



Economic Impact of Human Services in Santa Cruz County

**Public safety-net programs and economic
benefits for the community**

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**In conjunction with the California State Association of Counties and County
Welfare Directors Association**

Overview of Presentation

- How do public human services stimulate the economy?
- How does the recession drive demand for public human services?
- How does the human services funding deficit jeopardize our local economy and our ability to provide mandated services?
- What can we do to protect our local economy and preserve the public safety net?

Human Service Programs

Infuse Capital into the Local Economy

- Food Stamps = \$1.8 million monthly in cash for food
- CalWORKs = \$1.2 million monthly paid in cash aid to families or childcare to providers
- Medi-Cal = \$15 million monthly, which would not be paid to medical providers without the Department's eligibility determination

\$18 million per month

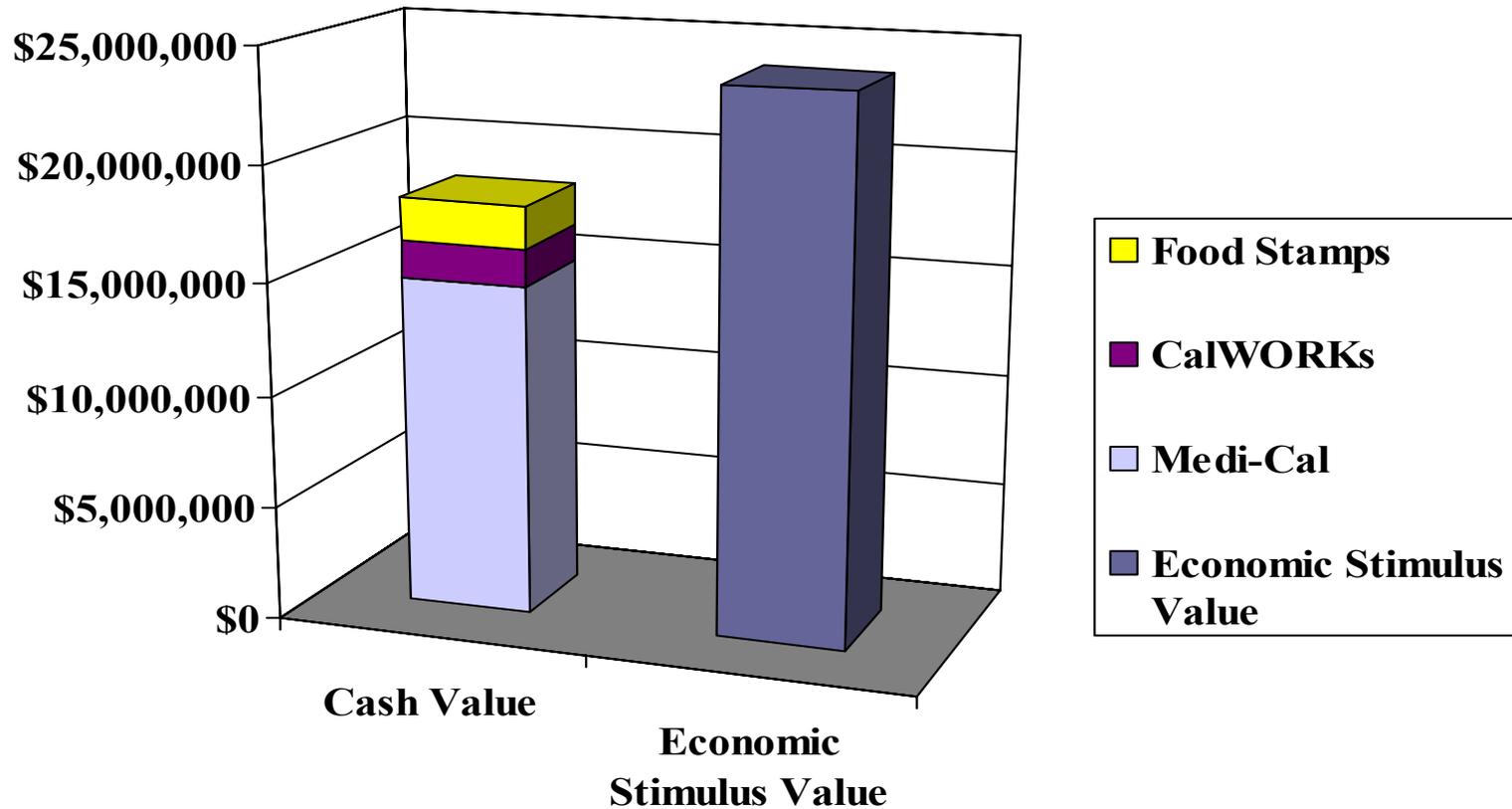
\$216 million annually

- The bottom line: money stays local

Human Services Programs Play Economic Stimulus Role

- Programs largely funded with state/federal dollars, while benefits are primarily local
- Spending on programs generates additional economic activity locally
- On average, every \$1 spent in human services programs generates \$1.32 in economic activity

Economic Value of Selected Public Safety Net Programs (on a monthly basis)



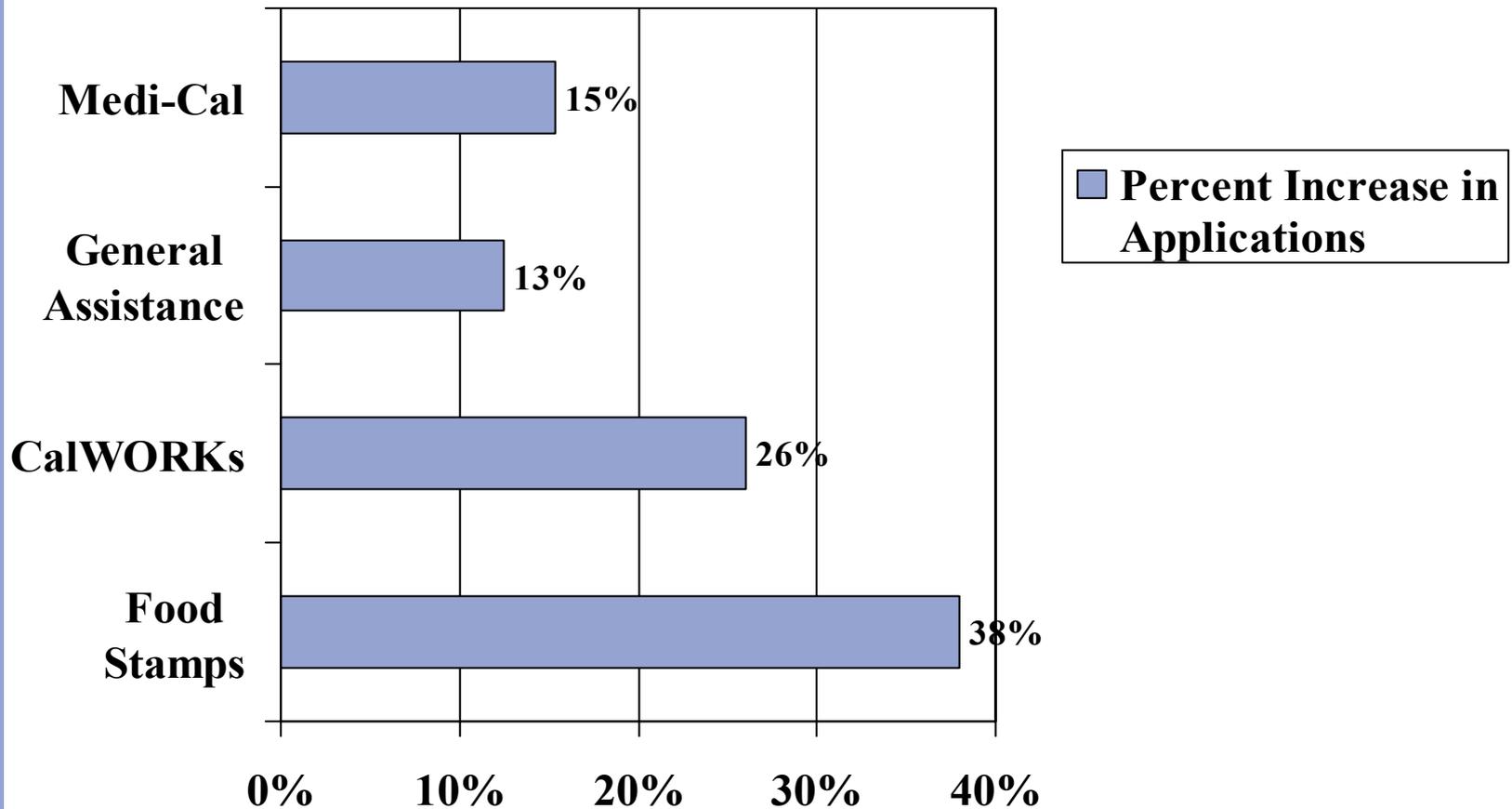
Economic Recession & Downturn

- California statewide unemployment rate:
 - 6.4% in March 2008
 - 11.2% in March 2009

- Santa Cruz County unemployment rate:
 - 8.3% in March 2008
 - 13.6% in March 2009
 - Watsonville: 27.5%
 - Santa Cruz City and other county areas: 10.9%

Growing Demand

Percent Increase in Applications from
1st quarter 2008 to 1st quarter 2009



Changing Applicant Mix

- 1 in 6 of our county residents are receiving assistance from one or more of our public safety net programs
- More community members are asking for assistance for the first time
- More two parent families are applying
- A large number of people are struggling financially but ineligible for public assistance
 - For example, in the first quarter of 2009, 40% of applicants were denied benefits.

California's Human Services Funding Deficit

- Three primary components:
 - Lack of cost of doing business adjustments: \$1 billion
 - Direct state program cuts: \$433 million
 - Declining sales tax (realignment) revenue: \$400 million

**Total: Approximately \$ 2 billion
State annual shortfall**

Impact on Counties of No Cost of Doing Business Adjustments

- Funding frozen at 2001 cost levels
- Counties legislatively mandated to administer human services programs on the state's behalf
- Counties have backfilled human services programs to the tune of **\$595 million**

Impact of Human Services Funding Deficit in Santa Cruz County

- The local impact of the failure to provide increases in the cost of doing business is over \$6 million in State funds
- Difficulty in meeting legal mandates
- Current fiscal year:
 - 70 Human Services Department staff positions eliminated with training and support services reduced significantly
- The 09-10 fiscal year budget portends more staff and support cuts with continued increase in demand

Summary of Main Points

- Public human services act as ongoing economic stimulus by providing a direct influx of state and federal funds into the local economy
- The recession is causing increased demand for public safety net services at a time when Human Services funding is eroding
- Investing in Human Services is important for several reasons:
 - Aiding and protecting vulnerable individuals and families;
 - Meeting legal mandates; and
 - Injecting revenue into the economy which strengthens the community.

What can we do?

- Recognize the economic value that public human services creates in the local economy
- Prioritize legally mandated human services and protect the economic value that they generate locally
- Educate the community
- Contact legislative delegation
 - Advocate for cost of doing business increases
 - Insist that counties be fairly treated as partners
 - Reject any further cuts to human services