

# **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

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- 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

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\$18 million per month

\$216 million annually

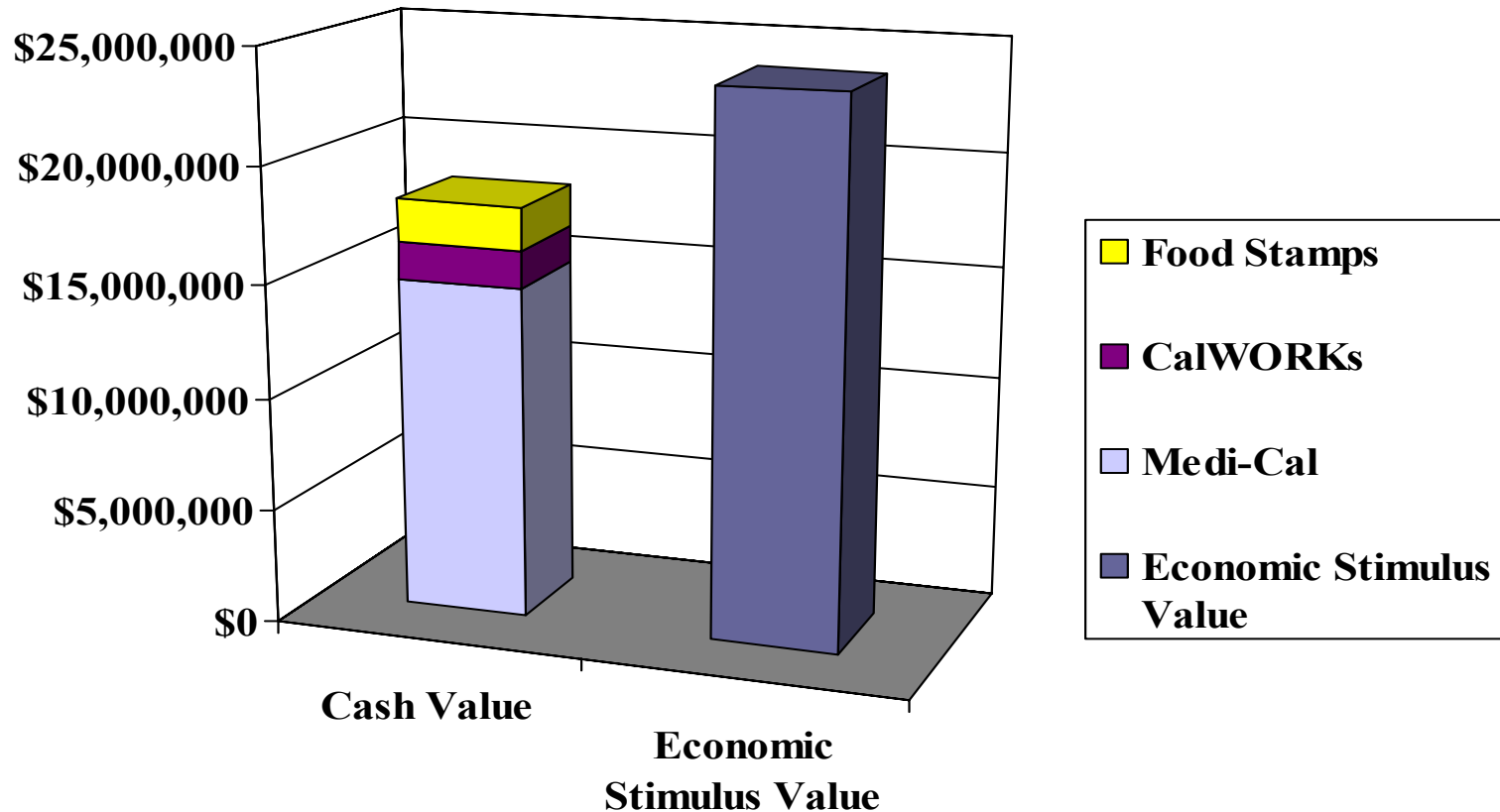
- The bottom line: money stays local

# Human Services Programs Play Economic Stimulus Role

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- 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)



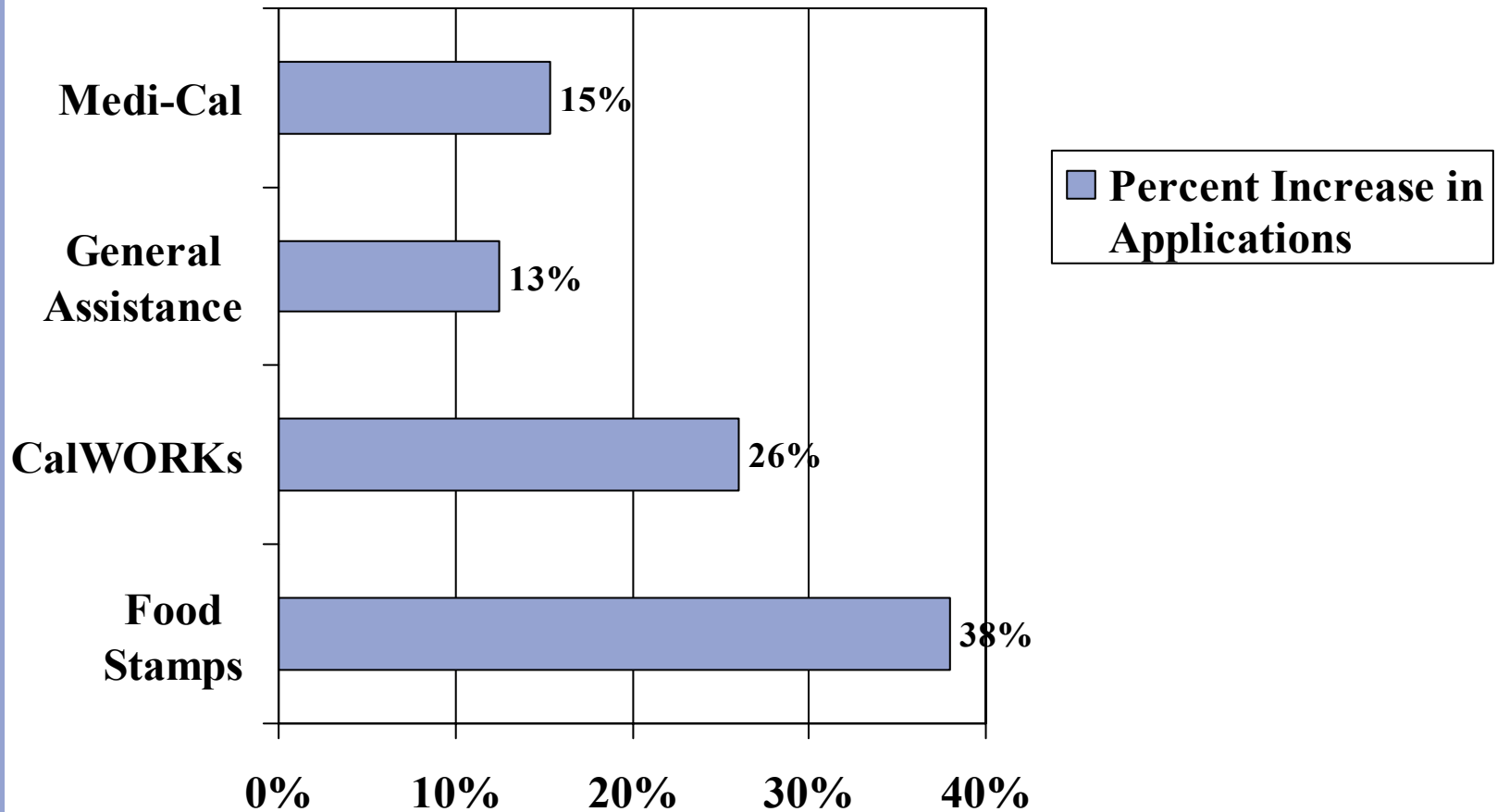
# Economic Recession & Downturn

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- 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  
1<sup>st</sup> quarter 2008 to 1<sup>st</sup> quarter 2009



# Changing Applicant Mix

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- 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

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- 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

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- 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

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- 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

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- 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?

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- 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