



ALAMEDA COUNTY

Economic and Budget Update

The Worst Is Yet to Come

February 25, 2010

Presented by Supervisor Keith Carson

Susan S. Muranishi, County Administrator

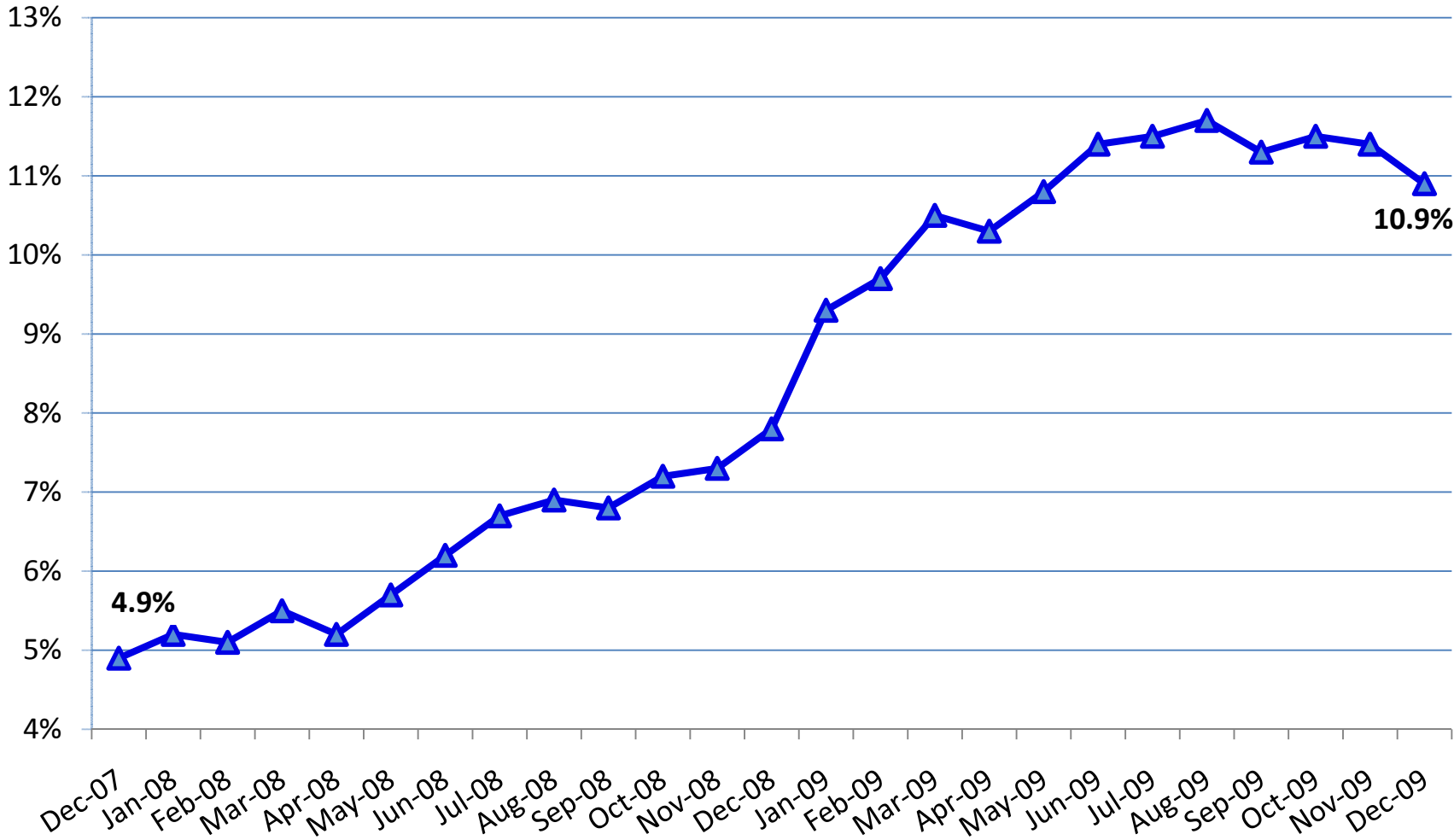
Kai Mander, Principal Analyst



Economic Update

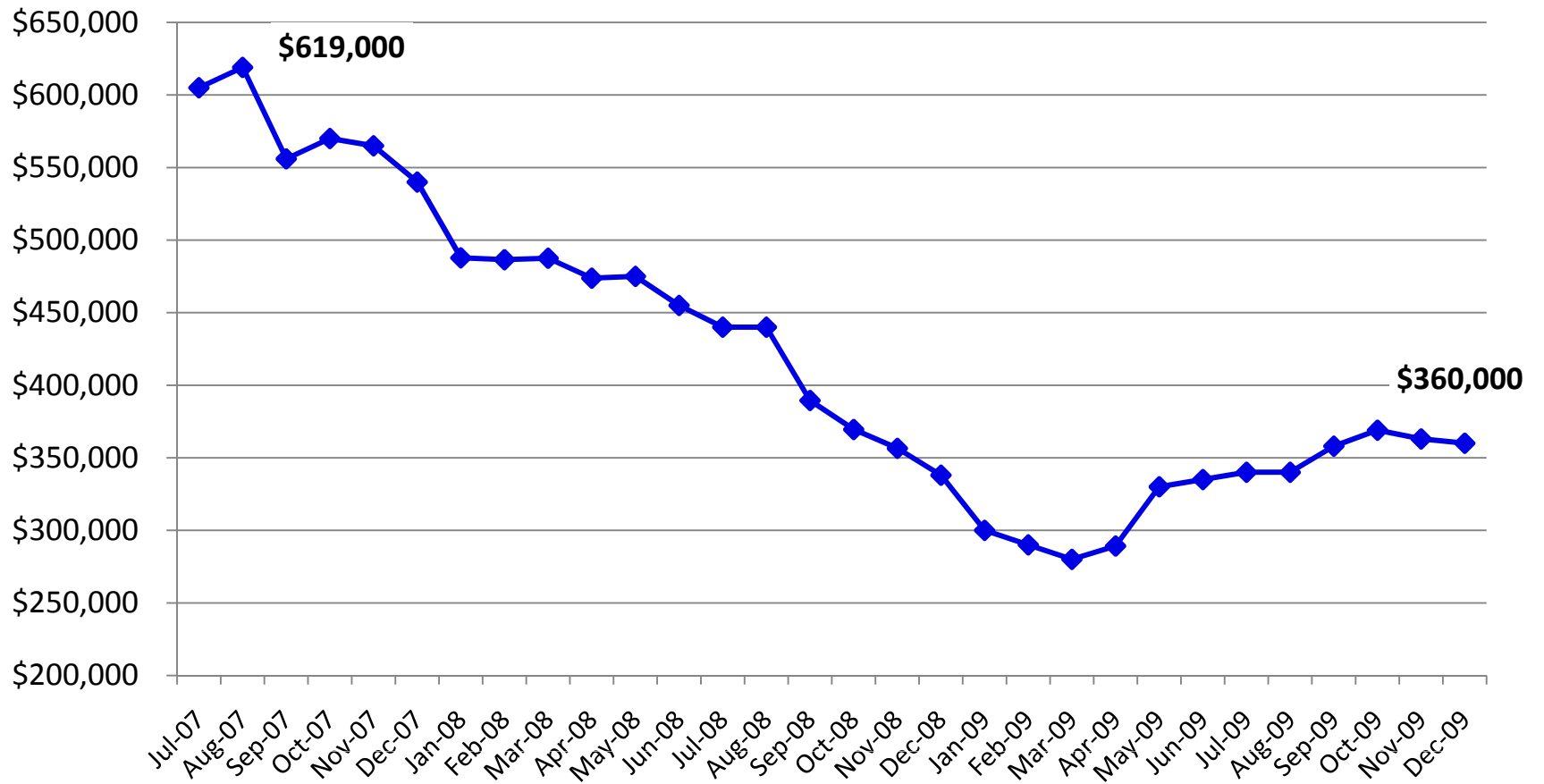


Alameda County Unemployment Rate Since Recession Began



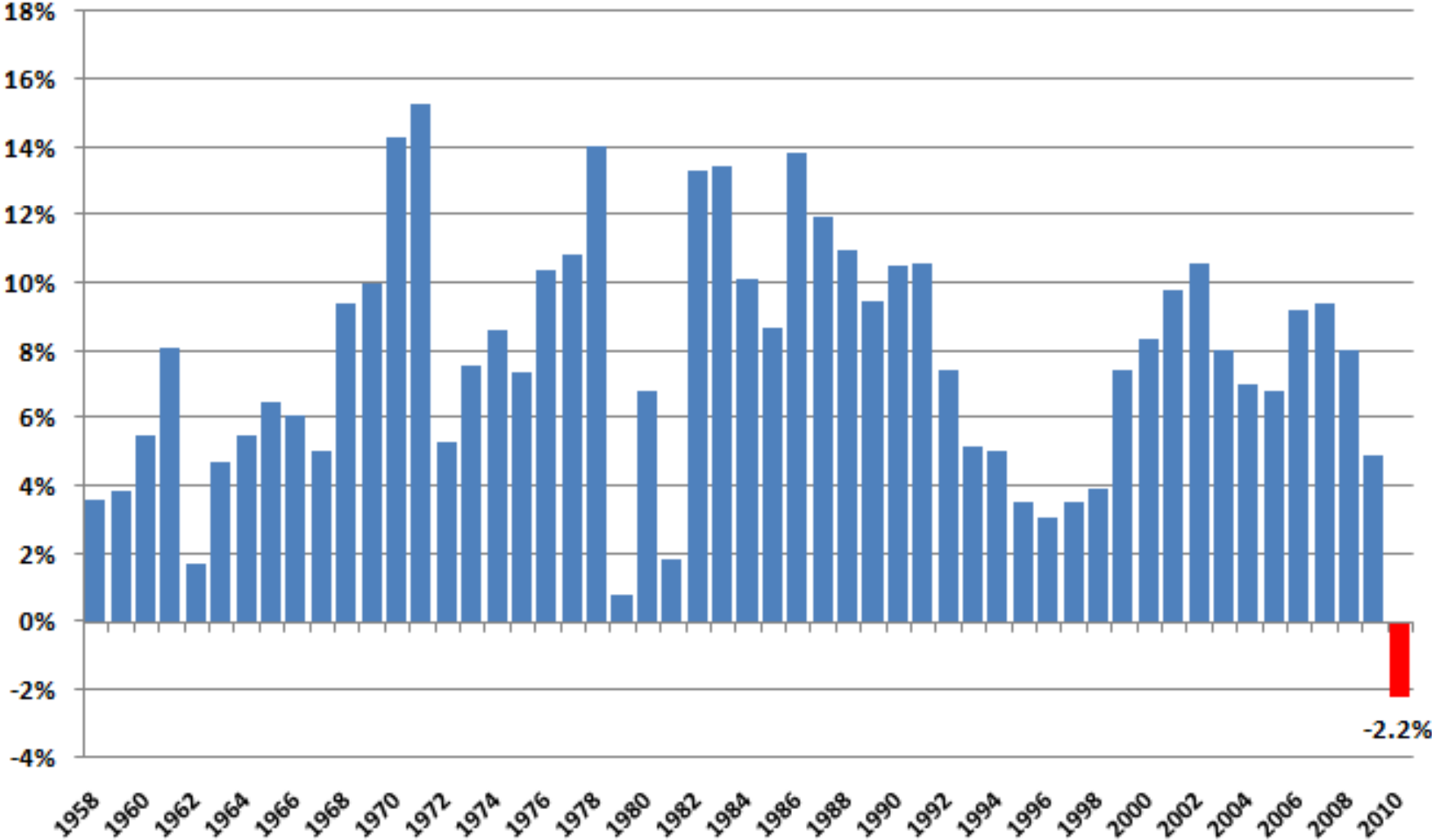


Alameda County Median Home Values July 2007 – Dec. 2009



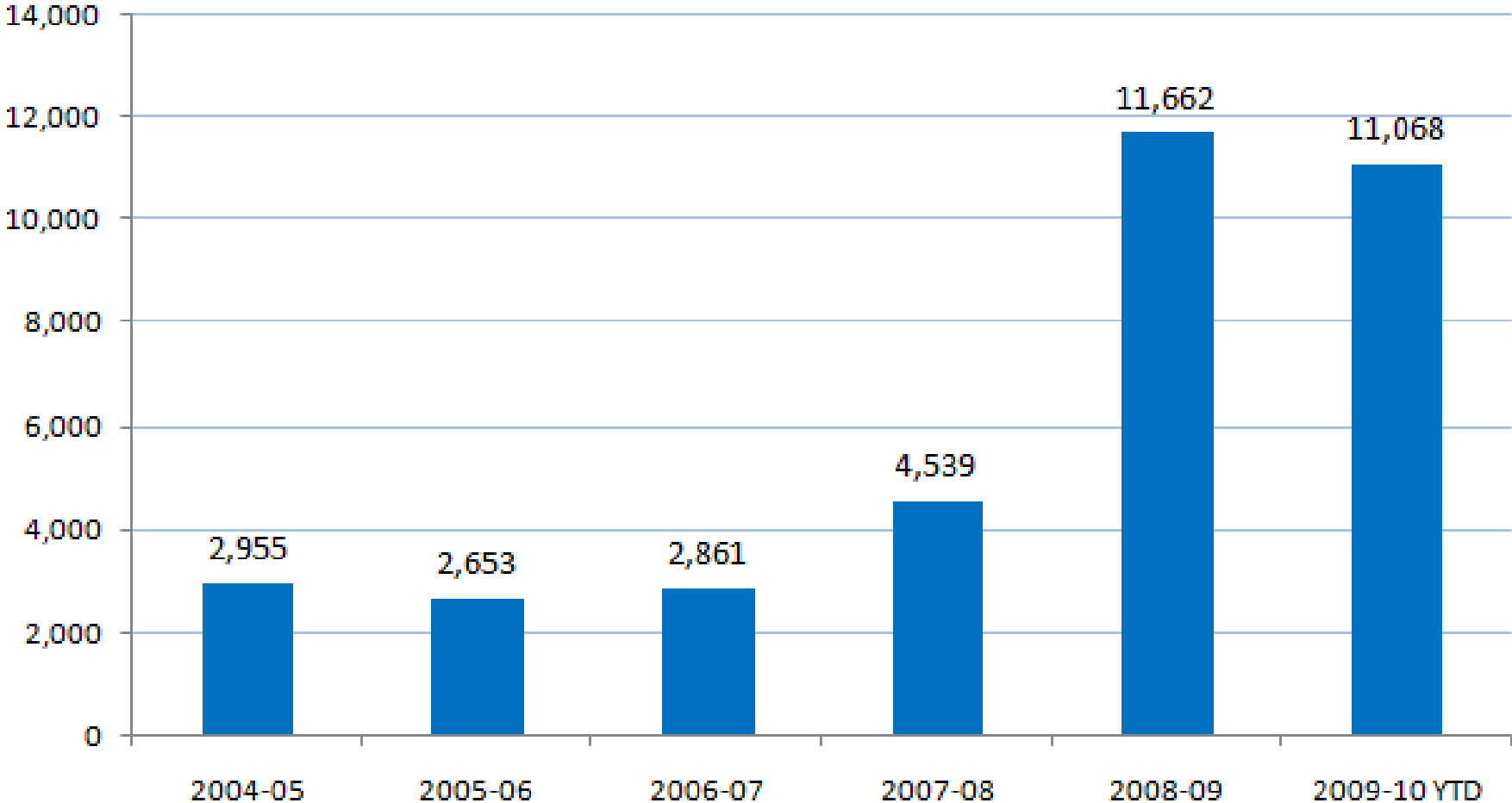


Assessment Roll—Percent Change Alameda County





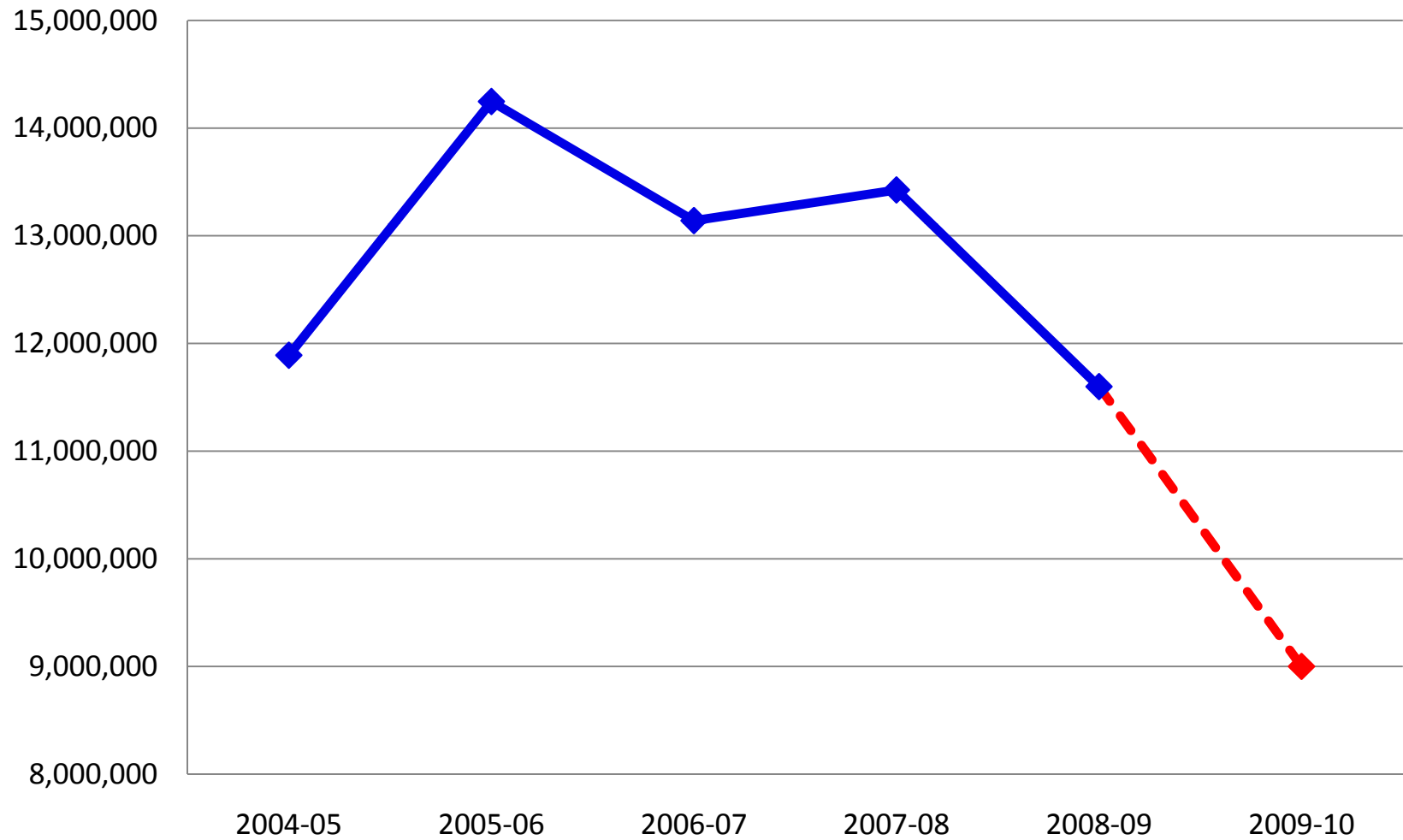
Assessment Appeals Filed



Note: Filings for 2009 continue until July 1, 2010.



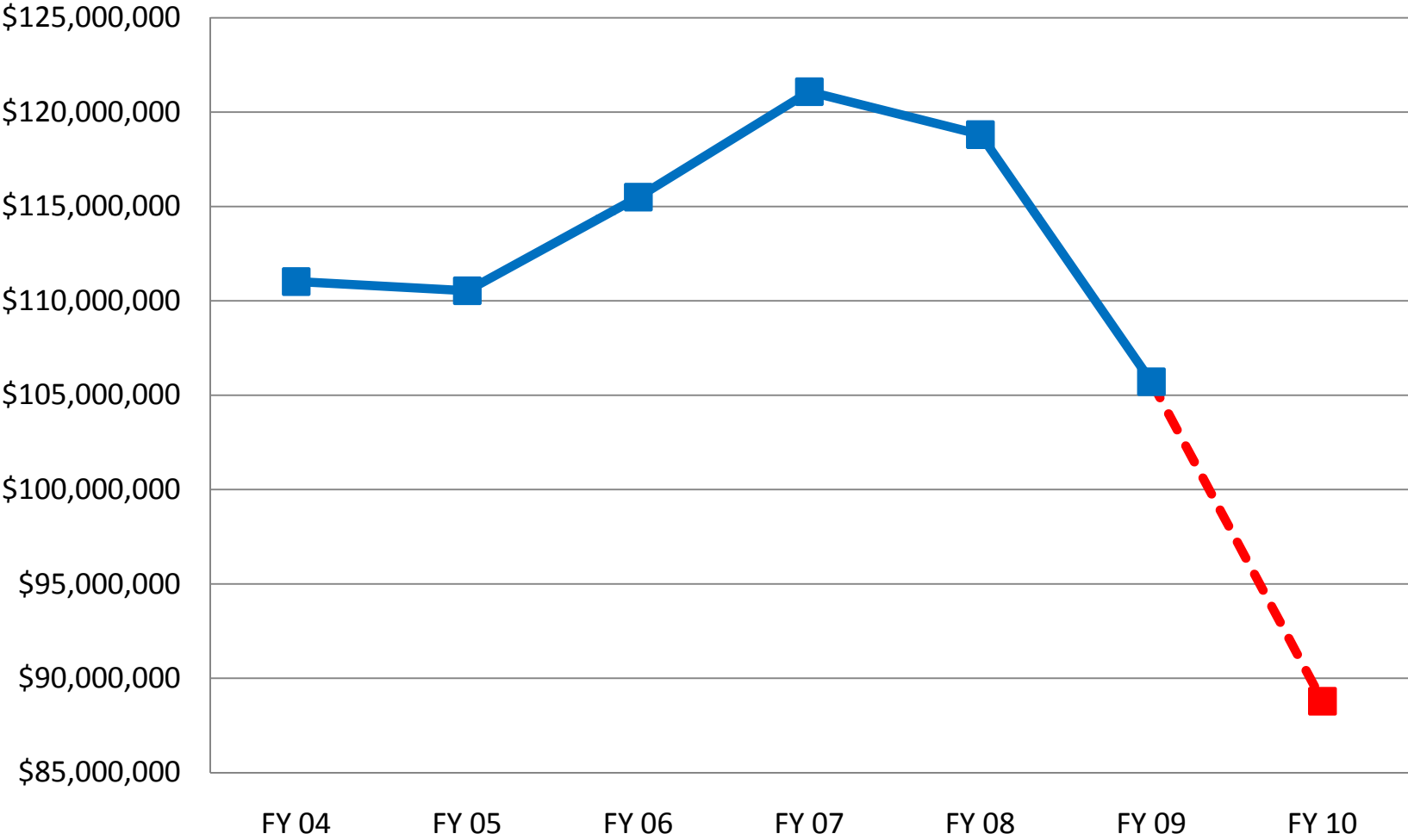
Sales Tax Revenues



Upd 2/11/10

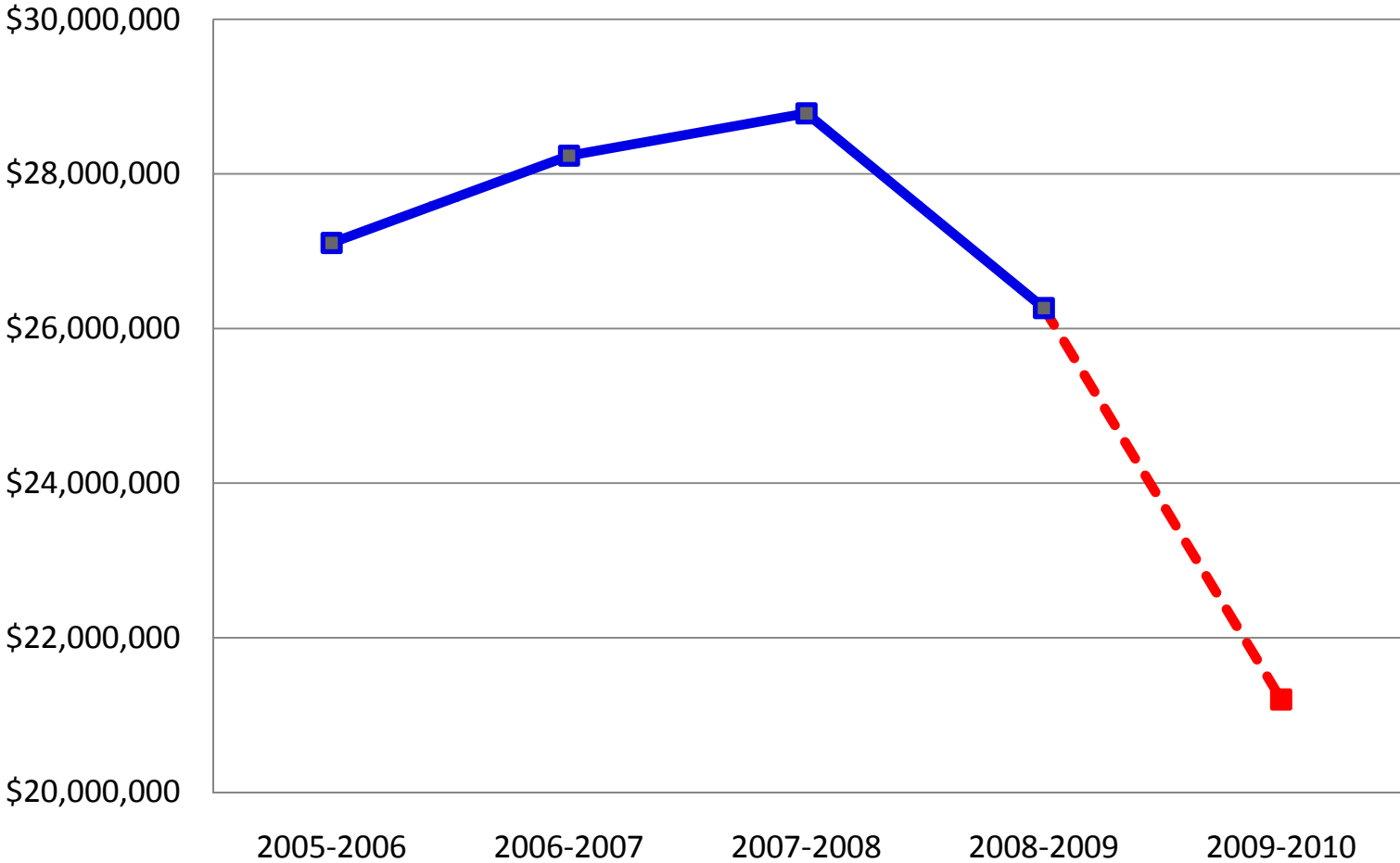


Prop. 172 Sales Tax Revenues



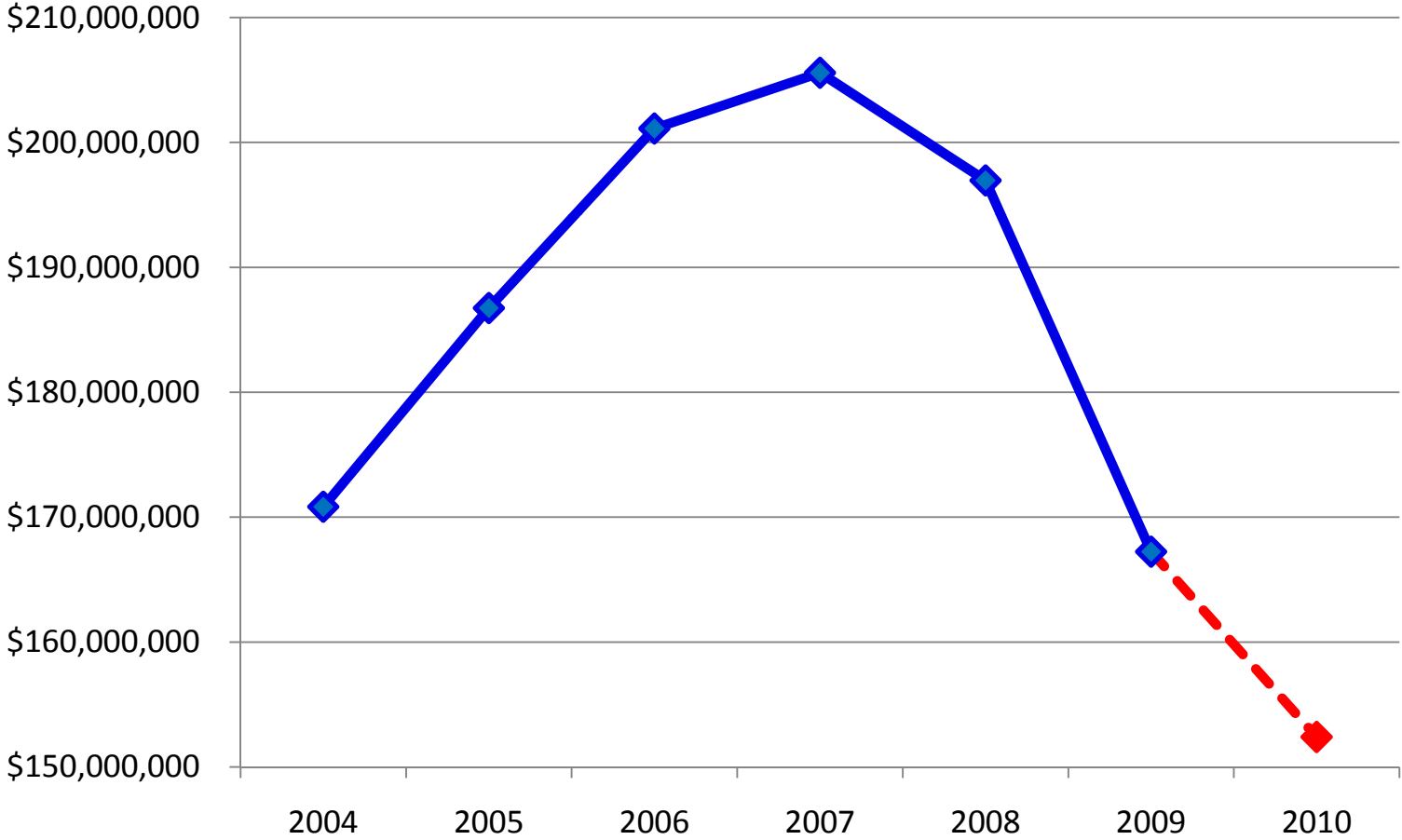


Measure A Revenues—County Share



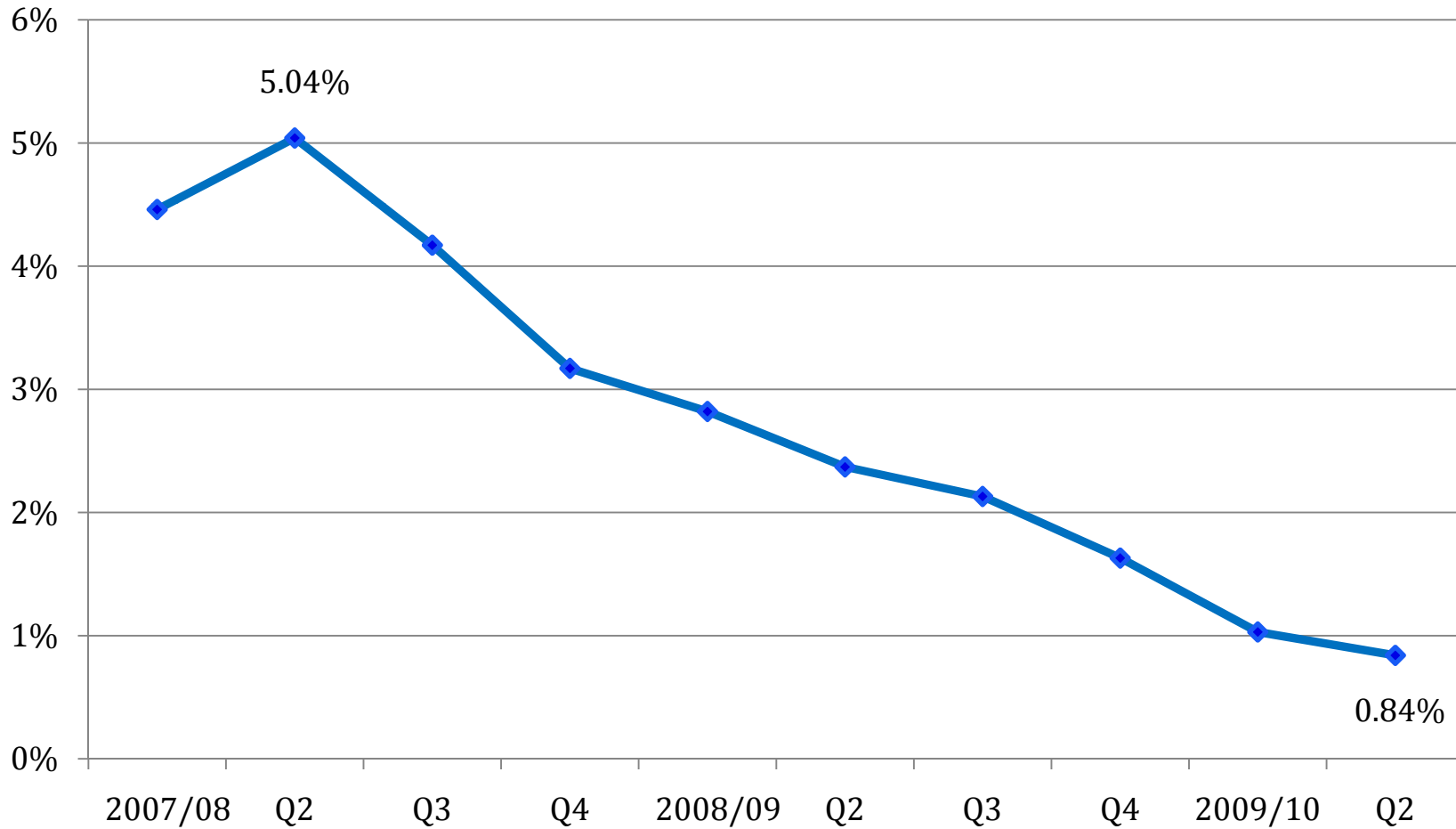


Realignment Revenues





Quarterly Interest Rate for Investment Pool

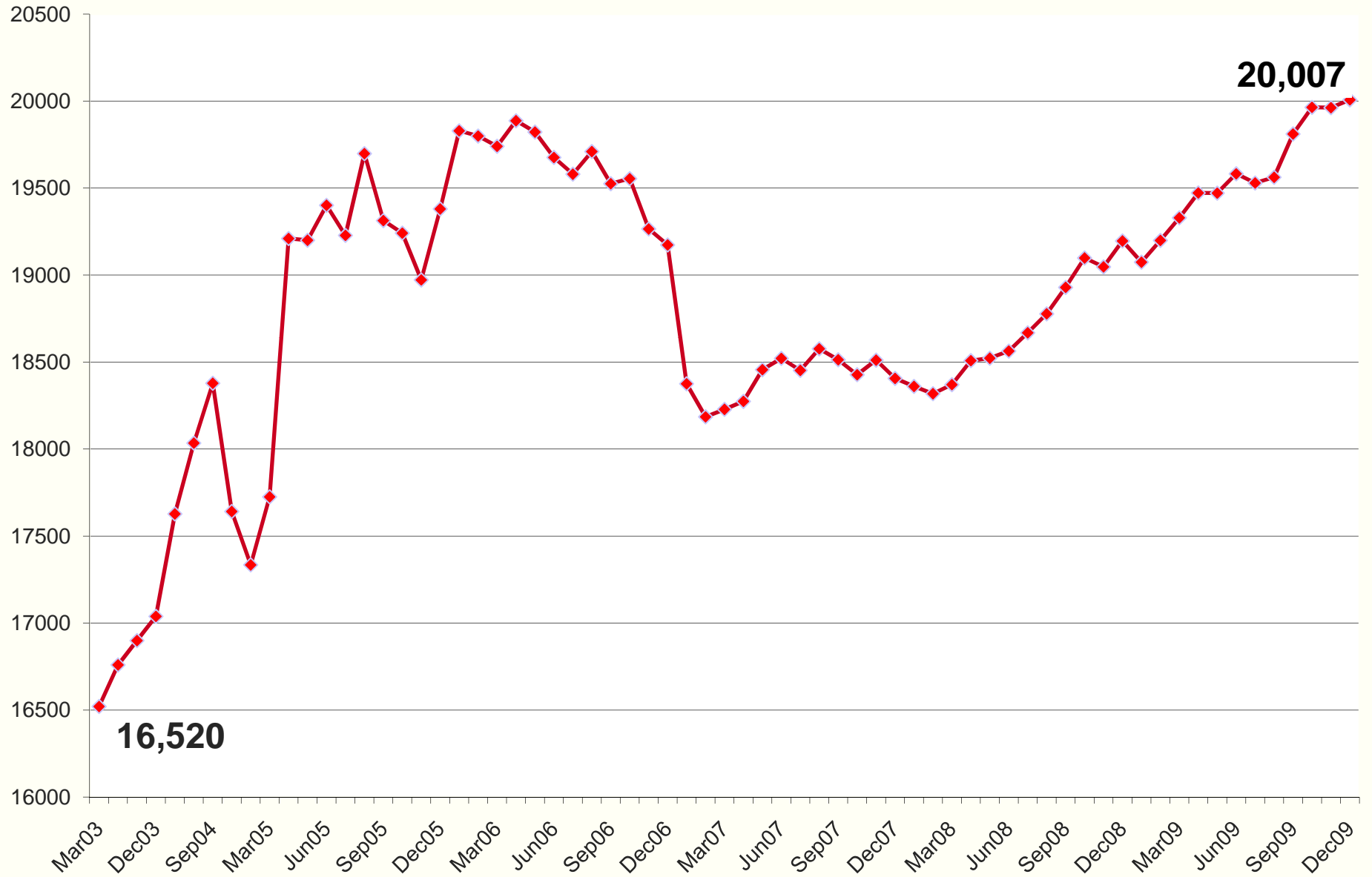




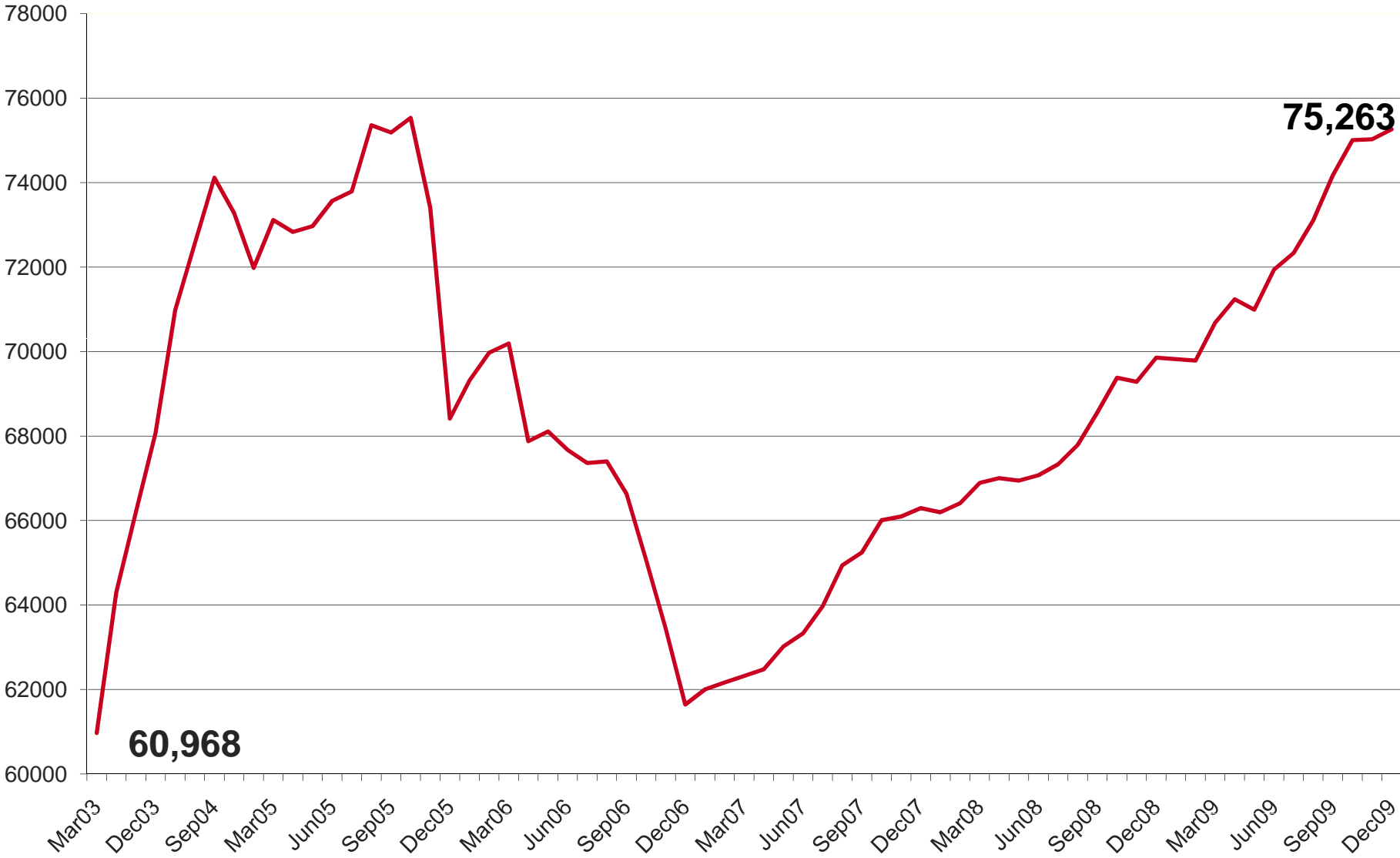
Increased Demand for Services

- Dramatic increase in caseloads for assistance programs, including:
 - CalWORKS
 - Food Stamps
 - General Assistance
 - Medi-Cal
- Increased Jail, Juvenile Justice Facility populations

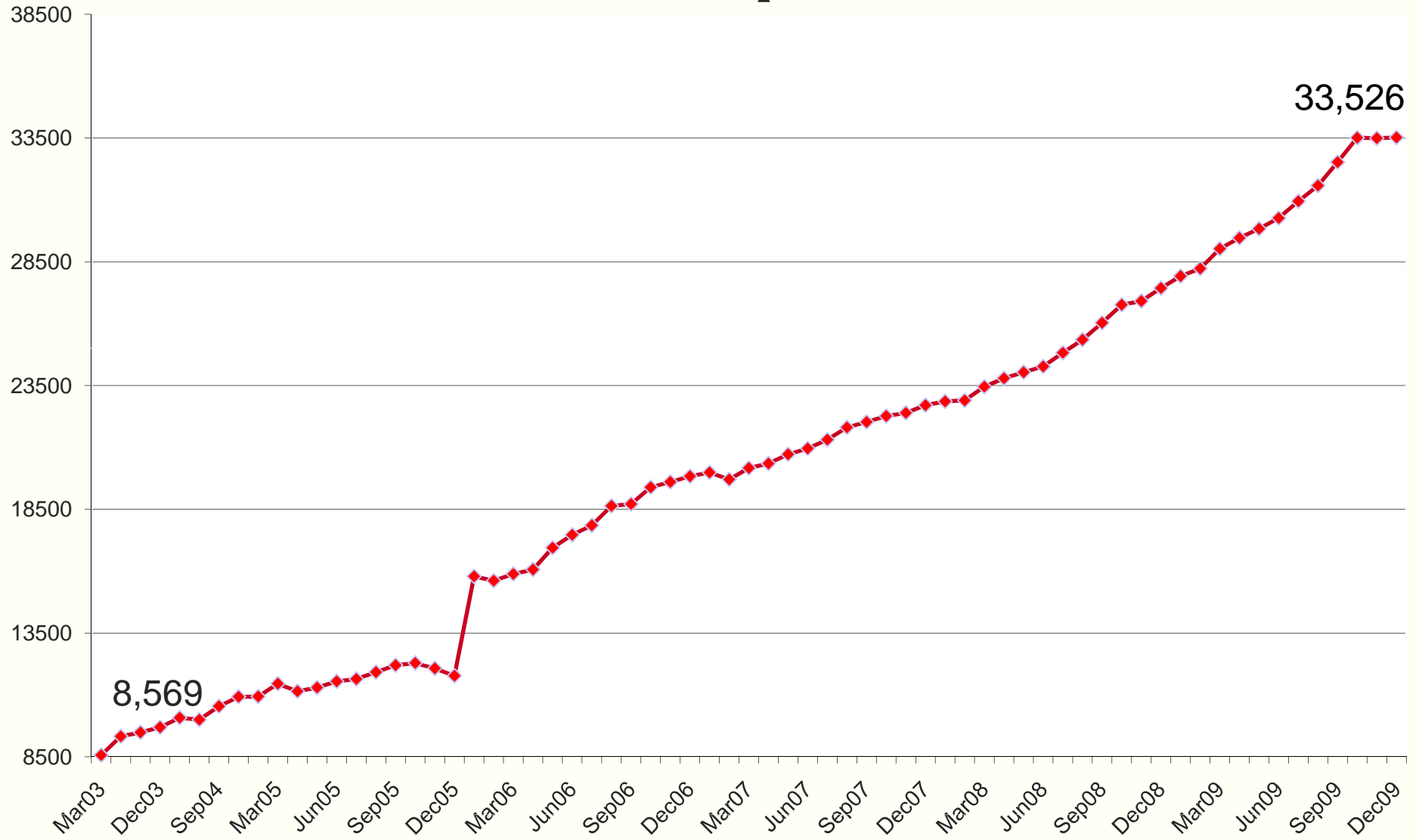
CalWORKS



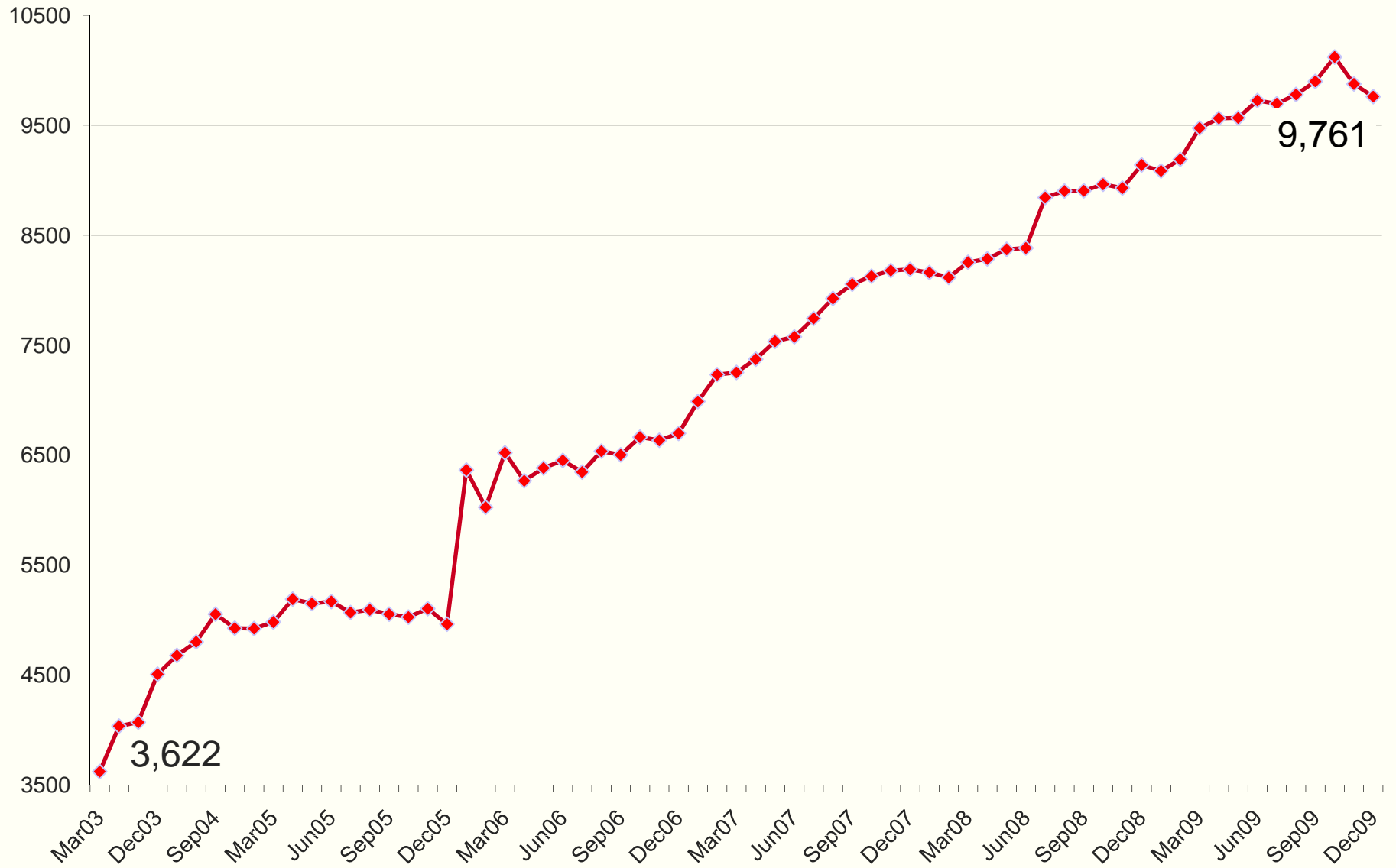
MediCal



Food Stamps

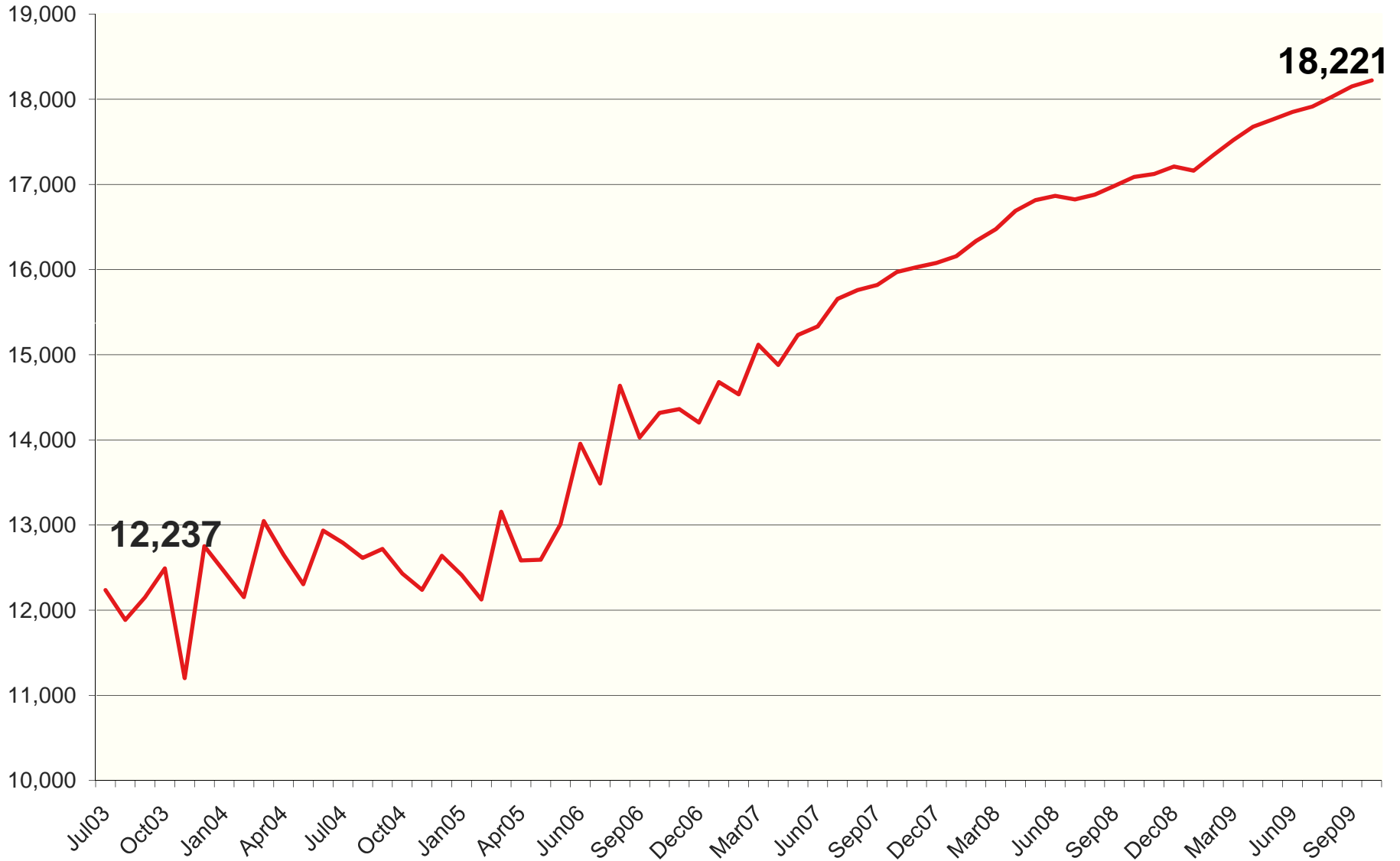


General Assistance





In-Home Support Services



Upd 1/5/10



Economic Outlook

- ❑ Slow recovery
- ❑ Job losses slowing; unemployment may improve in 2010, but expected to remain above 10% through 2012
- ❑ Home prices still far off peak; flat or slow growth at best
- ❑ Foreclosures down from peak, but may increase again as mortgages reach reset date
- ❑ Big impact on local government budgets
- ❑ Government sector will need to cut jobs; 16% of East Bay jobs are in government
- ❑ Recovery hampered by State, local government, education job losses resulting from State Budget cuts

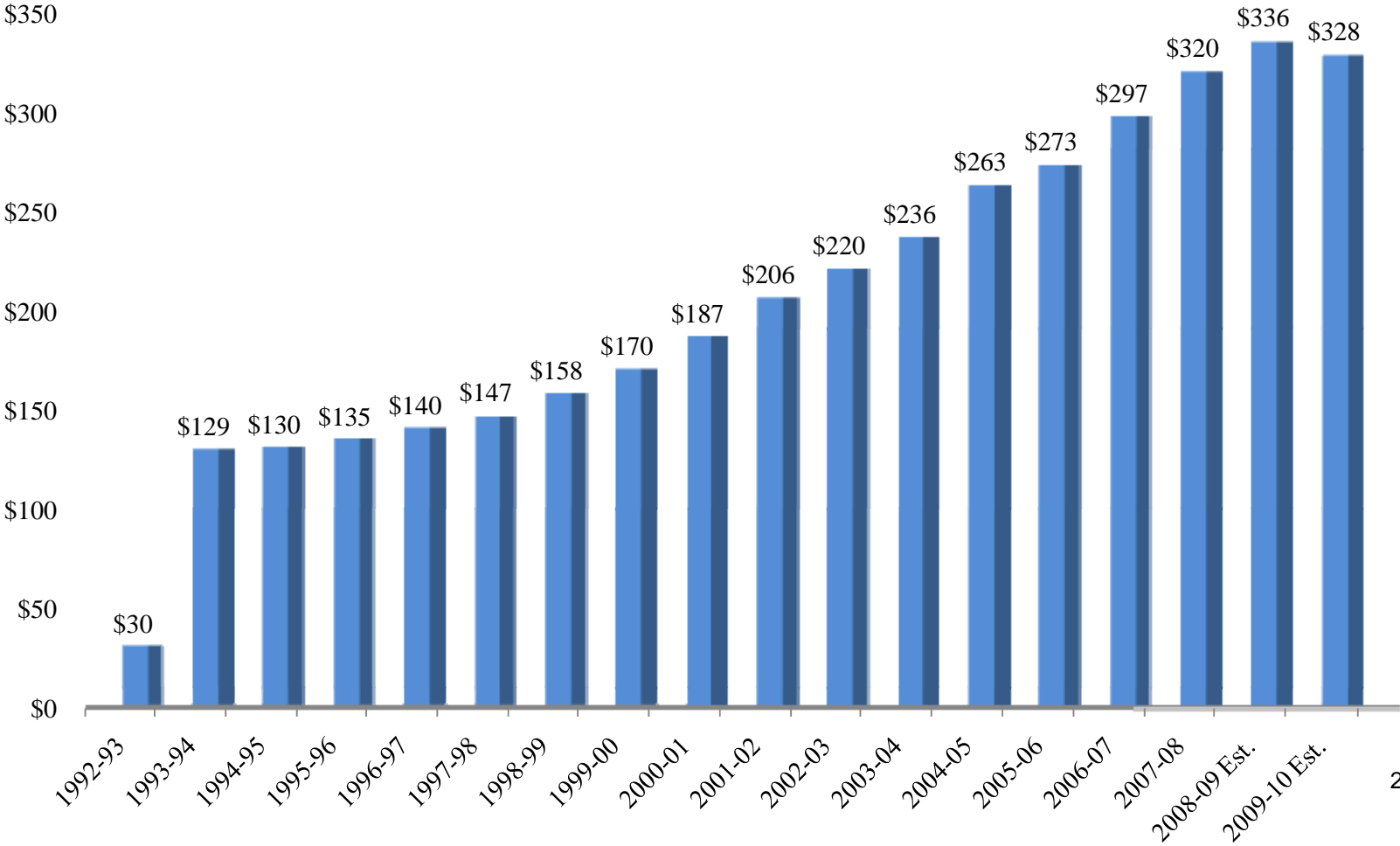


Alameda County Budget Update



ERAF Losses by Year (Education Revenue Augmentation Fund)

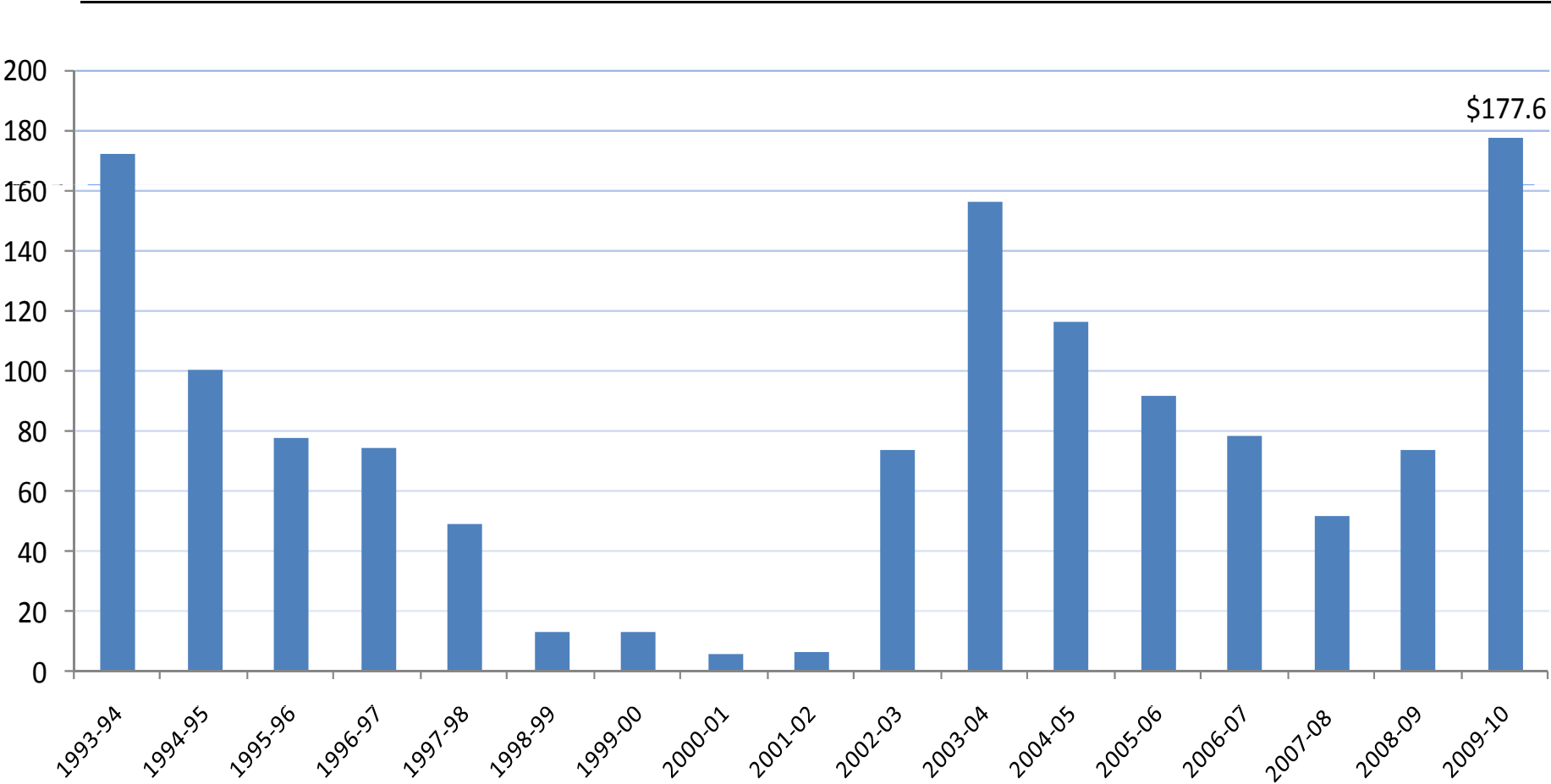
Cumulative loss: \$3.7 Billion





Funding Gaps Since ERAF Intercept

(in millions)





Alameda County Property Tax Distribution Of Each Dollar of Property Tax Collected:

Schools (41 cents)

Cities (18 cents)

Redevelopment (13 cents)

Special Districts (13 cents)

County (15 cents)





FY 2009-10 Final Budget - All Funds

(in millions)

	FY 2008-09	FY 2009-10	Inc/ (Dec)	% Change
Appropriation	\$2,395.2	\$2,429.9	\$34.7	1.5%
Revenue	\$2,395.2	\$2,429.9	\$34.7	1.5%
F.T.E. Positions*	9,316.71	9,081.22	(235.49)	(2.5%)

*Full-time equivalent positions



Community-Based Organizations

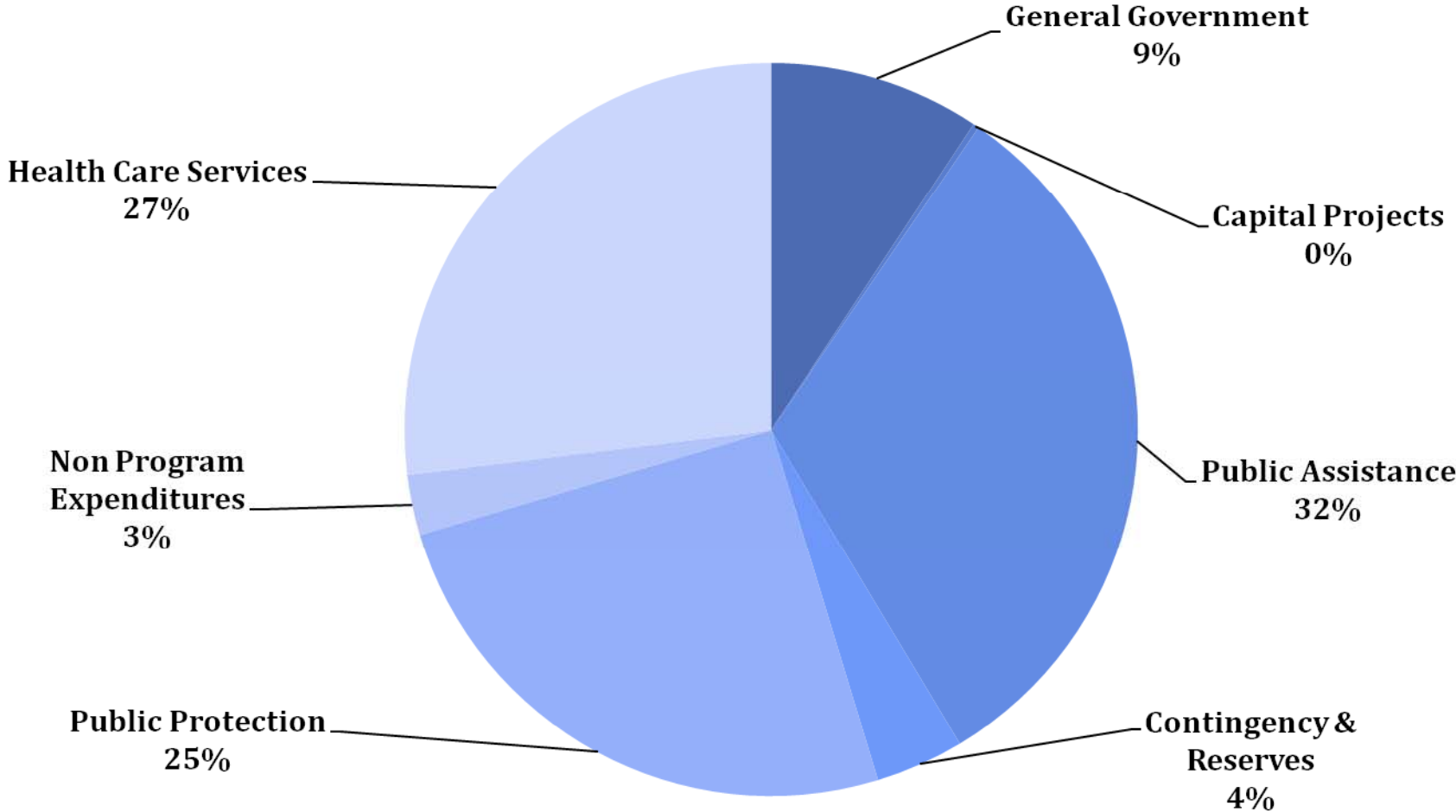
(in millions)

Program	2009-10 Contracts
General Government	\$23.5
Health Care	\$235.5
HCSA – Alameda County Medical Center	\$114.4
Public Assistance	\$71.8
Public Protection	\$4.9
Total – CBO Contracts	\$450.2

241 Contractors



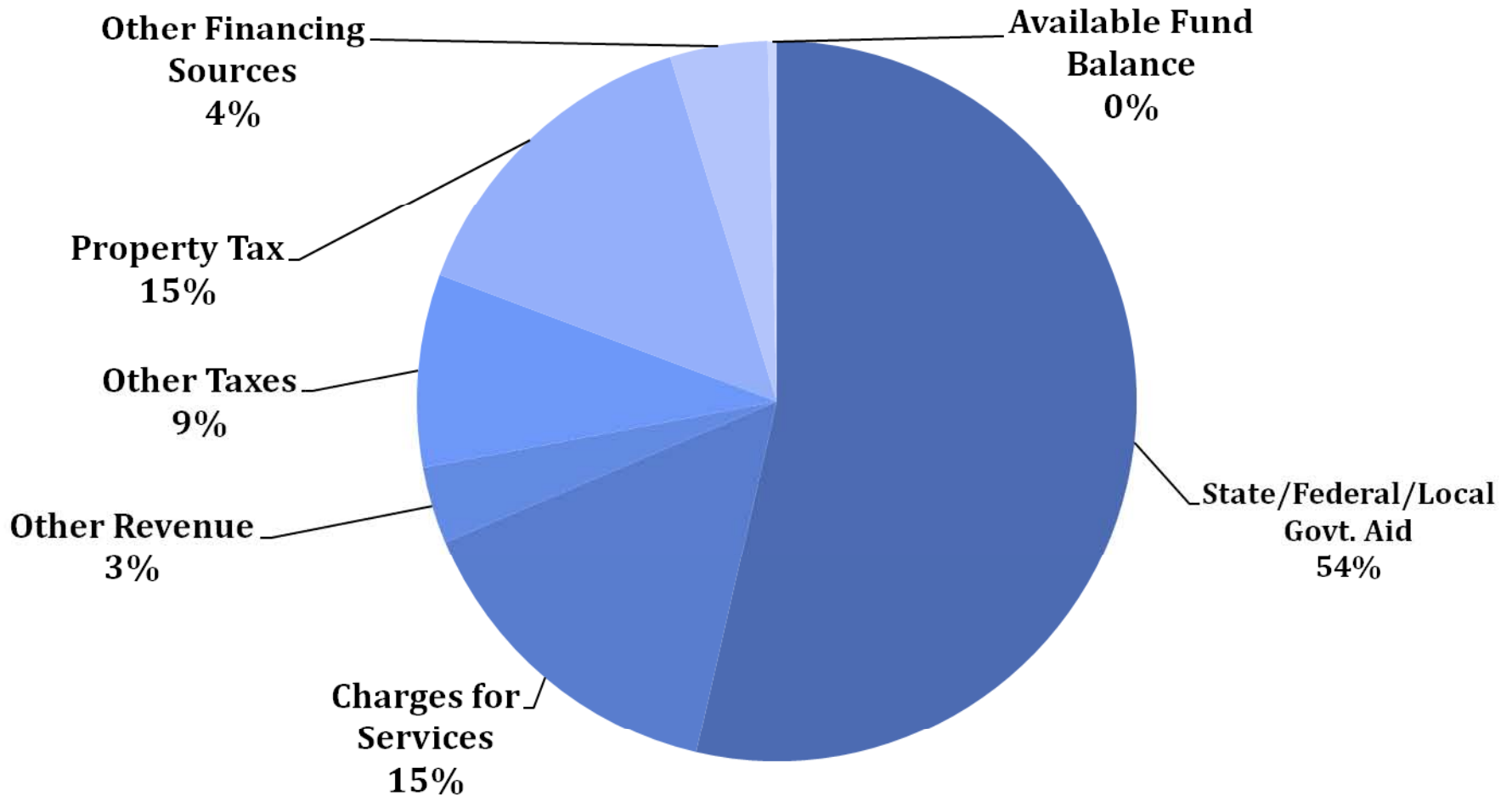
FY 2009-10 Final Budget General/Grant/Measure A Funds Appropriation by Program



Total Appropriation: \$2.1 billion

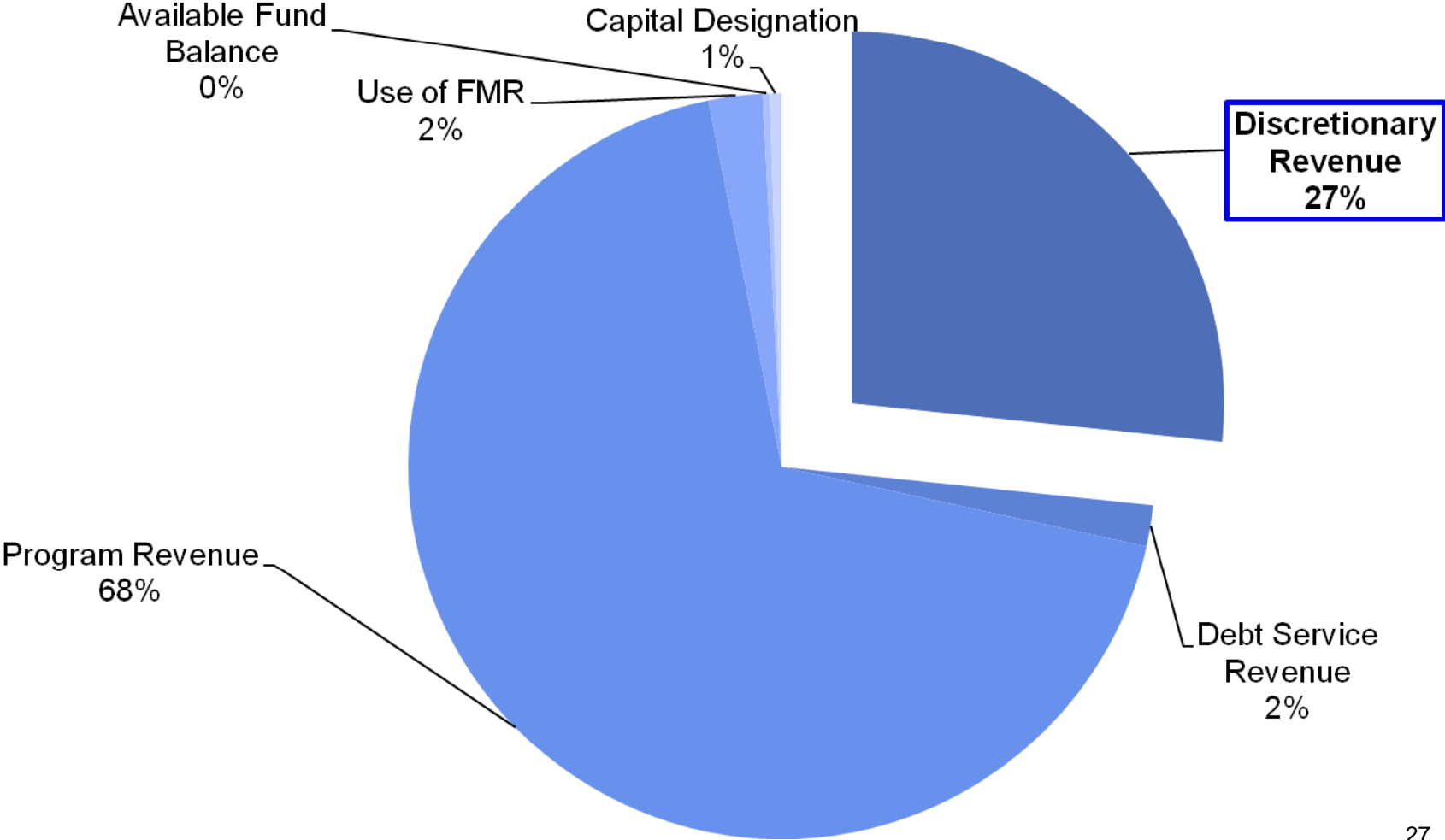


FY 2009-10 Final Budget General/Grant/Measure A Funds Revenue by Source





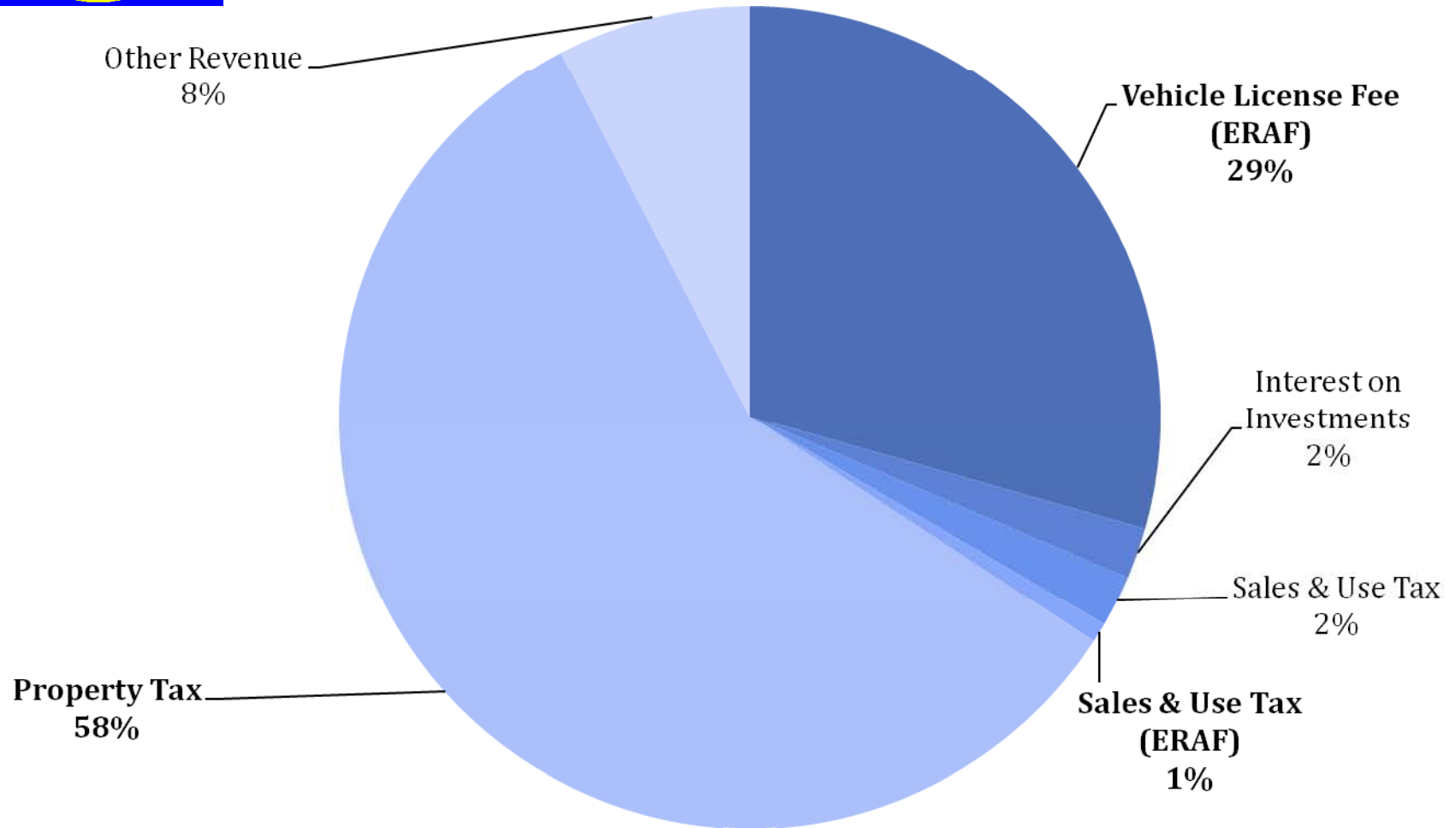
FY 2009-10 Discretionary Revenue Share of Total General Fund



Total General Fund: \$1.96 billion



FY 2009-10 Discretionary Revenue by Source



Discretionary Revenue: \$522 million



Closing the Gap

General/Grant/Measure A Funds

(in millions)

Agency/Department	Net County Cost Reduction	FTE Reductions
Reductions by Program:		
General Government	\$28.4	45.70
Health Care Services	\$30.0	0.00
Public Assistance	\$45.0	10.00
Public Protection	\$40.0	179.58
Total Programs	\$143.4	235.28
Countywide Strategies	\$34.2	0.0
Grand Total	\$177.6	235.28



FY 2009-10 - Closing the Gap-Impacts (partial list)

-
- ❑ Time limits, reduced benefits for General Assistance recipients
 - ❑ Elimination of COLAs for CBOs and ACMC
 - ❑ Reduced law enforcement, Coroner, Crime Lab, emergency, jail and animal shelter services
 - ❑ Reduced supervision of adults and youth on probation
 - ❑ Reduced ability to represent indigent defendants, prosecute consumer and environmental crimes
 - ❑ Deferral of IT, building maintenance, capital projects
 - ❑ Staffing decrease of 235 FTE compared to prior year



FY 2010-11 Budget Challenges Continue

- ❑ Revenue declines, increased demand for services
- ❑ Deferred losses in Retirement Fund
- ❑ Health care costs
- ❑ Ongoing weakness in economy
- ❑ Deferred Capital Maintenance
- ❑ Acute Care Tower Replacement
- ❑ State budget



State Budget

States Have Not Yet Seen the Worst of Economic Times, Governors at Meeting Say

By ROBERT PEAR

WASHINGTON — Although the national economy has begun to bounce back, governors said Saturday that the worst was yet to come at the state level, where revenues are still falling short of projections.

"State revenues continue to deteriorate, as most states are witnessing monthly totals lower than their recent forecasts, which have been revised downward," said Gov. Jim Douglas of Vermont, the chairman of the National Governors Association, which opened its winter meeting here on Saturday.

Mr. Douglas, a Republican, said the fiscal situation was "fairly poor for most states around the country." And a report issued by the association predicted that the fiscal year starting July 1 would be "the most difficult to date."

Health care was another pressing issue on the agenda. A num-

ber of the governors, some of them Democrats, were less than enthusiastic about elements of the sweeping health care legislation championed by President Obama and Democrats in Congress.

Governors said they needed more latitude to devise health insurance programs tailored to the needs, priorities and fiscal capacity of their states.

Gov. Deval Patrick of Massachusetts, a Democrat, said his state was doing fine with its requirement for people to obtain health insurance.

But Gov. Joe Manchin III of West Virginia, a Democrat who is vice chairman of the National Governors Association, criticized proposals that would require everyone to carry insurance with benefits specified by the federal government.

"One size does not fit all," Mr. Manchin said. "We need flexibility to make sure our citizens are insured. I should not be mandat-

ed to take care of somebody who is having a hard time financially but is very healthy."

With health legislation stalled in Congress, governors said they were moving ahead on their own to transform the health care system, improve the quality of care and hold down costs.

"To be perfectly honest," Mr. Douglas said, "I had expected that we would be here today talking about implementation of a new national health plan enacted by Congress. But we cannot wait for the federal government. We are going to move forward. We will provide leadership with or without a federal health care bill."

Michelle Obama, the first lady, received a warm welcome from the group as she made an impassioned plea for state efforts to reduce childhood obesity.

"We cannot solve our health care problems unless we address our childhood obesity problem, too," Mrs. Obama said.

Mrs. Obama said health costs

would continue to soar if children continued to stuff themselves with salty, high-fat foods that contributed to obesity — and to a higher risk of diabetes, high blood pressure and heart disease.

Even as the governors debated ways to tackle their financial problems, some said the situation could have been worse. Governor Douglas said the recession might have been deeper and longer if Congress had not approved a \$787 billion package to stimulate the economy last year.

The new governor of New Jersey, Christopher J. Christie, a Republican, said that while the federal aid had helped states, "it really just put off difficult choices."

Other governors said they were dismayed by the failure of Congress to pass legislation to help create jobs and resuscitate the economy. States, they said, were paying a price for the inaction on Capitol Hill.

"Because of the decline in state

revenues," Mr. Douglas said, "43 states cut \$31 billion from their budgets in 2009. For fiscal year 2010, even with nearly \$30 billion in new revenue, 36 states have been forced to cut \$55 billion. Thirty states have cut elementary, secondary and higher education."

Given these problems, governors of both parties expressed concern about plans by Democrats in Congress to expand Medicaid, the program for low-income people.

Gov. Haley Barbour of Mississippi, the chairman of the Republican Governors Association, said the health bills passed by the House and the Senate would impose "an enormous unfunded mandate on states," forcing them to pick up \$25 billion in new costs over 10 years.

Mr. Barbour explained what this would mean in Mississippi: "Either the state income tax or the state sales tax or both would have to be raised. We would add

300,000 people to the Medicaid rolls. It's about a 50 percent increase."

Gov. Christine Gregoire of Washington, a Democrat, said that despite such concerns, she was "a huge champion of national health care reform."

"You can't take little nibbles at health care reform," Ms. Gregoire said. "It's got to be comprehensive."

Ms. Gregoire said she had told the top Democrats in Congress that they might want to delay the expansion of Medicaid if states were still in economic distress in a few years.

"If we don't come out of this recession and if I have to absorb new costs, I don't know how I would do it," Ms. Gregoire said. "We would be hard-pressed to pick up the tab. But that's not to say we should not move forward on health care reform. Doing nothing would be the biggest mistake."



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



State Budget Problems (partial list)

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

San Francisco Chronicle

SFGATE.COM | Monday, February 22, 2010 | PRINTED ON RECYCLED PAPER

\$1.00 ★★★★★

Has the Golden State gone bankrupt?

Leaders raise the question as financial woes deepen

By Wyatt Buchanan

CHRONICLE SACRAMENTO BUREAU

SACRAMENTO — California's dire and ongoing budget predicament is raising a tough — and touchy — question about the state's finances, one that some at the Capitol do not want discussed: Is California bankrupt?

"California is deeply in debt. You could say that it's bankrupt," Attorney General — and presumptive Democratic gubernatorial candidate — Jerry Brown told a group of young Democrats earlier this month.

Republican U.S. Senate hopeful and former Hewlett Packard CEO Carly Fiorina raised the specter of bankruptcy in a discussion with Southern California business owners. And Republican Assemblywoman and retired banker Diane Harkey of Dana Point (Orange County) said the state is "literally bankrupt."

Protecting state's reputation

She compared the state's situation to a family with a mortgaged house, maxed out credit cards and zero savings. She said her outspokenness on the topic at public meetings and other forums has caused some at the Capitol to tell her she is apocalyptic, and she said she



Attorney General Jerry Brown, left, and U.S. Senate candidate Carly Fiorina question California's solvency. Controller John Chiang, right, says the state is not "functionally bankrupt."

Although there is no legal definition of bankruptcy for a state, smaller municipalities are able to declare bankruptcy, like the city of Vallejo two years ago and Orange County in 1994. The definitions differ depending on the type of bankruptcy, but generally, municipal bankruptcies occur when a government is unable to pay its bills in the immediate future and/or through the next fiscal year, according to bankruptcy experts.

That won't happen in California, financial leaders say.

\$51.8 billion bill — in 2009 dollars — for the health and dental benefits of state retirees and future retirees.

State Controller John Chiang, who made that report, said, "No, we are not functionally bankrupt." He said California would reach its breaking point if there were court intervention due to debt default.

"That's our equivalent of going into bankruptcy," said Chiang, adding that, "I don't want that to be put in the real, serious realm of discussion."



2010-11 Governor's Budget

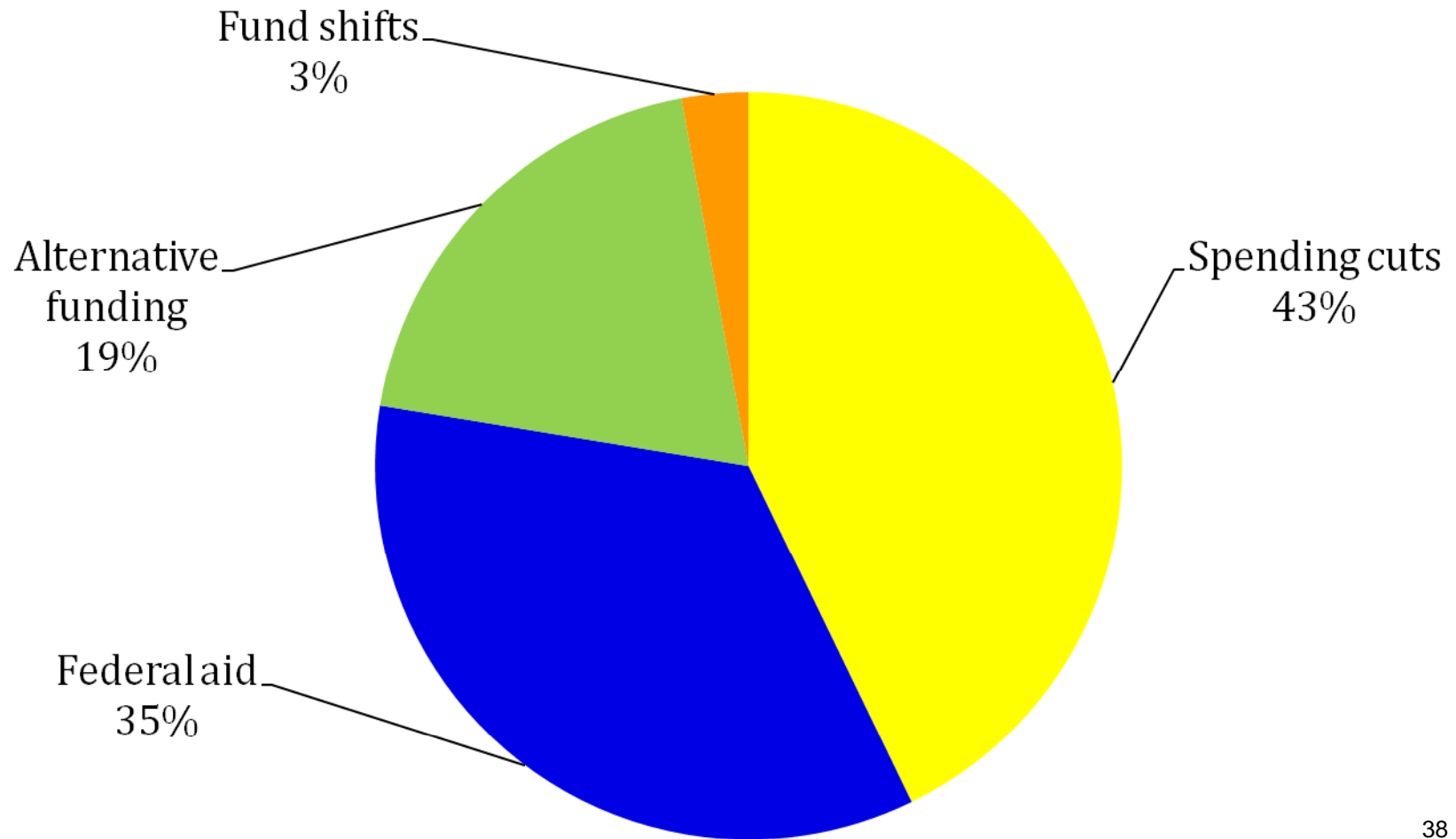
- \$20 billion in “solutions” over next 18 months
 - \$6.6 billion in 2009-10
 - \$12.3 billion in 2010-11
 - \$1 billion reserves

- 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





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

□ K-14 (Prop. 98)	\$2.4 billion
□ State Employee Compensation	\$1.6 billion
□ Medi-Cal	\$1.1 billion
□ IHSS reductions (Fed approval req.)	\$1.0 billion
□ Inmate Medical Costs	\$811 million
□ State Prisoners in County Jails	\$317 million
□ Suspend/Delay Mandate Pmts.	\$232 million
□ Soc. Svcs. Cash Grants	\$295 million
□ Benefits for legal immigrants	\$200 million



Governor's Budget Alternative Funding (w/o trigger)

-
- Transportation Funding Swap \$1 billion
 - Use of Prop. 10 funding \$550 million
 - Use of County savings \$506 million
 - Use of Prop. 63 funding \$452 million
 - Courts-RDA Shift \$350 million
 - Automated Speed Enforcement \$297 million
 - Other \$1.7 billion
 - 4.8% surcharge on residential/commercial property insurance
 - Oil drilling off Santa Barbara



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



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

Previously rejected

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

Unlikely

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



Estimated Impact to Alameda County Health Care

- ❑ Health Care program cuts of \$22M - \$35M
- ❑ Elimination of Healthy Families would affect 21,000 children
- ❑ Prop. 10 - First 5 funding cuts of \$2.4M for six programs serving children age 0-5
- ❑ Eliminating Adult Day Health services would prevent some caregivers from working and/or send family member to nursing home. Unknown fiscal impact.
- ❑ Healthcare for legal immigrants – unknown impact
- ❑ Family planning funding –unknown impact



Estimated Impact to Alameda County Social Services

- IHSS: Lower wage affects 18,000 providers; Reduced eligibility affects 15,000 clients; Under trigger: all 18,000 clients lose benefits, all 18,000 providers lose jobs. 128 County FTE tied to IHSS.
- CAPI: 1,000 recipients would lose more than half of the funding they receive. Estimated \$4M impact as recipients are put on GA.
- CalWORKs: 20,000 families would lose some or all income. Up to \$195M/year impact on local economy. 402 County FTE.
- Transitional Housing Program eliminated under trigger, affects 125 emancipated youth. Funding of \$3M. 1 County FTE.
- 10% reduction in group home rates is approx \$1M/year



Legislative Action

- \$2.3 billion in solutions so far; total may equal \$5.5 billion
- Spares education, social services, health cuts for now
- \$1B in State prison cuts approved
 - \$811M in inmate health
 - \$182M by deporting undocumented immigrant inmates
 - \$48M from reducing juvenile offenders in state facilities
- \$228M by continuing to suspend local government mandates
- Power to Controller to defer payments
- Still discussing: modified gas tax swap that would allow local govts to increase gas prices for transit
- Governor has not acted on any bills yet



Federal Budget Update



President's FY 2010-11 Budget

- \$3.8 trillion spending plan
- \$1.16 trillion in discretionary spending (not including wars)
 - Security spending +5.2%
 - Non-security spending: -1.1%
 - Three-year freeze on non-security spending
- \$25 billion add'l stimulus funding for States
 - \$1.6 billion for California by extending Medicaid participation
 - Far short of \$6.9 billion assumed in Gov's Budget



Federal Budget Update

- \$1.6 trillion deficit this year
- \$1.3 trillion in FY 2010-11
- Average \$600 billion annual deficits over next 10 years
- Additional debt of \$6 trillion over next 10 years
- Additional \$2 trillion if Congress extends tax cuts
- Interest on debt will soar over next 10 years
(from 3.6% to 5.5%)
- Economic growth is likely to be “muted”
- Unemployment will fall after 2011; won't reach 5% until 2016



Alameda County Ongoing Budget Policies

- ❑ Continue to monitor expenditures and revenues
- ❑ Restrict spending
- ❑ Pursue revenue enhancements
- ❑ Agencies & Departments directed to fill only critical (life/safety, mandated, cost effective) positions
- ❑ Labor concessions
- ❑ Countywide efficiency initiatives



Alameda County Budget Information on the Web

www.acgov.org/budget.htm



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