditions.

Low fiscal capacity can have many negative ramifications. As we describe in The 1989-90 Budget: Perspectives and Issues (please see p. 348), low fiscal capacity may require counties to restrict local services, or result in counties having difficulty meeting statewide objectives in programs of state interest. It also results in pressure to increase local revenue, and this may have an undue influence on local land use decisions. Moreover, counties' revenue constraints may hamper their ability to respond to future infrastructure needs and to facilitate local economic deve-
opment. Fiscally distressed counties also may have difficulty providing adequate funding levels for state programs with matching requirements, which can result in them not meeting state objectives. For example, some counties may not have the fiscal resources to aggressively pursue child support collections, which may result in higher net state costs for AFDC. At the extreme, a county may consider bankruptcy action in federal court. Given the lack of precedence and the complex issues involved, the state would face considerable uncertainty as to the outcome of such an action.

**How Can the Legislature Improve County Fiscal Conditions?**

The fiscal difficulties faced by counties are long-term and structural in nature. They result from the programmatic relationship between the state and counties, as well as the revenue constraints imposed by Proposition 13. Given the complexity of factors involved, and the diversity of California’s counties, it will not be an easy task to find long-term solutions to county fiscal distress. In the short term, however, the Legislature should take into account the fiscal difficulties faced by counties when considering the Governor’s budget proposals, many of which may have a negative impact on counties (see Figure 8 for the major proposals).

In addition, the Legislature will need to examine its options for providing short-term fiscal relief, as well as investigate longer-term solutions to the county fiscal dilemma. Figure 9 summarizes some of the alternatives for providing fiscal relief to counties. Three of these options are shorter-term in nature, and could be implemented in the budget year. These include the provision of targeted relief, reduction in county match requirements for state-required programs (or increased funding levels), and the reallocation of program funding (or allocation of future funding) based on measures of current program service requirements.

Our analysis indicates that increased funding and expanded program coverage for the existing County Revenue Stabilization program is an effective means of providing targeted fiscal relief to counties. This is because the statutorily determined grants provided by this program are designed to reflect the impact of state-program requirements on the revenue available for local purposes. The Governor’s Budget proposes to provide $15 million for this program. Our analysis indicates, however, that to fully “stabilize” revenues in the manner contemplated by the statutory formulas would require considerably more than this amount (please see our discussion of this program in the Analysis of the 1990-91 Budget Bill, Item 9210).
### Impact of Governor's Budget Proposals on County Fiscal Capacity

#### Positive Impact

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<th>Positive Impact</th>
<th>Amount</th>
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<tr>
<td>Augmentation for open-space subventions to counties under the Williamson Act</td>
<td>$5 million</td>
<td>Item 9100</td>
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<td>Increased funding for the Community Mental Health Program</td>
<td>$10 million</td>
<td>Item 4440</td>
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<tr>
<td>Increased funding for the California Healthcare for the Indigent Program (CHIP)</td>
<td>$35 million</td>
<td>Item 4260</td>
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<td>Shift the responsibility for mental health and residential services for children, as required by Ch 1747/84 (AB 3632, Brown) and Ch 1274/85 (AB 882, Brown), from the Department of Mental Health and Department of Social Services to the Department of Education</td>
<td>Unknown positive impact</td>
<td>Item 6110</td>
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#### Negative Impact

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<th>Negative Impact</th>
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<td>Reduction in payments to counties under the AB 8 County Health Services Program</td>
<td>$150 million</td>
<td>Item 4260</td>
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<td>One-year suspension of the statutory cost-of-living adjustments for AB 8 health services grants</td>
<td>$23.5 million</td>
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<td>Reduction in payments to counties under the Medically Indigent Services Program</td>
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<td>Program growth “adjustment” under the Child Welfare Services program</td>
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<td>Item 5180</td>
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<tr>
<td>Deferral of payment for the prior-year costs for certain mandates until the Budget Acts of 1991, 1992, and 1993</td>
<td>$40 million</td>
<td>Item 8885</td>
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While these options may close the gap between revenue and responsibilities in the short term, they are unlikely to solve the long-term structural budget problem experienced by counties. In the longer term, the Legislature should examine more permanent solutions to the county fiscal dilemma. As Figure 9 indicates, potential longer-term options include modification of the current county property tax allocations, provision of additional independent revenue sources, or the realignment of relative state and local program responsibilities. These options should be considered, however, in the context of the overall county-state relationship and the programmatic goals of the state social service system. As such, these options merit additional study prior to state action.
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Proposition 99: An Update
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