



# **Alameda County FY 2010-11**

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Budget Workgroup Meeting

January 22, 2010

by Susan S. Muranishi, County Administrator



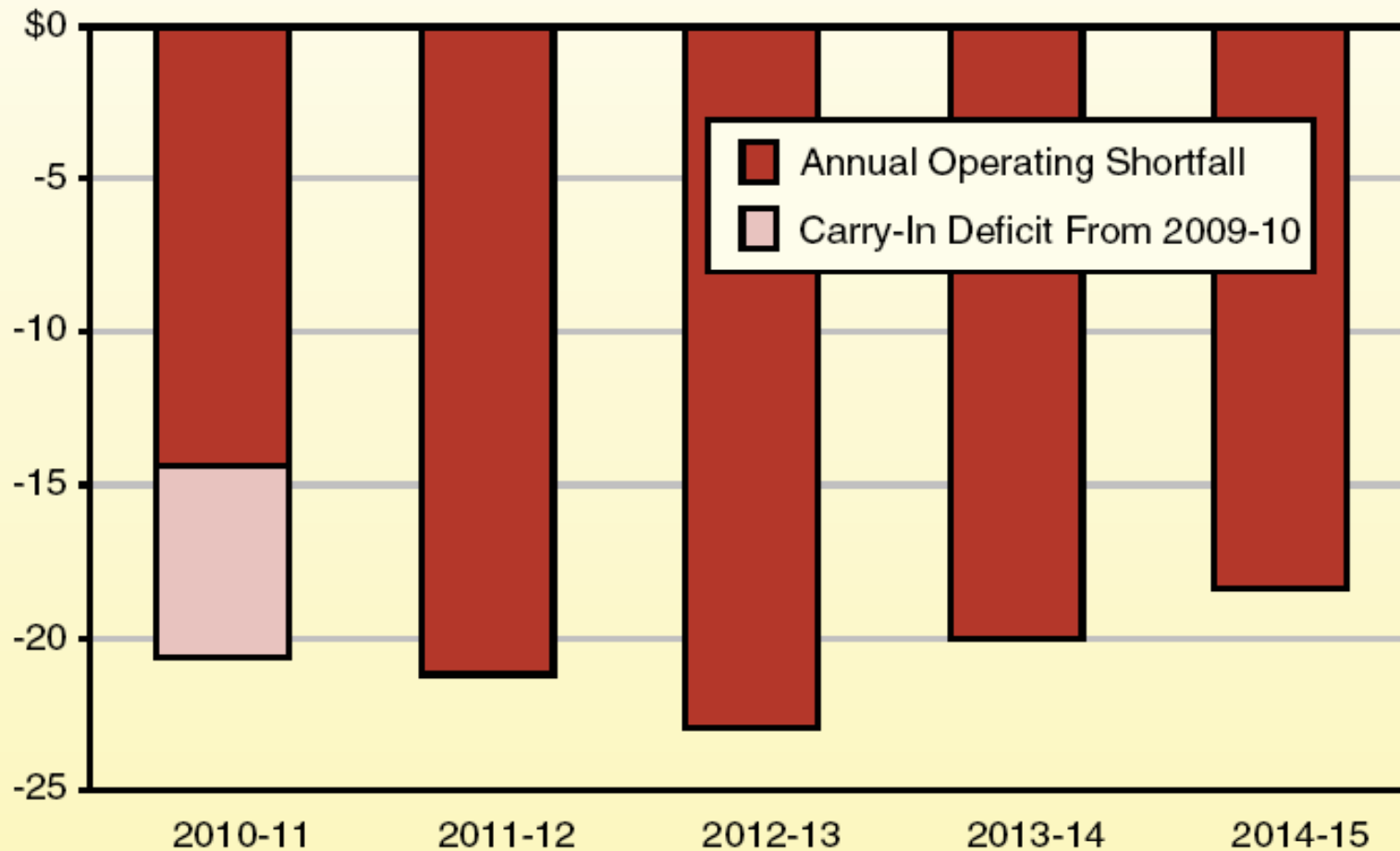
## State Budget Problems (partial list)

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- ❑ Current year and ongoing structural deficits
- ❑ Revenues not meeting expectations
- ❑ Lawsuits
- ❑ Prison overcrowding
- ❑ Debt
- ❑ Credit rating

## Huge Operating Shortfalls Projected Throughout Forecast Period

*General Fund (In Billions)*



Source: Legislative Analyst's Office, November 18, 2009



## State General Fund Revenues

	<b>2009-10 Budget Act</b>	<b>LAO Projection</b>	<b>Under- realized Revenues</b>	
FY 08-09	\$84.1 billion	\$83.6 billion	-\$500 million	-0.6%
FY 09-10	\$89.5 billion	\$88.1 billion	-\$1.4 billion	-1.6%
<b>TOTAL</b>	<b>\$173.6 billion</b>	<b>\$171.7 billion</b>	<b>-\$1.9 billion</b>	



## FY 09-10 State Revenues

- 95% of State revenues come from three sources
  - Personal Income Tax: ↓ -\$300 million
  - Sales and Use Tax: ↓ -\$362 million
  - Corporate Income Tax: ↓ -\$199 million
- Other Revenue impacts:
  - No sale of SCIF: ↓ \$1 billion
  - Insurance, oil revenues: ↑ \$400 million



## State Debt

- ❑ \$60B of debt already issued; \$50B more authorized
- ❑ 6.7% debt-service ratio; will reach 9%
- ❑ Debt-service ratio, lack of true budget balancing are primary reasons for low credit rating
- ❑ Makes bonds harder to sell, increases debt costs (143% in 10 years)



## 2009-10 State Budget General Fund Spending by Program (in billions)

	Actual 2007-08	Estimated Budget 2008-09	Budget 2009-10	% Change since 2008-09	% Change since 2007-08
K-12	39.8	32.4	33.7	4.3%	-15.3%
Higher Ed	11.8	10.1	10.5	3.5%	-11.2%
Health	19.9	18.8	16.1	-14.5%	-19.2%
Social Services	9.4	10.0	8.9	-11.3%	-5.9%
Criminal Justice	13.1	12.8	9.0	-29.3%	-30.8%
All others	9.0	7.5	6.4	-14.9%	-29.0%
Totals	103.0	91.5	84.6	-7.6%	-17.9%

Source: Legislative Analyst's Office, October 2009



## 2010-11 Governor's Budget

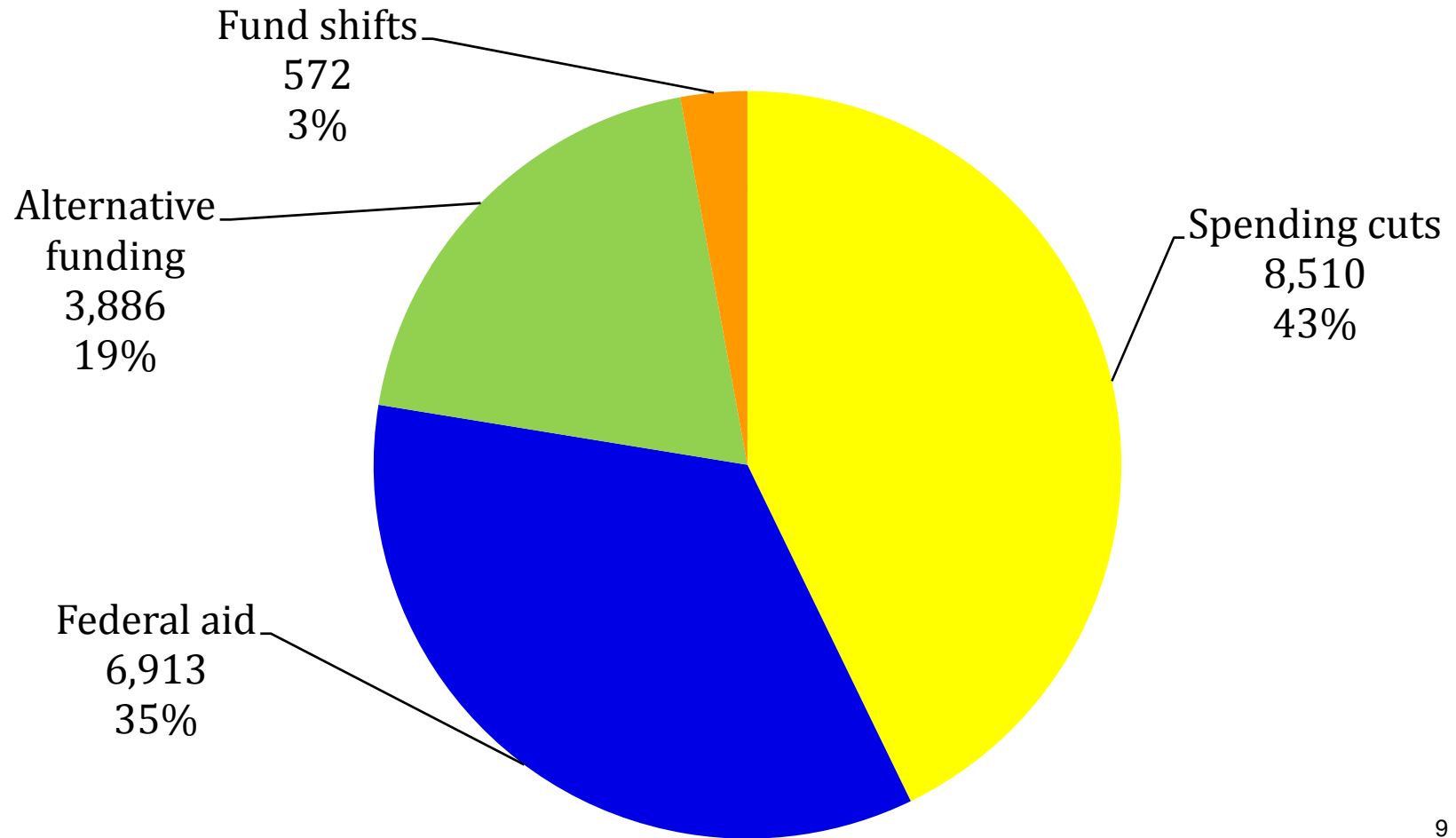
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- \$20 billion in “solutions” over next 18 months
  - \$6.6 billion in 2009-10
  - \$12.3 billion in 2010-11
  - \$1 billion reserves
  
- Relies on \$6.9 billion in additional Federal funding
  - Severe additional program cuts if federal funds do not materialize by July 2010
  
- Emergency session called to address \$8.9 billion



# 2010-11 Governor's Solutions to Gap

(in millions)





# Governor's Budget Expenditure Cuts (w/o trigger)

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□ K-14 (Prop. 98) cuts	\$2.4 billion
□ State Employee Compensation	\$1.6 billion
□ Medi-Cal changes	\$1.1 billion
□ Inmate Medical Costs	\$811 million
□ State Prisoners in County Jails	\$317 million
□ Suspend/Delay Mandate Pmts.	\$232 million
□ Reduce Soc. Svcs. Cash Grants	\$295 million
□ Cut benefits for legal immigrants	\$200 million



# Governor's Budget Funding Shifts (w/o trigger)

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|---|---------------|
| □ Transportation Funding                                      | \$1 billion   |
| □ Use of Prop. 10 funding                                     | \$550 million |
| □ Use of County savings                                       | \$506 million |
| □ Use of Prop. 63 funding                                     | \$452 million |
| □ Automated Speed Enforcement                                 | \$297 million |
| □ Other   | \$1.7 billion |
| ■ 4.8% surcharge on residential/commercial property insurance |               |
| ■ Oil drilling off Santa Barbara                              |               |



## Gov's Budget Assumes \$6.9 billion in one-time Federal Funds

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- Triggers cuts of \$6.9 billion if Fed Aid falls short
- \$2.4 billion in one-time solutions
  - Cut corporate tax breaks
  - Extend reduced credit for dependents
- \$4.6 billion in permanent cuts  
(details on next slide)



# Triggers Without Federal Aid Permanent Cuts

□ <u>Eliminate</u> CalWORKs	\$1 billion
□ Add'l use of Prop. 63 funds	\$847 million
□ Reduce Medi-Cal eligibility	\$532 million
□ Cut State workers' pay add'l 5%	\$508 million
□ <u>Eliminate</u> IHSS program	\$495 million
□ Transfer County savings	\$325 million
□ Cut inmate rehab, other population cuts	\$280 million
□ <u>Eliminate</u> Healthy Families program	\$126 million
□ Cut Prop. 99 health programs	\$115 million
□ Cuts to UC, CSU	\$112 million
□ Cuts to trial courts	\$100 million
□ Cal Grants	\$79 million



## LAO Analysis

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- Governor's Budget:
  - Reasonable estimate of shortfall
  - Revenue and expenditure estimates are too optimistic
  - Wildly overstates federal funding
  - Targeted reductions are better than eliminating programs
- LAO Recommendations:
  - Take action by March
  - Reject linking prisons and education
  - Consider revenue proposals in trigger
  - Trigger cuts should be prioritized, not all or nothing
  - Multi-year approach needed



## **2010-11 Governor's Budget Voters, State, Fed Approval Unlikely**

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### Previously rejected

- Use of \$1B of Prop. 10 & 63 funds (voters)
- Reduce IHSS eligibility (Legislature)
- Eliminating more optional Medi-Cal benefits (Legislature)
- 4.8% surcharge on insurance to pay for firefighting (Legislature)
- Transferring inmates to County jails (Legislature)
- Reimbursements for jailing undocumented immigrants (Fed gov't)

### Unlikely

- Prop 98 cuts (Fed waiver required)
- Reducing inmate medical costs (already under receivership)
- IHSS cuts (Fed gov't would have to approve)
- Restoration of estate tax (requires Fed approval)



# **Alameda County Budget Information on the Web**

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[www.acgov.org/budget.htm](http://www.acgov.org/budget.htm)



## **Alameda County Upcoming Budget Workgroup Meetings**

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### **Budget Workgroup Forum—"The Worst is Yet to Come"**

February 17, 12:00 noon

Fremont Library, Fukaya Room

2400 Stevenson Blvd., Fremont

### **Budget Workgroup Forum—"The Worst is Yet to Come"**

February 25, 9:00 a.m.

Elihu Harris State Building Auditorium

1500 Clay Street, Oakland