



FY 2009-10

Maintenance of Effort Budget

and Funding Gap

April 14, 2009

By Susan S. Muranishi, County Administrator



Overview

- ❑ 2008-09 Final Budget
- ❑ Economic Update
- ❑ Federal/State Budget Status
- ❑ 2009-10 Maintenance of Effort Budget
- ❑ Funding Gap

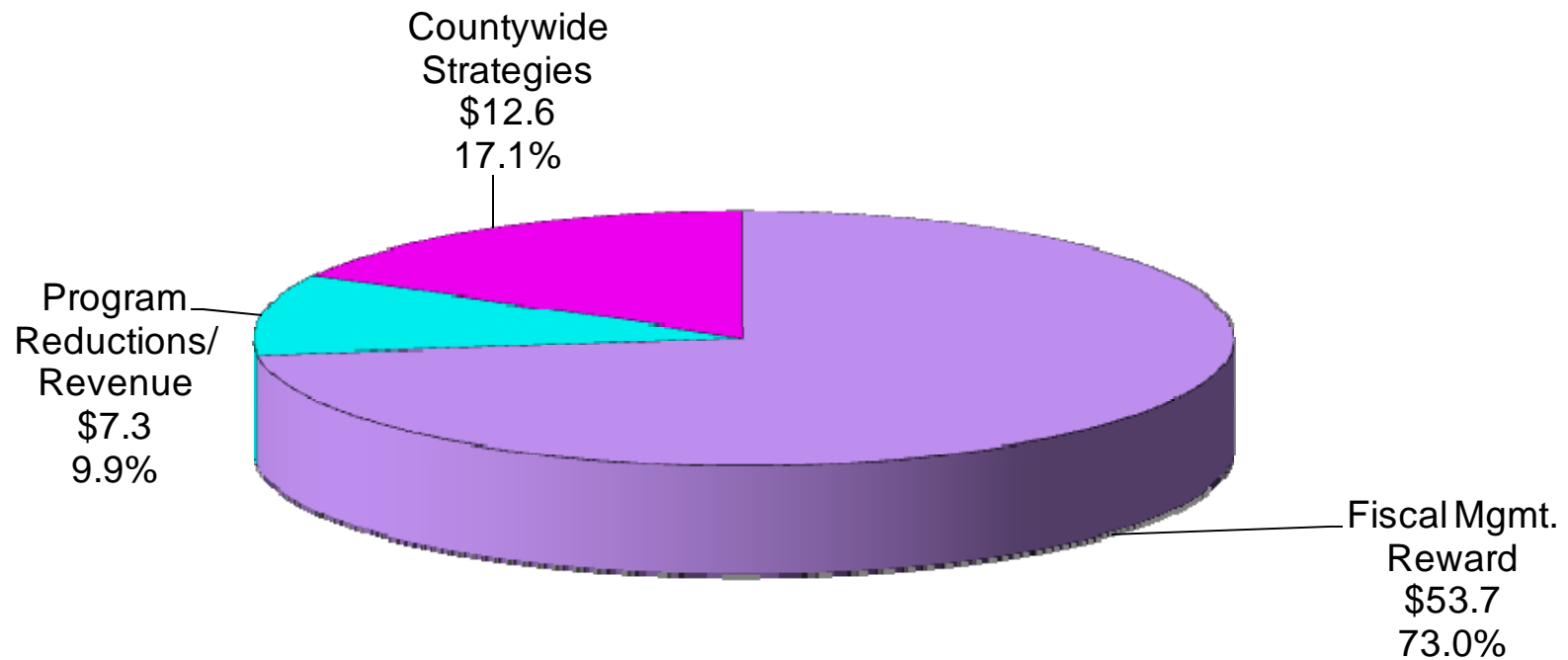


FY 2008-09 Final Budget

	Appropriation	Revenue	Net	FTE
All Funds	\$2,395.2	\$2,395.2	\$0.0	9,316.71
General/ Grant/ Measure A Funds	\$2,051.0	\$2,051.0	\$0.0	7,549.45



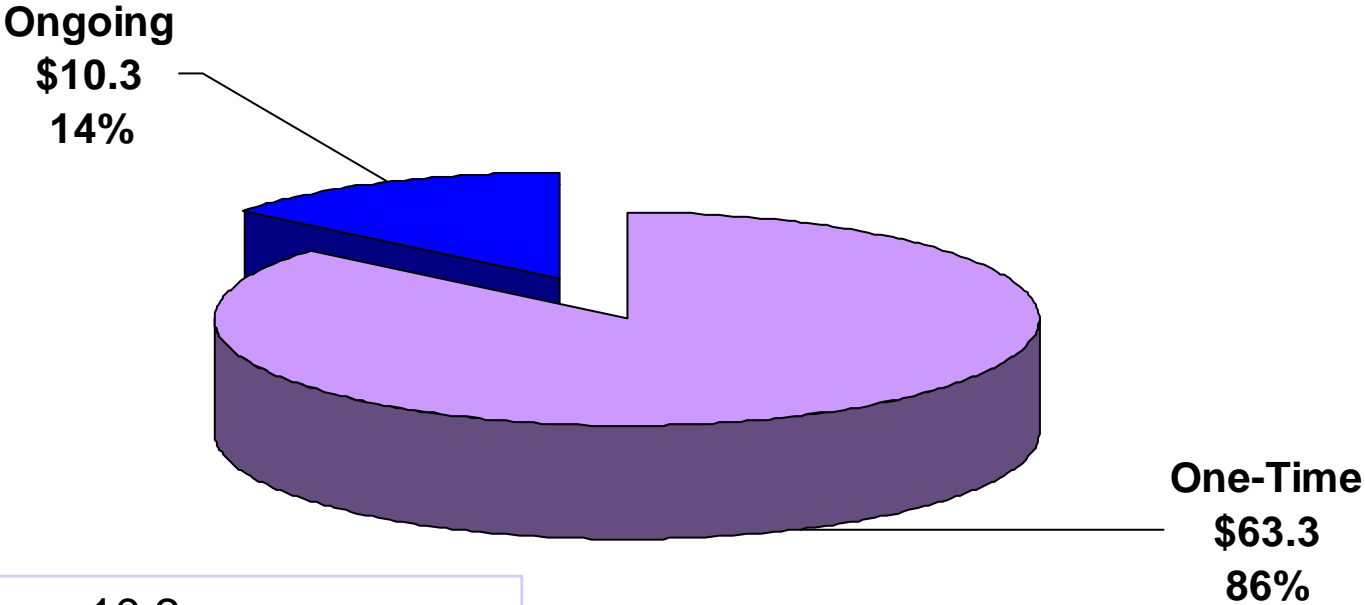
FY 2008-09 Balancing Strategies



Funding Gap: \$73.6 Million



FY 2008-09 - Closing the Gap Ongoing vs. One-Time Strategies (in millions)

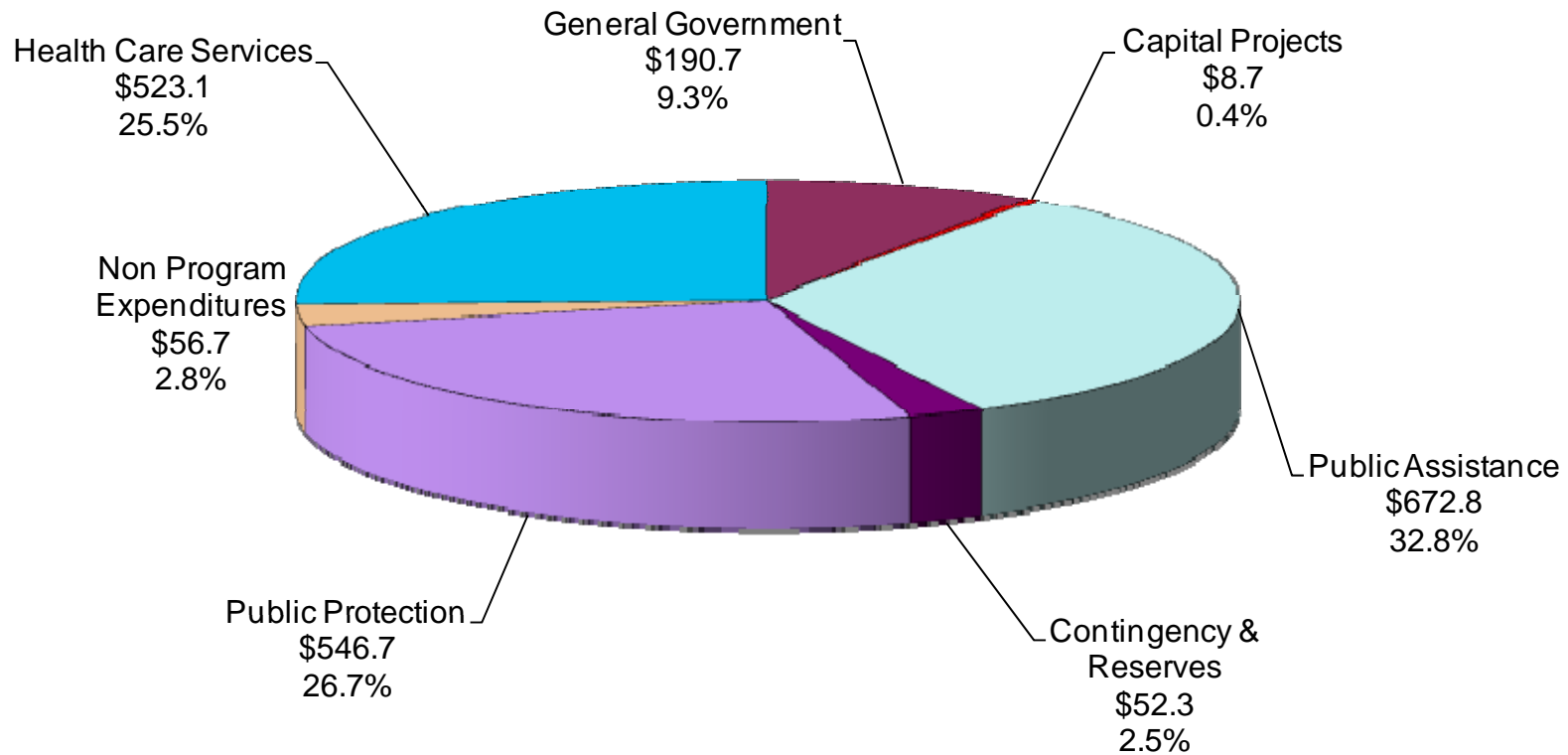


Ongoing – 10.3	
- Program Revenues	1.8
- Program Reductions	4.0
- Litigation Settlement	1.3
- Workers' Comp interest	2.2
- Utility Users Tax	1.0

One-Time – 63.3	
- FMR	53.7
- 1% for Capital	5.2
- ACMC Tower Capital	2.9
- Program Revenues	1.6
- Program Reductions	(0.1)



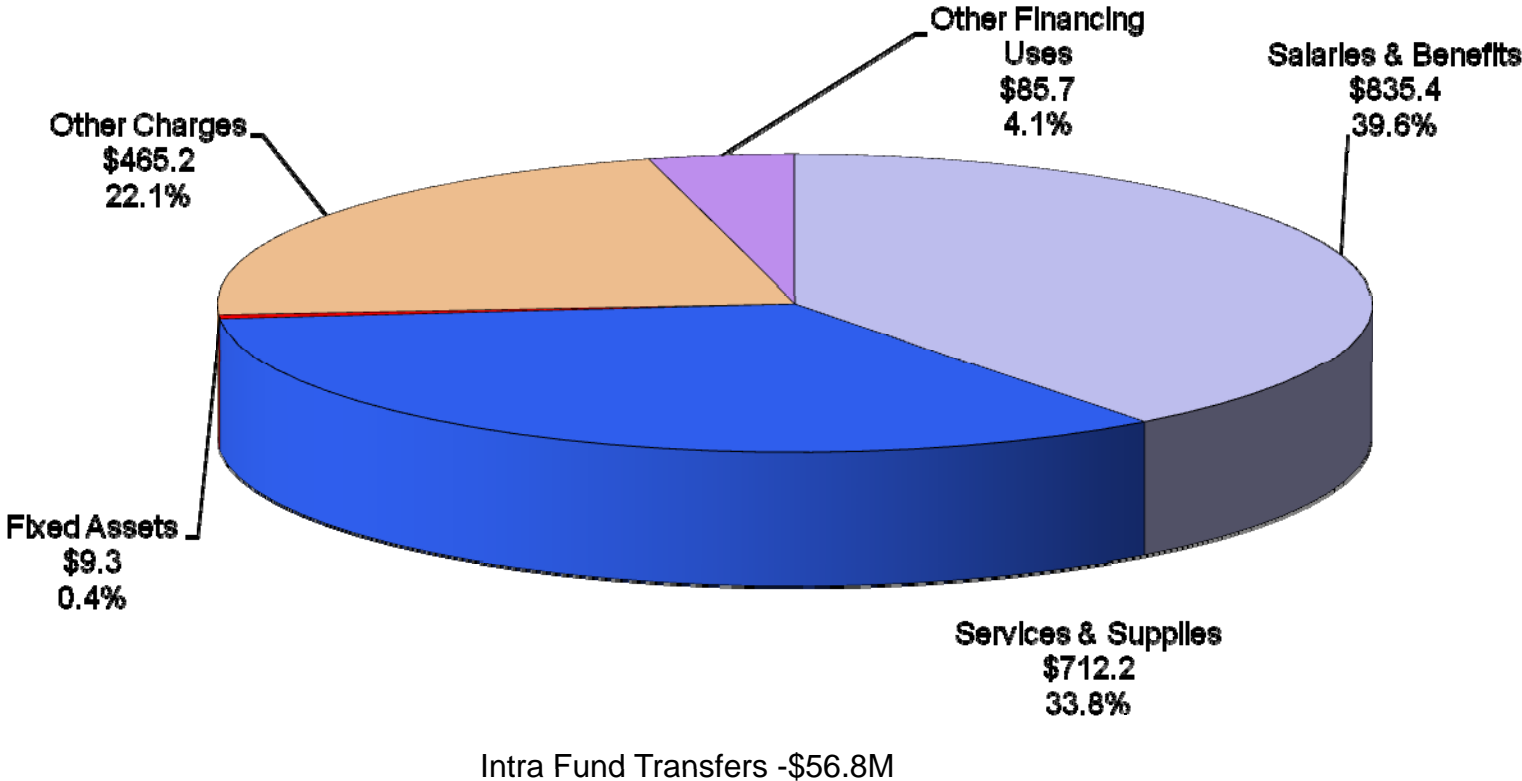
FY 2008-09 Final Budget General/Grant/Measure A Funds Appropriation by Program



Total Appropriation: \$2,051,027,169



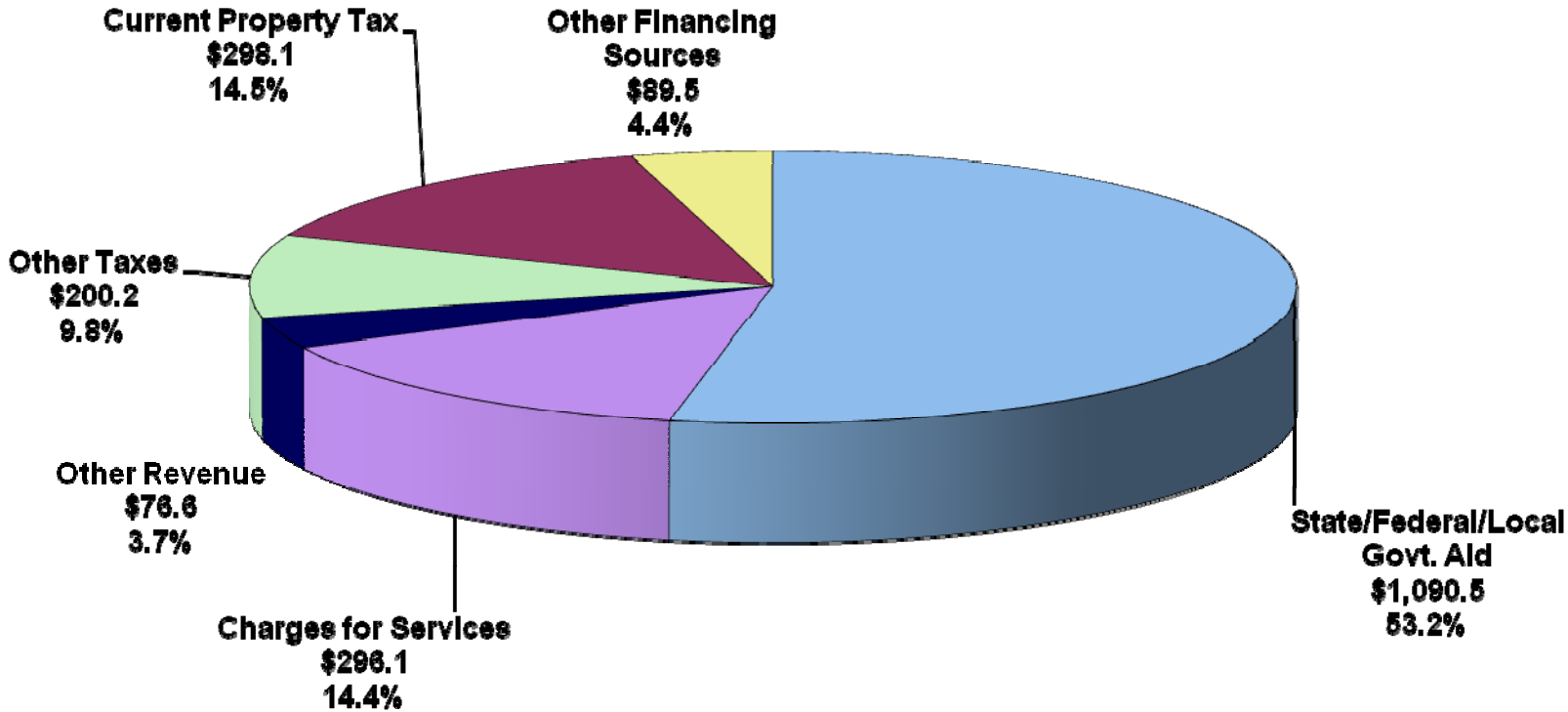
FY 2008-09 Final Budget General/Grant/Measure A Funds Appropriation by Major Object



Total Appropriation: \$2,051,027,169



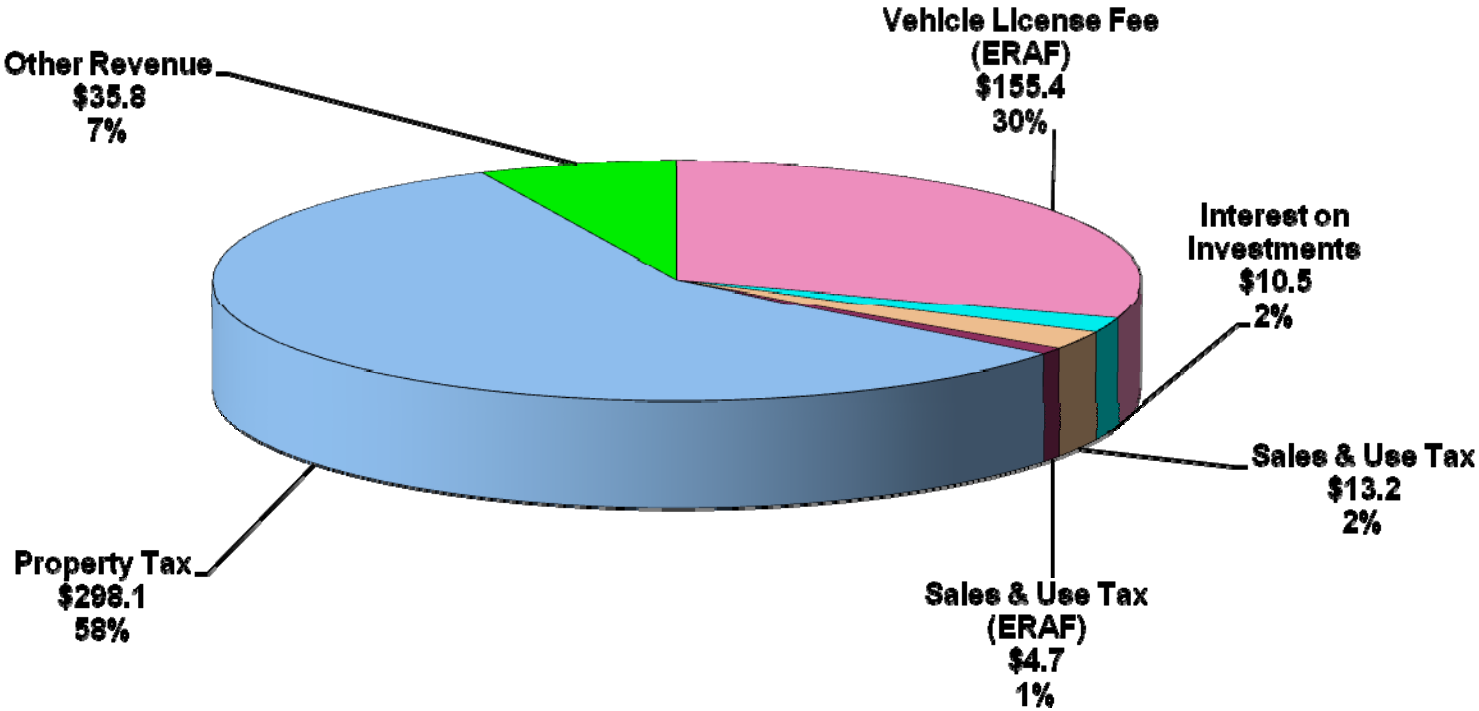
FY 2008-09 Final Budget General/Grant/Measure A Funds Total Financing by Source



Total Financing: \$2,051,027,169



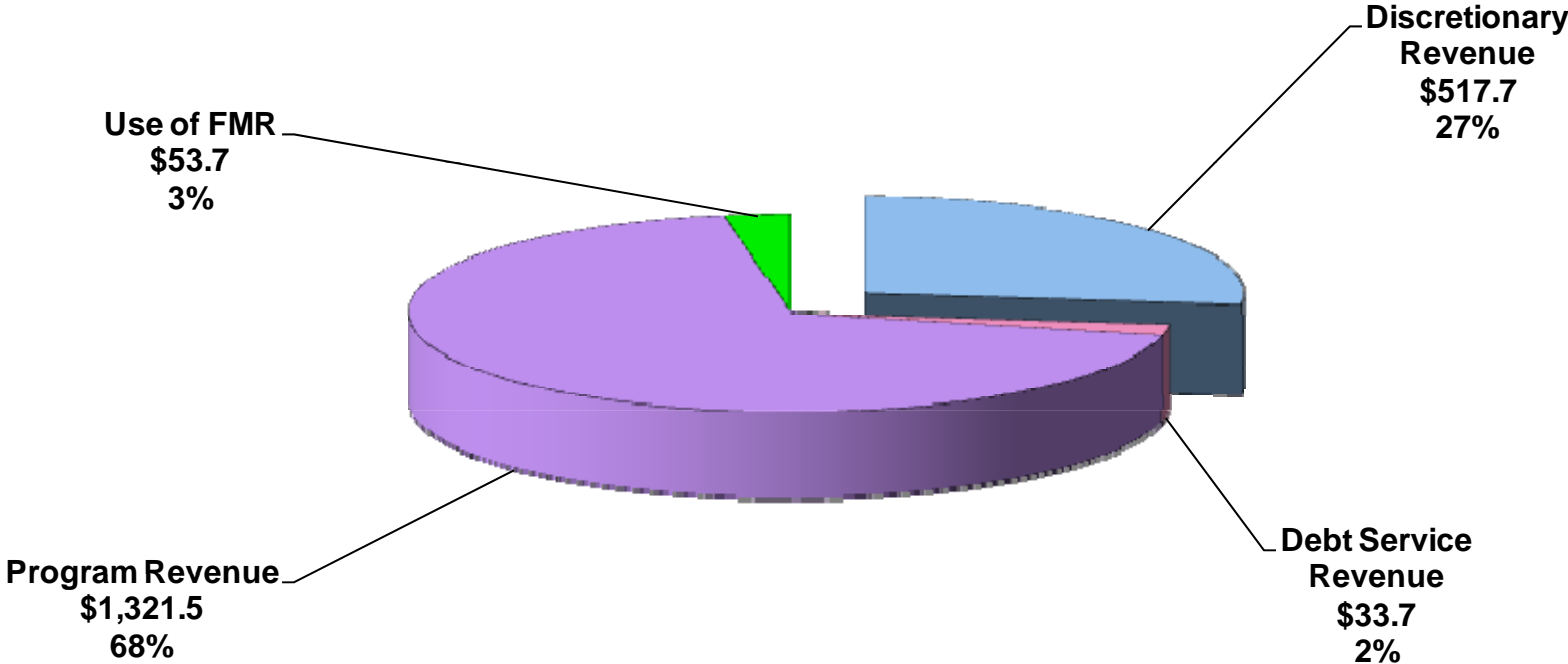
FY 2008-09 Discretionary Revenue by Source



Discretionary Revenue: \$517.7 Million



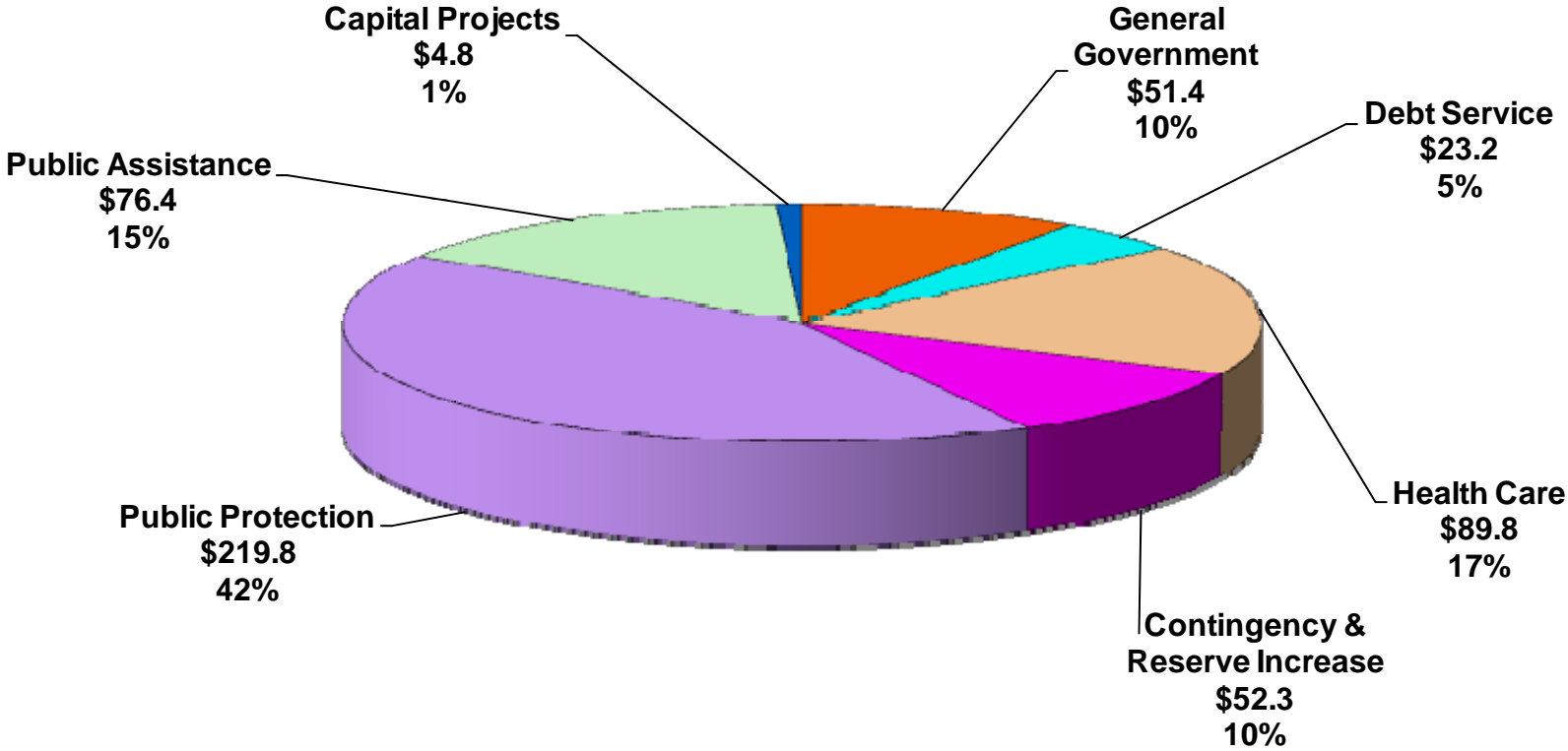
FY 2008-09 Discretionary Revenue Share of Total General Fund



Total General Fund: \$1,926.6 Million



FY 2008-09 Use of Discretionary Revenue by Program



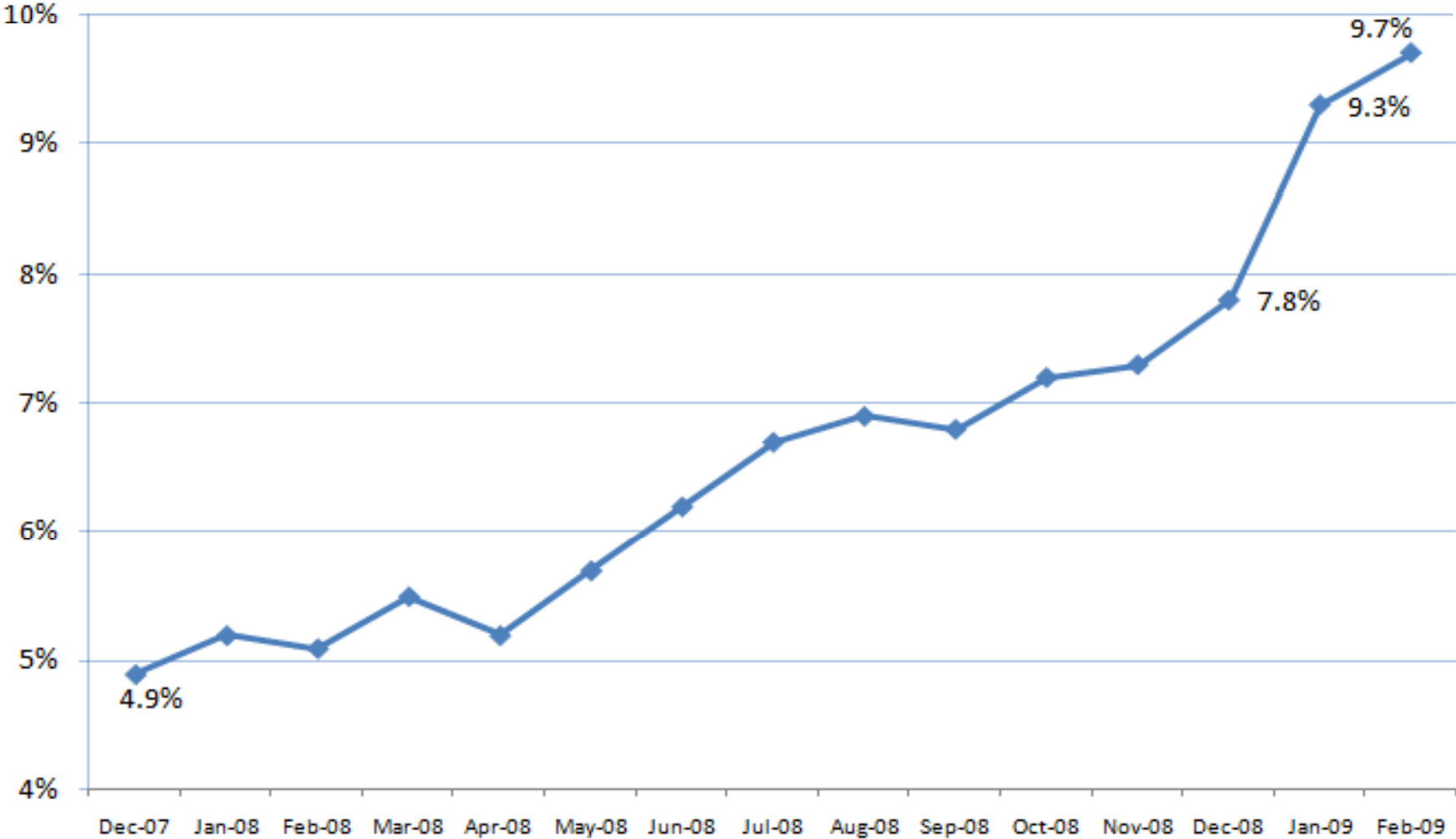
Discretionary Revenue: \$517.7 Million



Economic Update

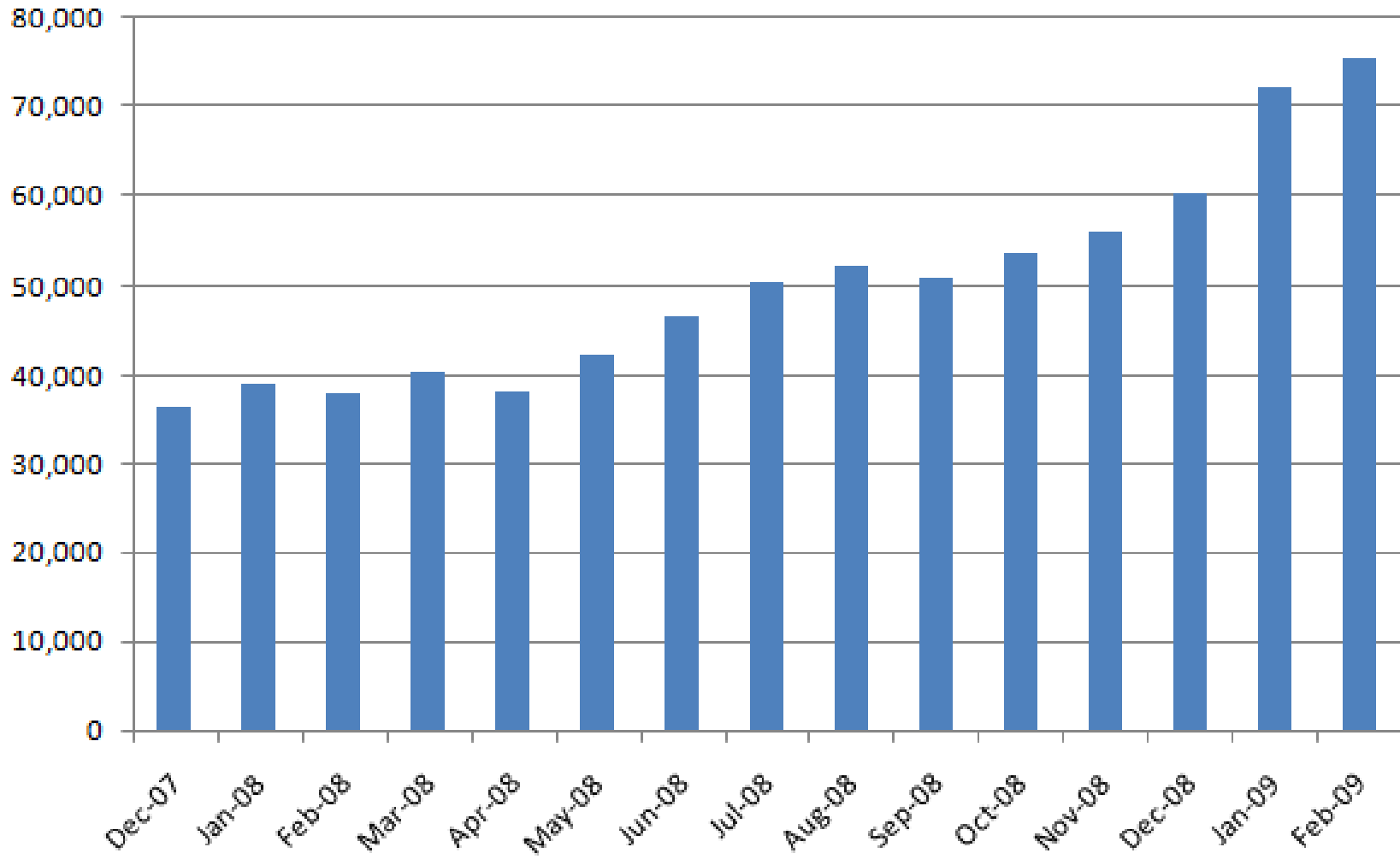


Alameda County Unemployment Rate Since Recession Began



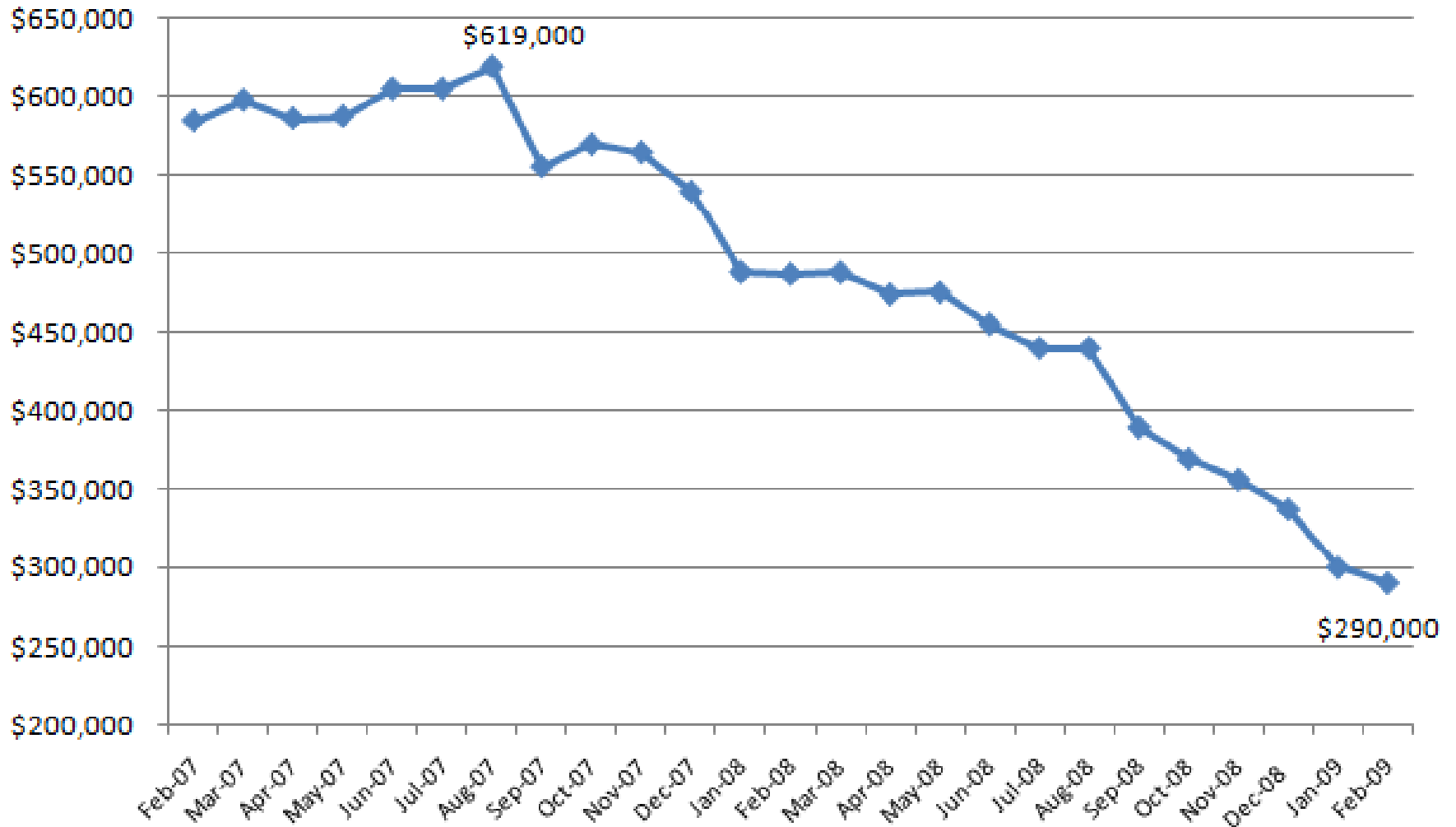


Unemployed People, Alameda County



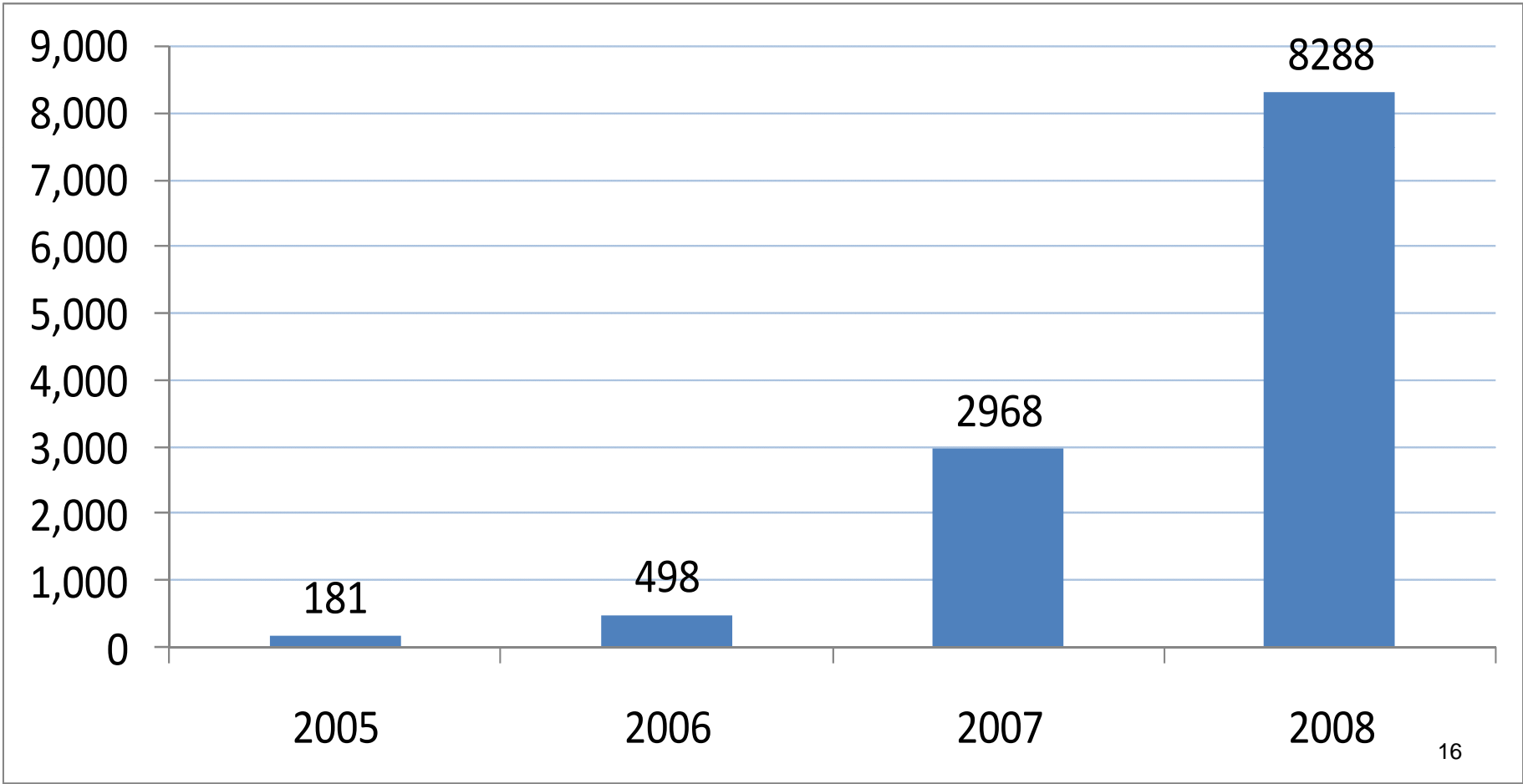


Alameda County Median Home Values



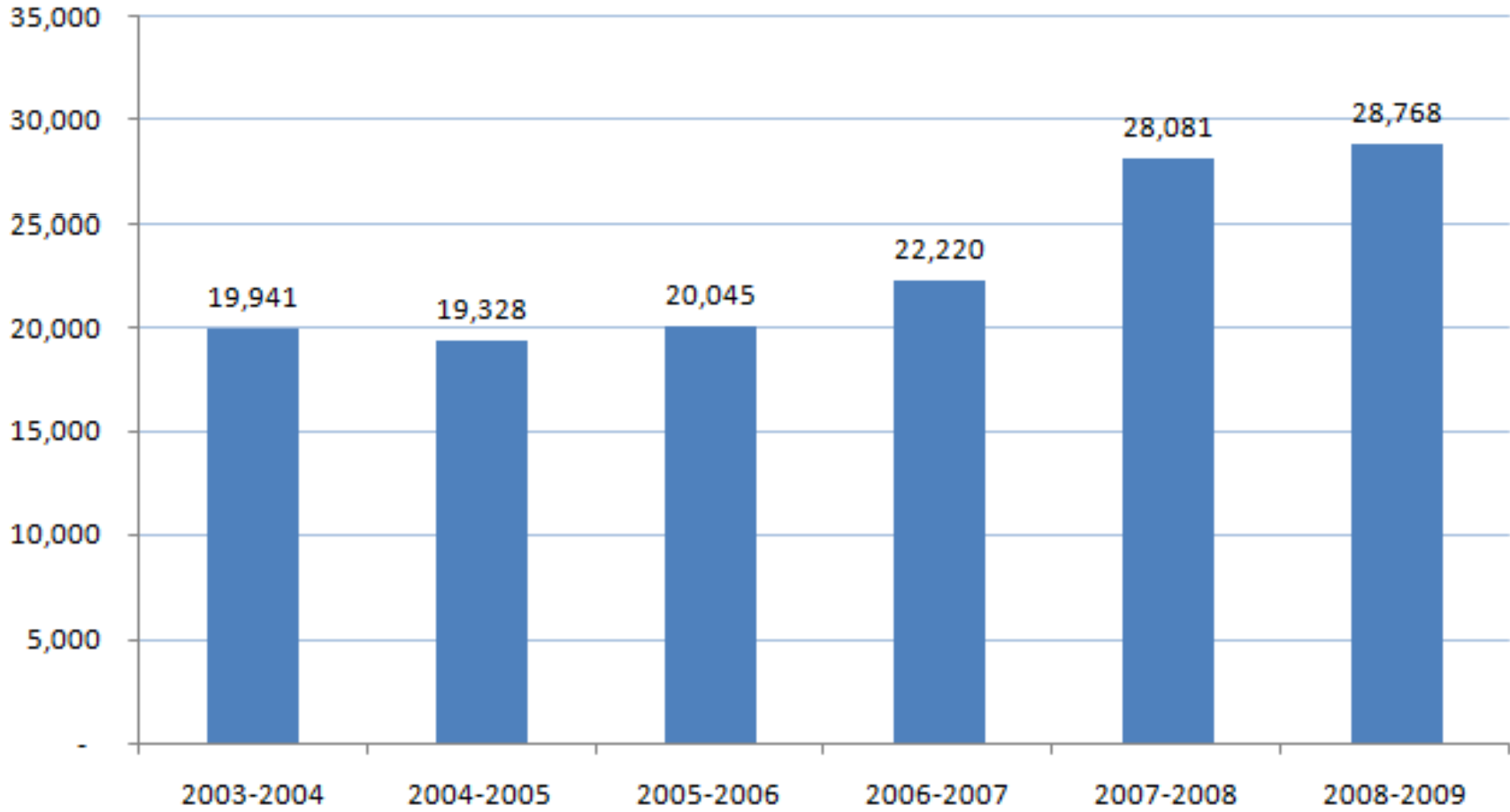


Alameda County Property Foreclosures





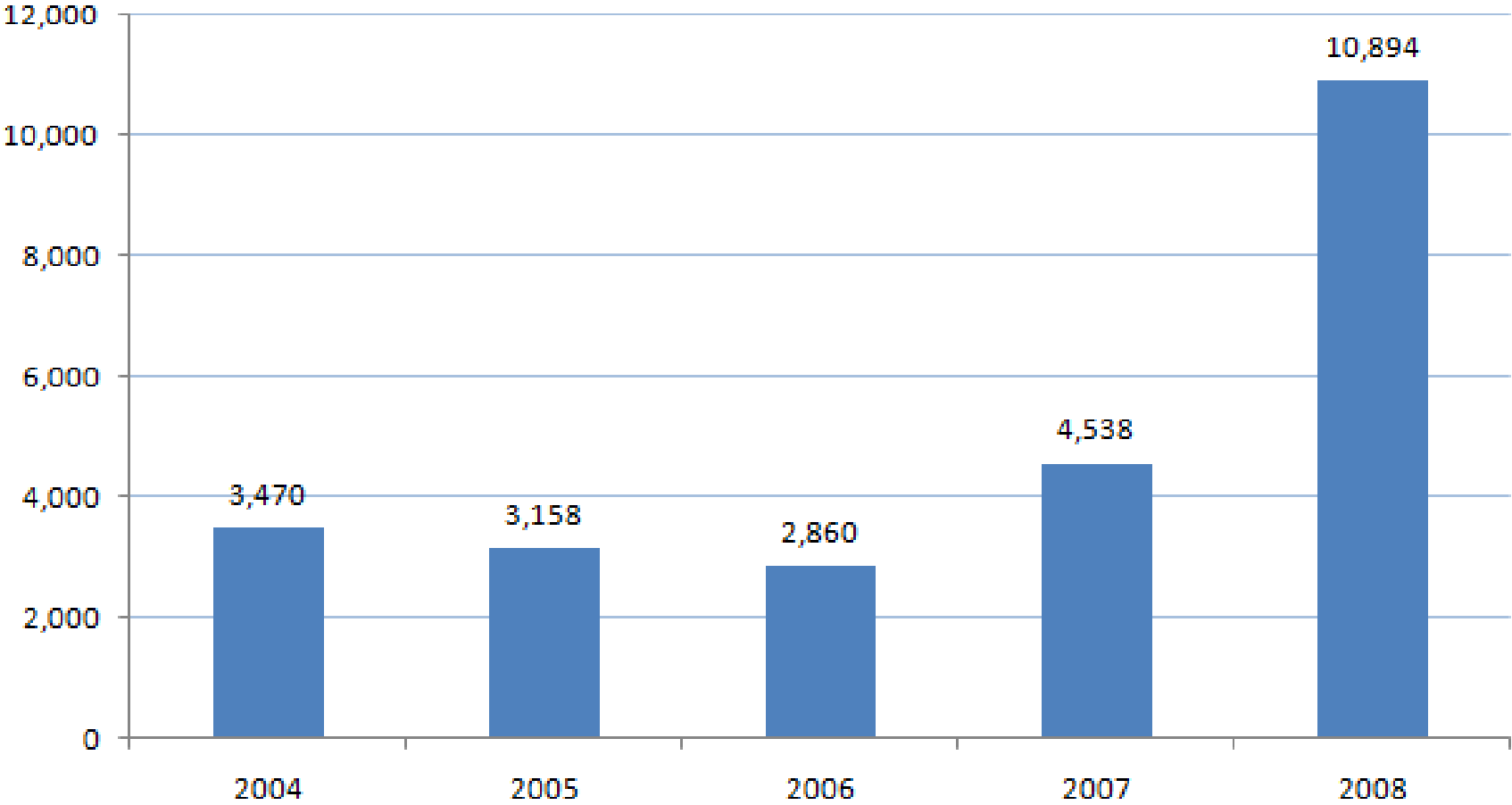
Alameda County Delinquent Property Tax Payments



Represents delinquent 1st property tax payments



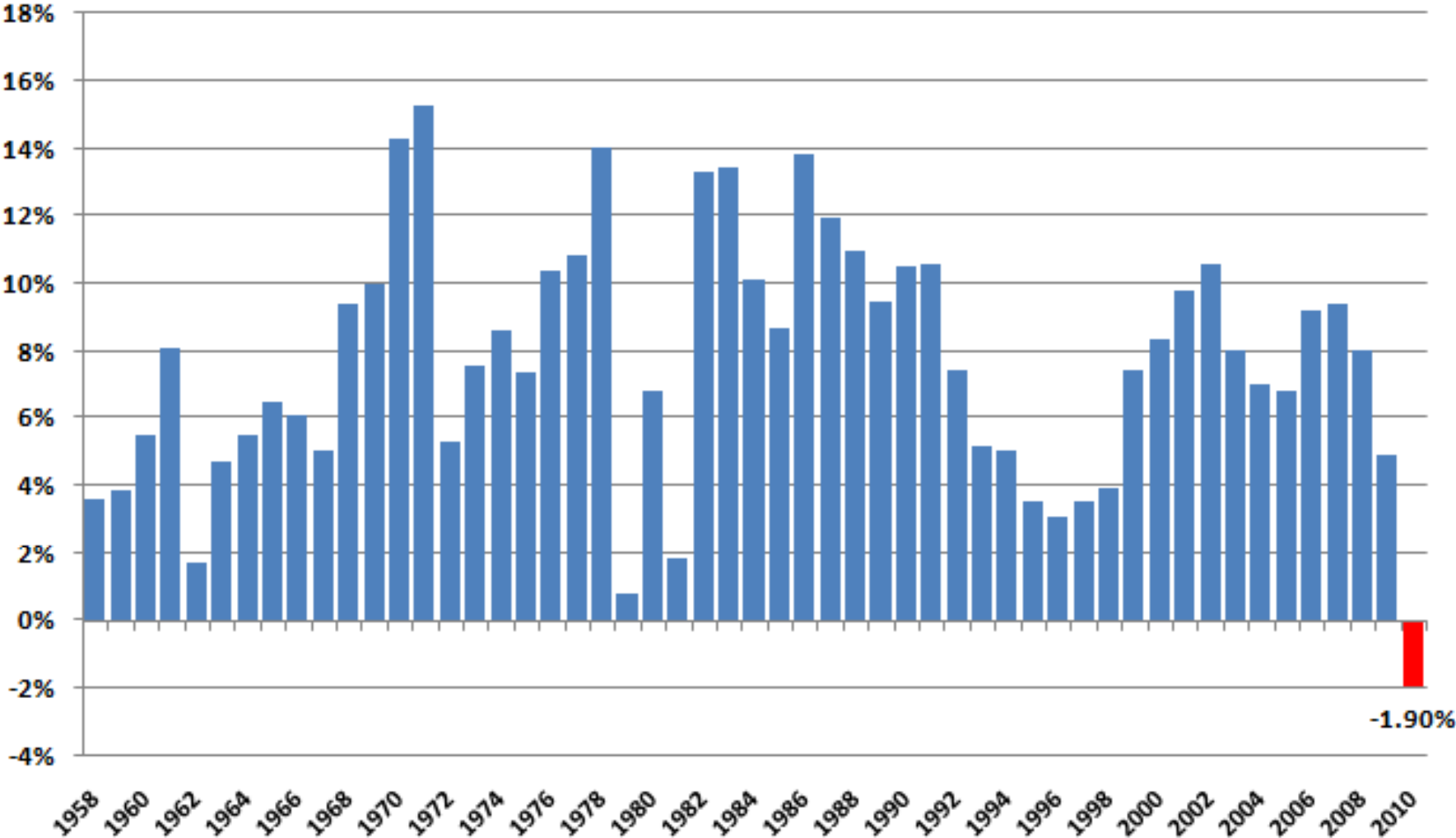
Alameda County Assessment Appeals Filed



Note: Filings for 2008 continue until July 1, 2009.

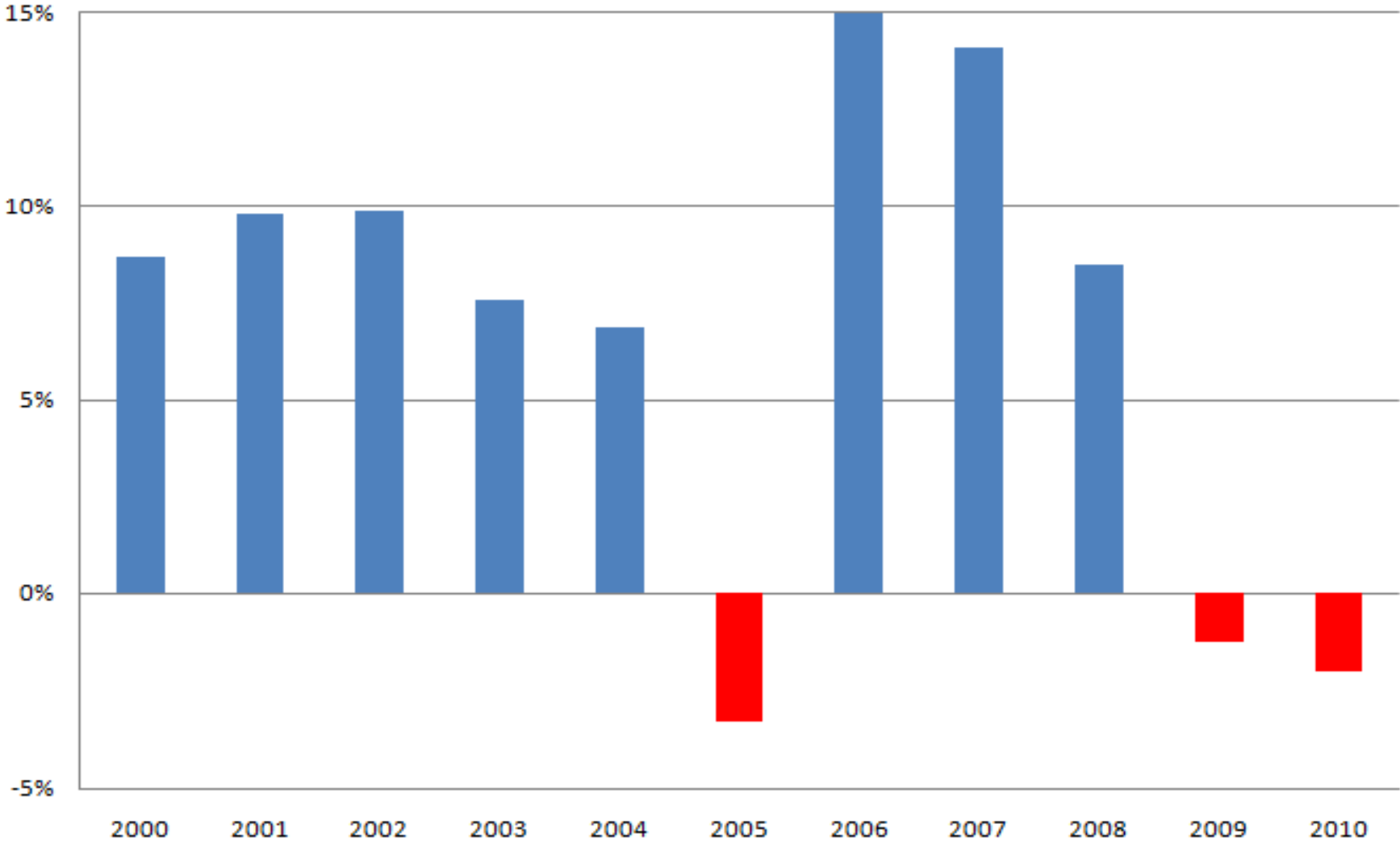


Assessment Roll Growth Alameda County



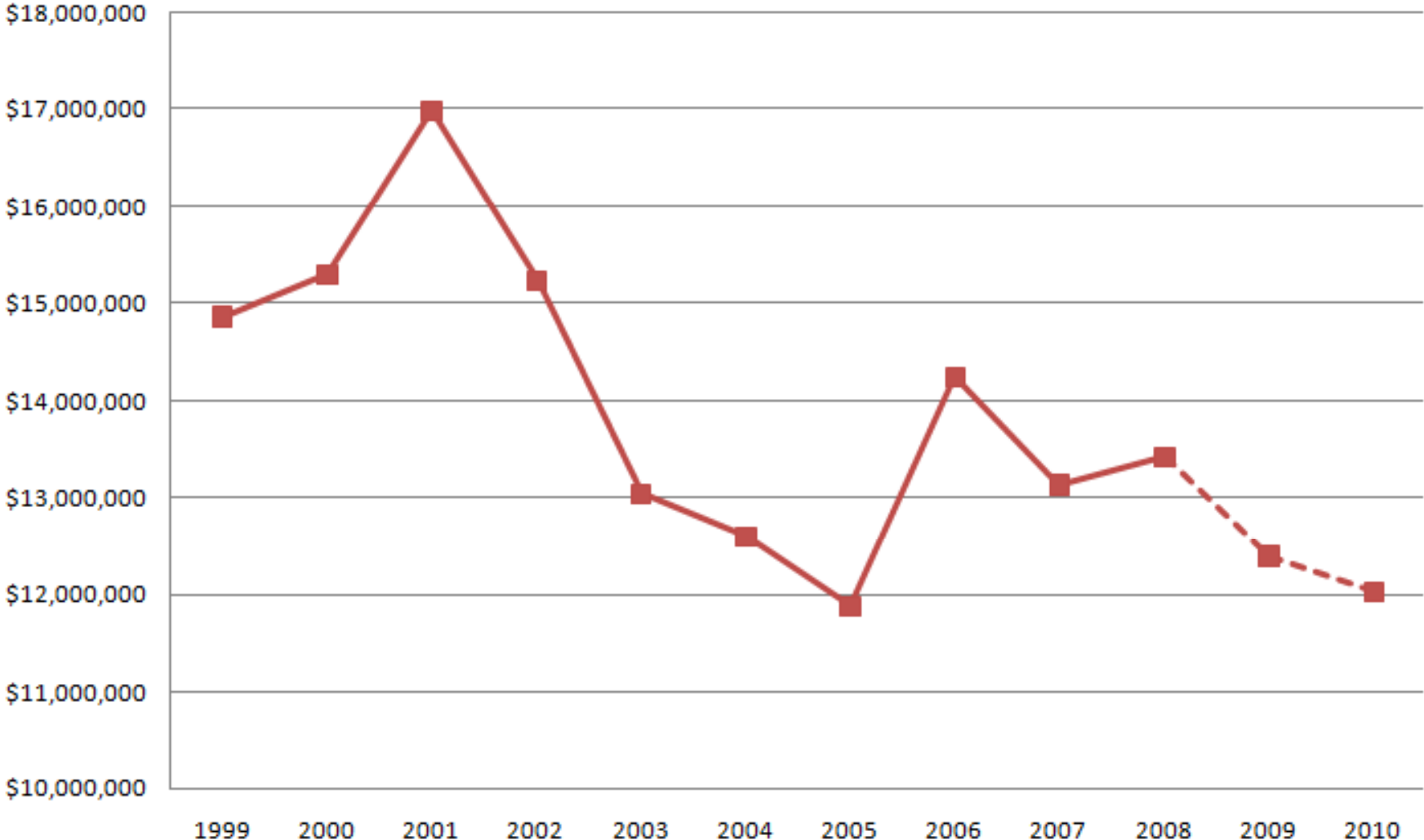


Secured Property Tax Percent Change



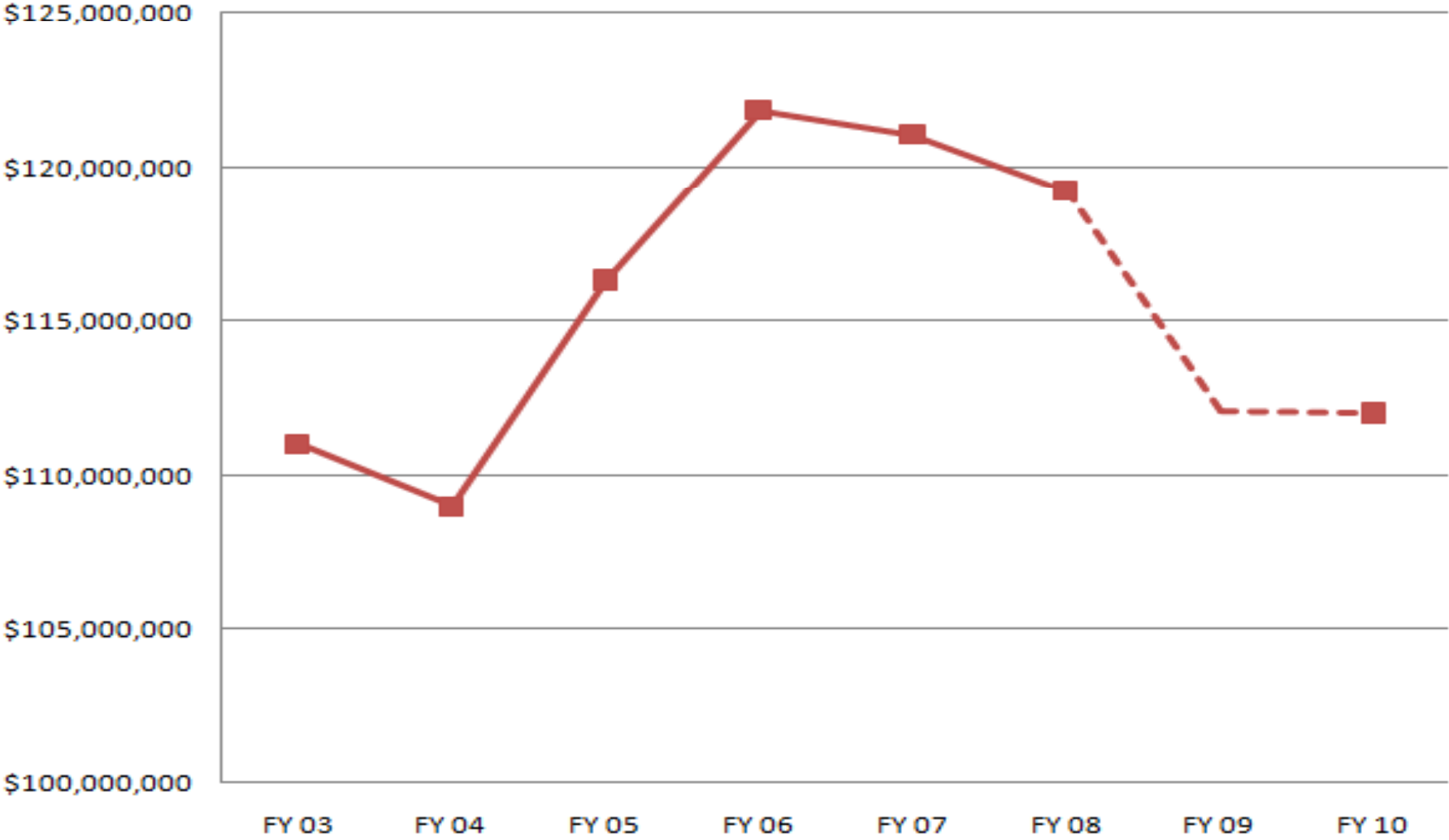


Sales Tax Revenues



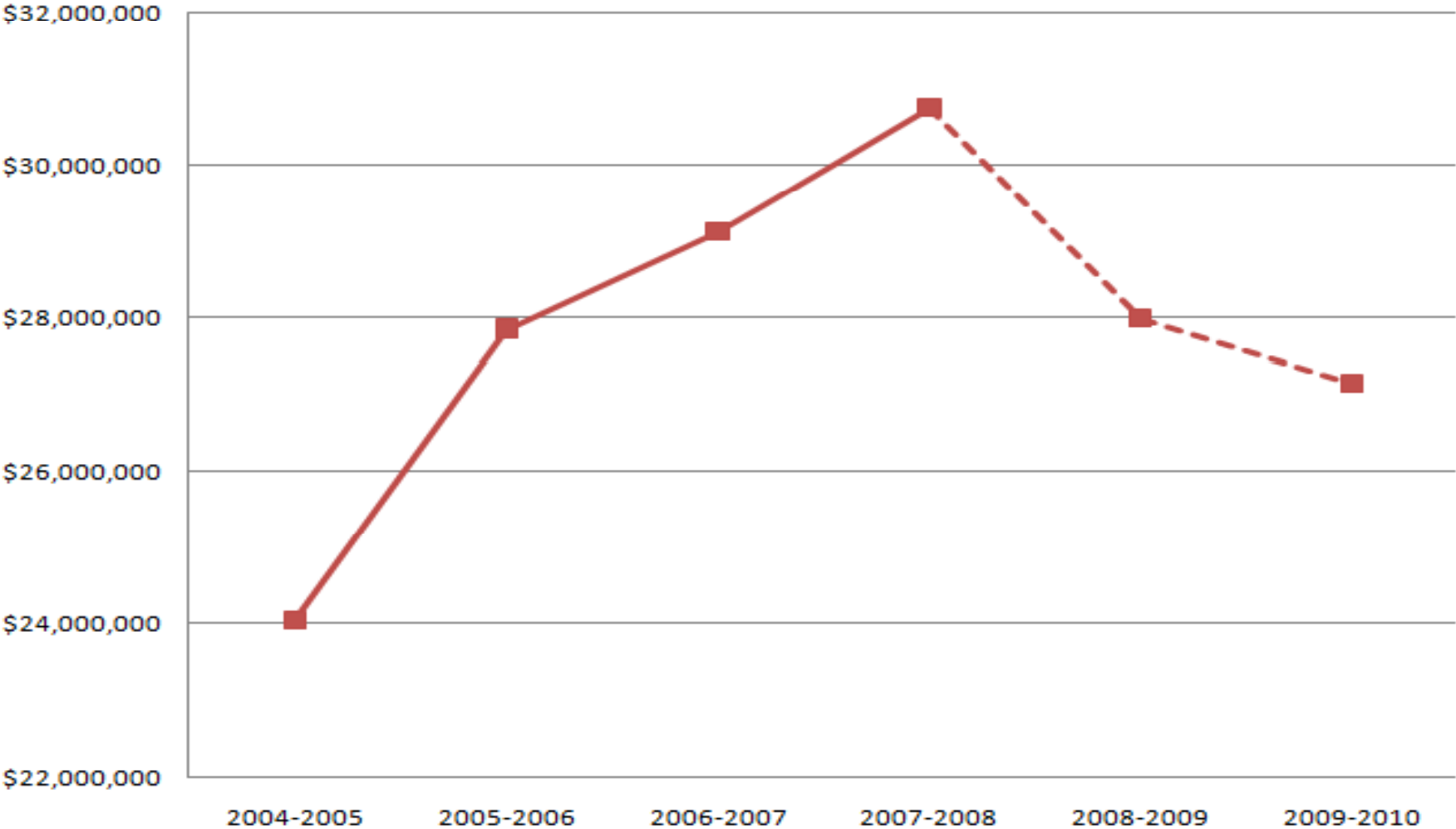


Prop. 172 Sales Tax Revenues



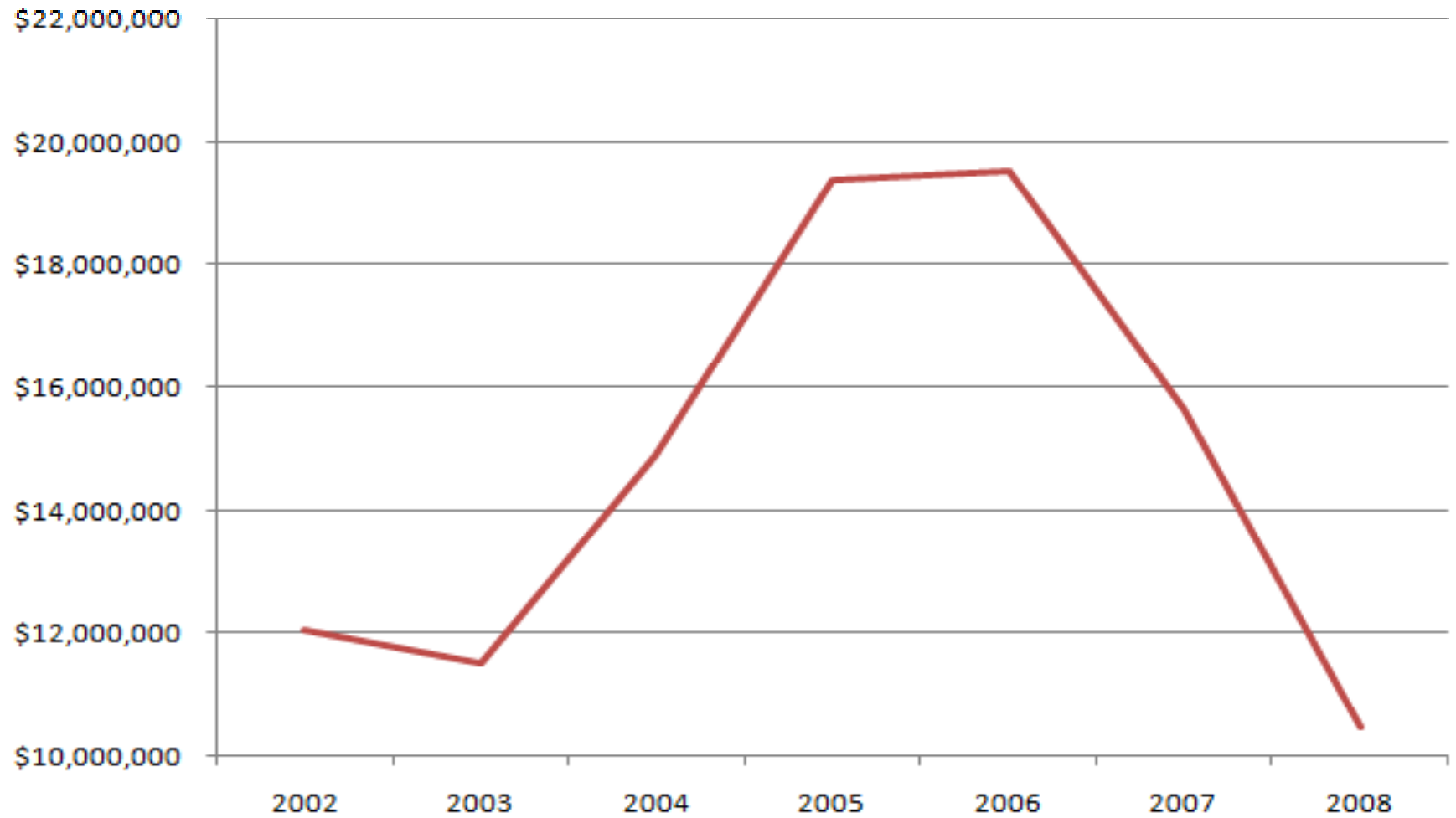


Measure A Revenues



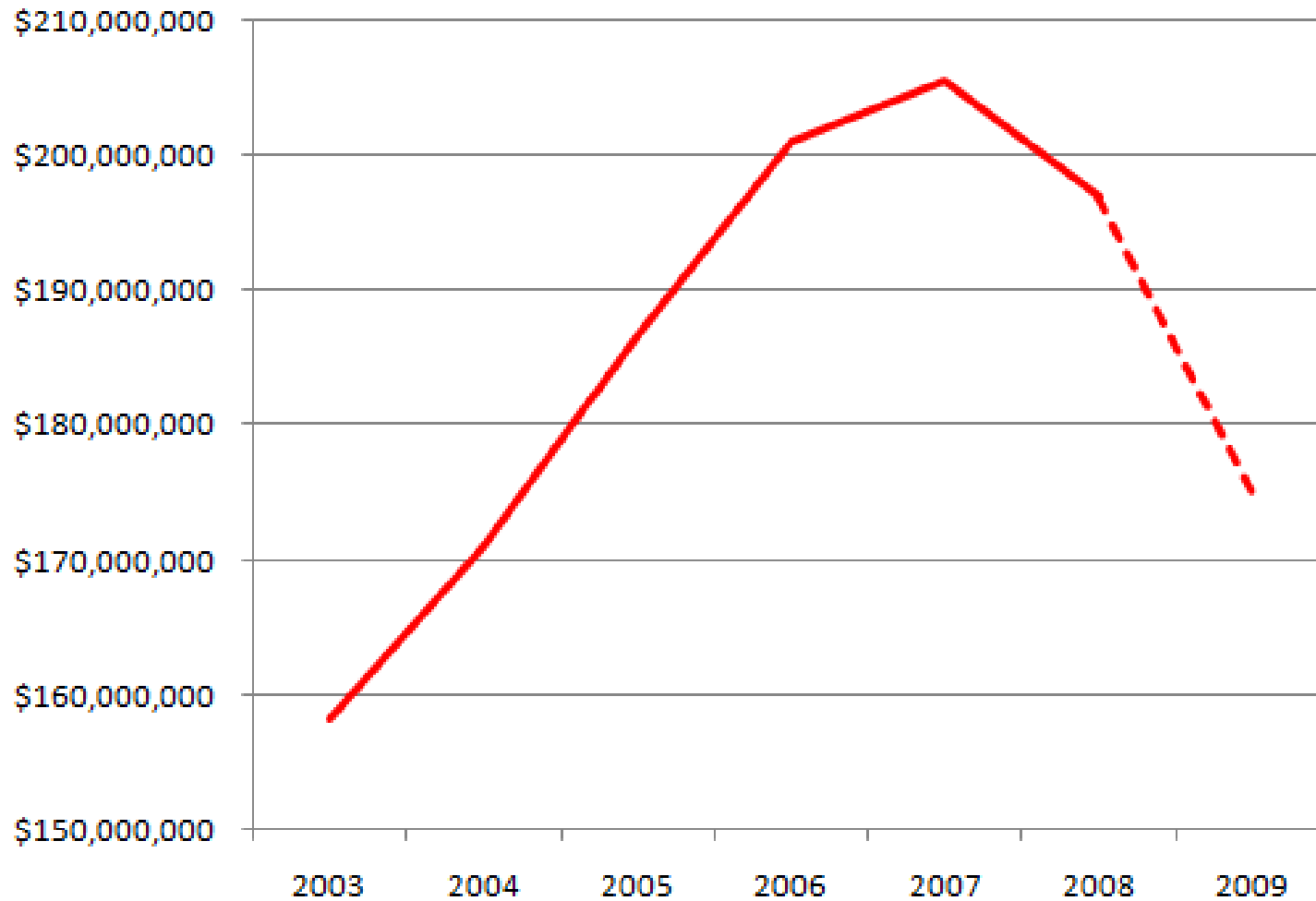


Documentary Transfer Tax



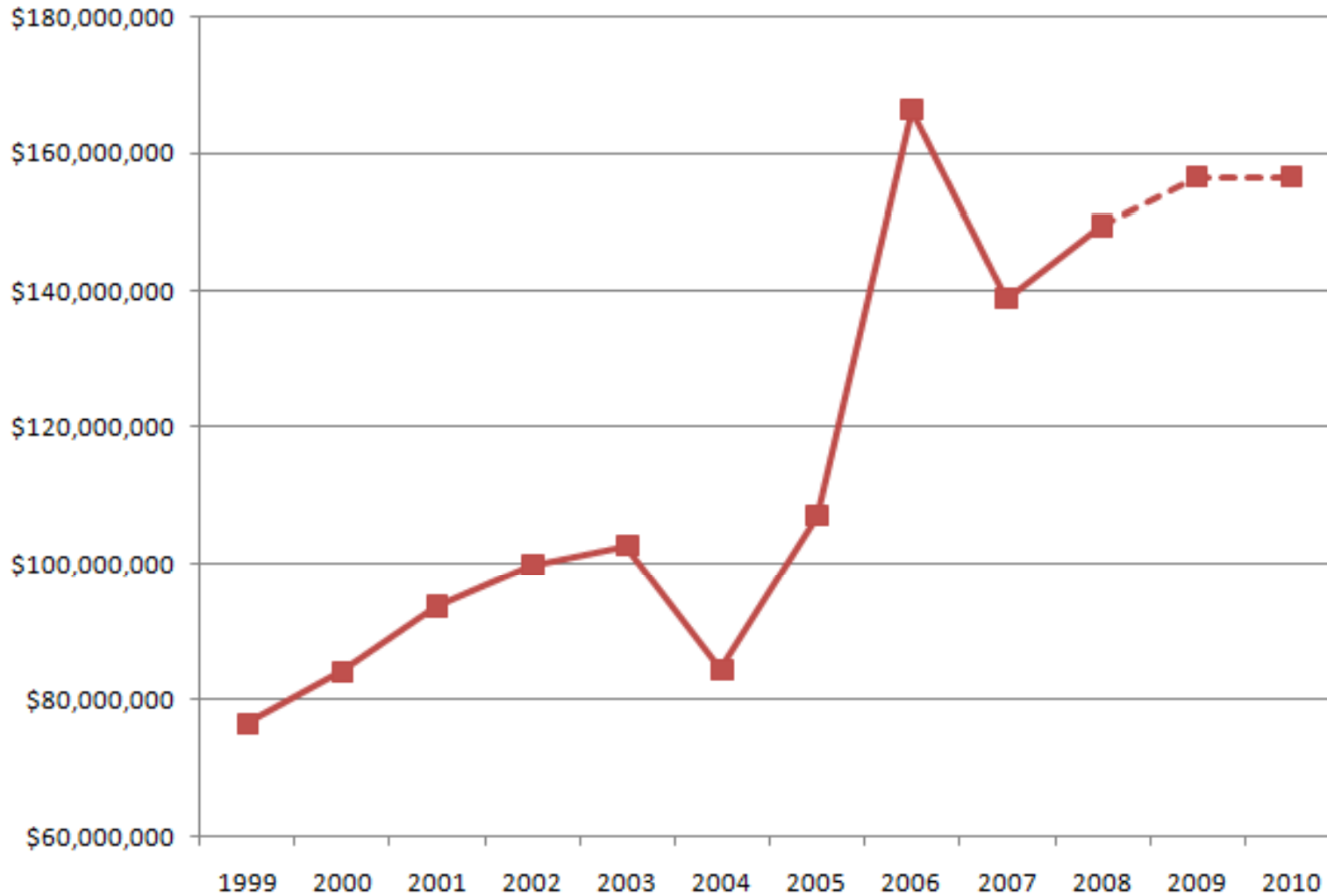


Realignment Revenues



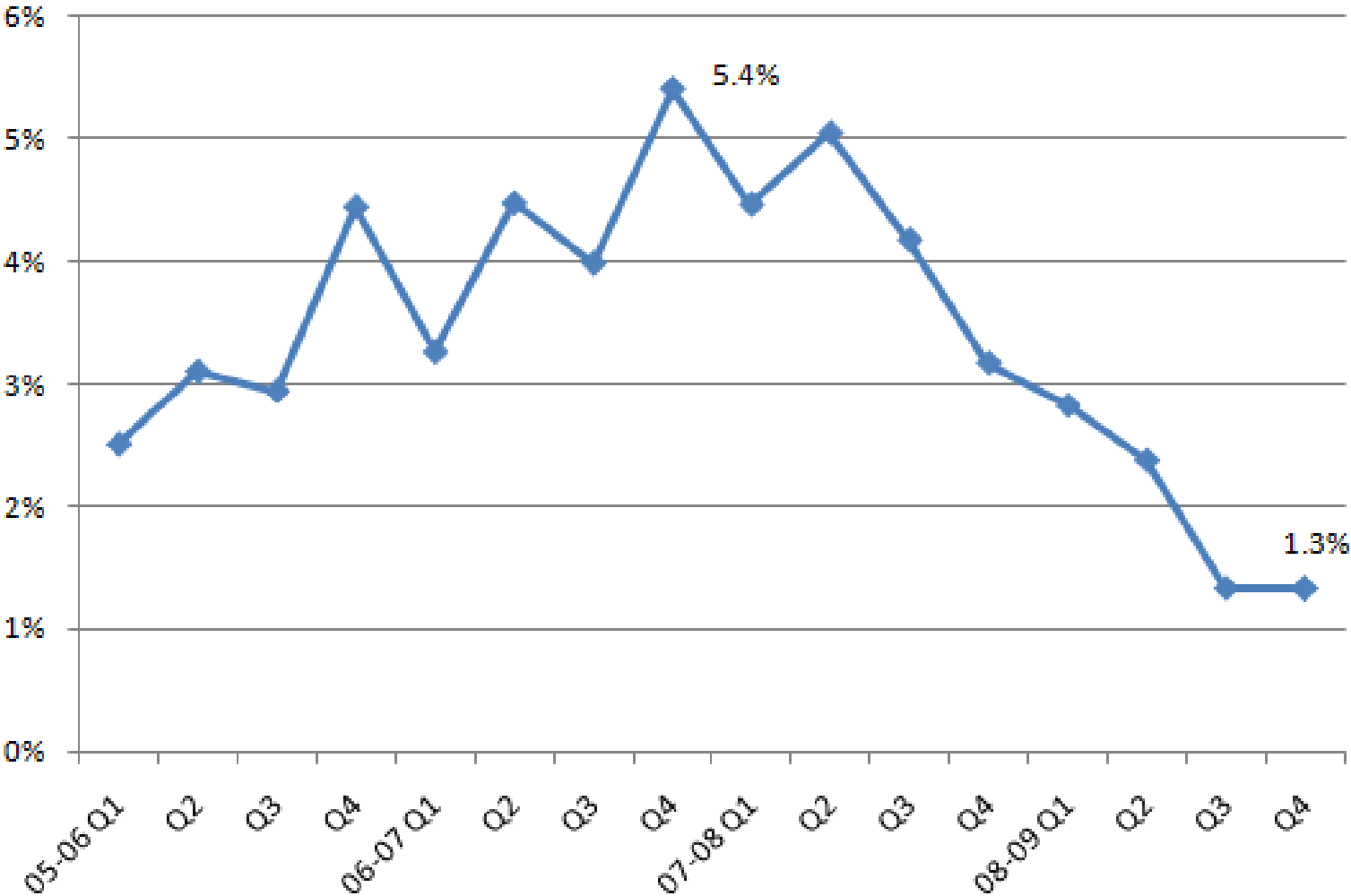


Motor Vehicle ERAF Revenues





Quarterly Interest Rate for Investment Pool





FY 08-09 Unincorporated Revenues year-to-date

- ❑ Business License Tax -14% (budgeted: no change)
- ❑ Utility Users' Tax +14% (budgeted: +18%)
- ❑ Hotel/Lodging Tax -10% (budgeted: +6%)



Federal Budget Update



Federal Budget Update

- ❑ President's budget outline seeks \$3.5 trillion for FFY 09-10
- ❑ Includes substantial investments in health care reform, renewable energy and education
- ❑ Includes funding for Iraq, Afghanistan
- ❑ Almost \$1.1 trillion in non-emergency discretionary spending
- ❑ Likely another \$2.1 trillion in mandatory spending, including funding for Medicare and Social Security
- ❑ Tax changes reduce revenues by \$2.1 trillion over 10 years
- ❑ House and Senate approved non-binding budget resolutions with reservations about spending
- ❑ Congress to return on April 20
- ❑ CBO: FFY 08-09 deficit: \$1.8 trillion; \$1.4 trillion in FFY 09-10.



American Recovery and Reinvestment Act of 2009

-
- Signed into law by President Obama on February 17, 2009
 - Five stated purposes:
 - To preserve and create jobs
 - To assist those most impacted by recession
 - To spur technological advances in science and health
 - To invest in transportation, environmental protection and other infrastructure
 - To stabilize State and local budgets



American Recovery and Reinvestment Act of 2009

- Total cost: \$787 billion
 - \$355 billion for upgrades to transportation, infrastructure, construction, health care programs, education, housing and energy projects
 - \$144 billion in State and local assistance
 - \$288 billion in personal and business tax credits



American Recovery and Reinvestment Act of 2009

- Will boost spending in 2009 by \$120 billion
- Lower revenues by \$65 billion
- Funding to local governments a combination of formula and competitive grants
- Some formula funding already flowing to states and local governments. Competitive grant guidance and deadlines coming out daily
- California funding not enough to trigger restoration of State budget cuts



American Recovery and Reinvestment Act of 2009 – Areas County Pursuing

- ❑ Bay Area Recovery Plan
- ❑ Child Care Services
- ❑ Public Protection Services
- ❑ Energy Efficiency
- ❑ Housing & Community Development
- ❑ Telecommunications
- ❑ Transportation



2009-10 State Budget Update



FY 2009-10 State Budget

- On February 20, 2009, Governor signed State Budget bill package after declaring three fiscal emergencies and lengthy deliberations by Legislature.
- Includes \$41.6 billion in budget solutions to close an estimated FY 2009-10 year-end deficit of \$39.6 billion and establish a \$2.0 billion reserve.



FY 2009-10 State Budget

- Includes:
 - \$15.3 billion – Spending cuts
 - \$12.5 billion – Revenue increases
 - \$8.5 billion – Federal Stimulus funds
 - \$5.3 billion – New borrowing
- Total \$41.6 billion



FY 2009-10 State Budget

- Delays July and August 2009 behavioral health and public assistance payments until September 2009. Preliminary estimated cash flow impact to Alameda County totals \$41.9 million.
- Delays fuel tax payments for one month in FY 2008-09, three months in FY 2009-10. Preliminary estimated impact to Alameda County totals \$5.4 million.



FY 2009-10 State Budget

- LAO projects \$8 billion shortfall due to worsening economy, ongoing structural deficits
- Stimulus package will not “trigger” restoration of State cuts to social services
- Assumes passage of 6 ballot initiatives worth \$6B
- All subject to revision in June, 2009



FY 2009-10 State Budget

- Additional cuts to Alameda County resulting from lack of federal stimulus “trigger”:
 - Reduction in State share of IHSS worker wages from \$11.50/hour to \$9.50/hour
 - Elimination of optional Medi-Cal optional benefits
 - Reduction of SSI/SSP benefits by additional 2.2%
 - Reduction of monthly CalWORKs payments by about 4%
- Other State budget actions resulting from lack of trigger:
 - \$100 million reduction to Courts
 - Increase in personal income tax rate by 0.25%



FY 2009-10 State Budget

- Pending factors for In-Home Supportive Services
 - State Budget includes provision that will decrease support of IHSS by eliminating State share of cost for wages in excess of \$9.50 per hour (current wage is \$11.50/hour)
 - If IHSS wages remain at \$11.50/hour, County would experience \$16.3 million increase in costs
 - Long-term impact of State budget cuts will outweigh short-term benefits from federal stimulus funds



FY 2009-10 State Budget

- State Budget Impacts
 - Impacts included in Maintenance of Effort Budget:
\$2 million
 - Additional impacts from adopted FY 09-10 State Budget:
\$3-5 million
 - Impacts due to April 1 “trigger”: up to \$16 million
 - Potential impacts due to May 19 election: unknown
 - Potential May/June Revise impacts due to revenue shortfalls:
unknown



May 19, 2009 Special Election

- Includes six provisions that require voter approval on a May 19 special election ballot for which no specific reimbursement has been identified. Of the six, the following may have financial impact on the County:



May 19, 2009 Special Election

- **Proposition 1A** - Increases size of state “rainy day” fund from 5% to 12.5% of the General Fund.



May 19, 2009 Special Election

- Several tax increases tied to Proposition 1A:
 - Extends 1% increase in the state sales tax rate to June 30, 2012.
 - Extends surcharge equal to 0.25 % of personal income tax liability through tax year 2012.



May 19, 2009 Special Election

- Extends reduction in Personal Income Tax dependent care credit through 2012
- Extends by two years the increase in the Vehicle License Fee (VLF) rate from 0.65% to 1.15%



May 19, 2009 Special Election

- **Proposition 1D** – Redirects significant portion of Proposition 10 California Children and Families Act (First 5 Program) funds to other state health and human services programs for children up to age five. Applies to fiscal years 2009-10 through 2013-14.

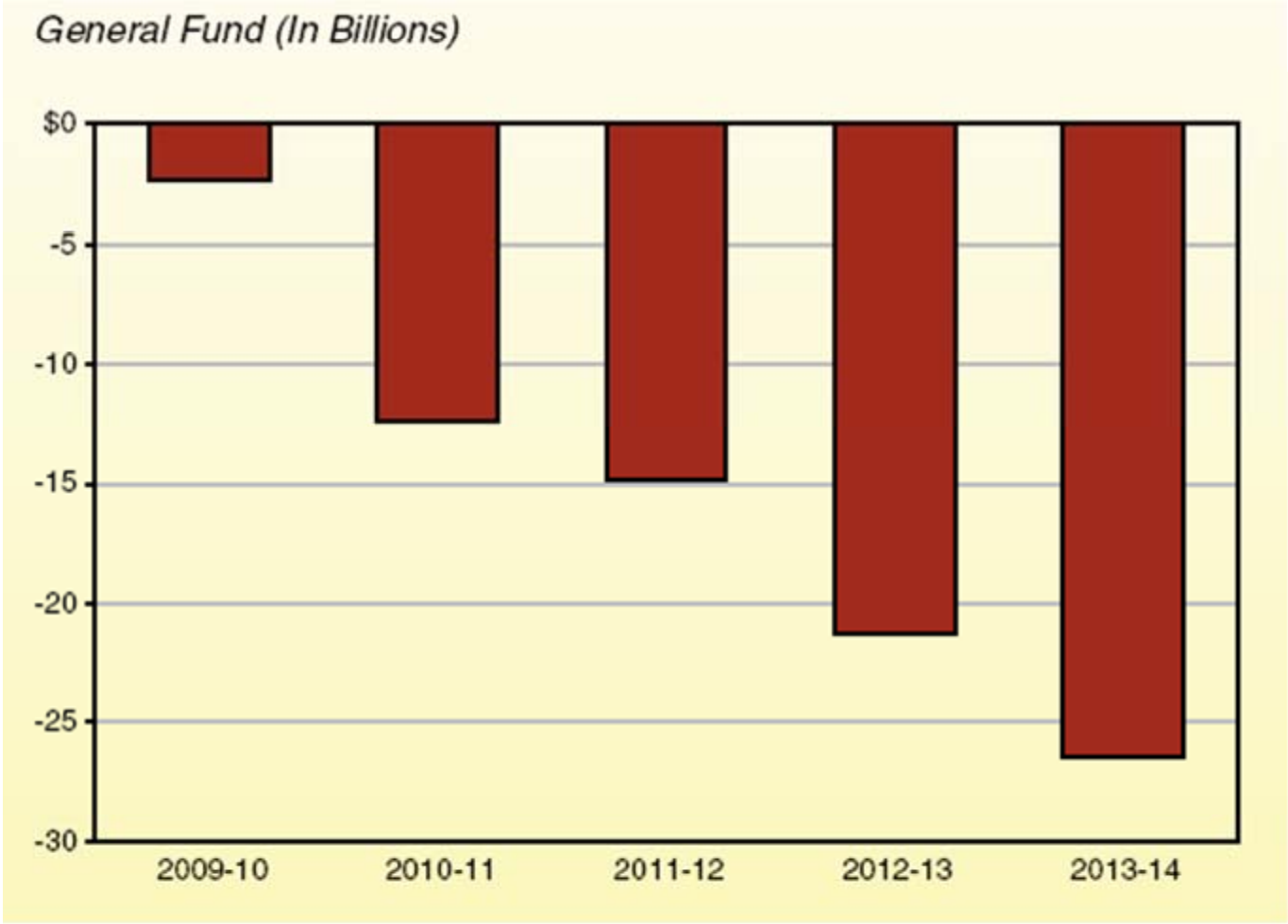


May 19, 2009 Special Election

- **Proposition 1E** - Amends Mental Health Services Act (Proposition 63) to transfer funds, for a two-year period, from mental health programs under that act to pay for mental health services for children and young adults provided through the Early and Periodic Screening, Diagnosis, and Treatment Program.



State Operating Shortfalls Projected to Grow

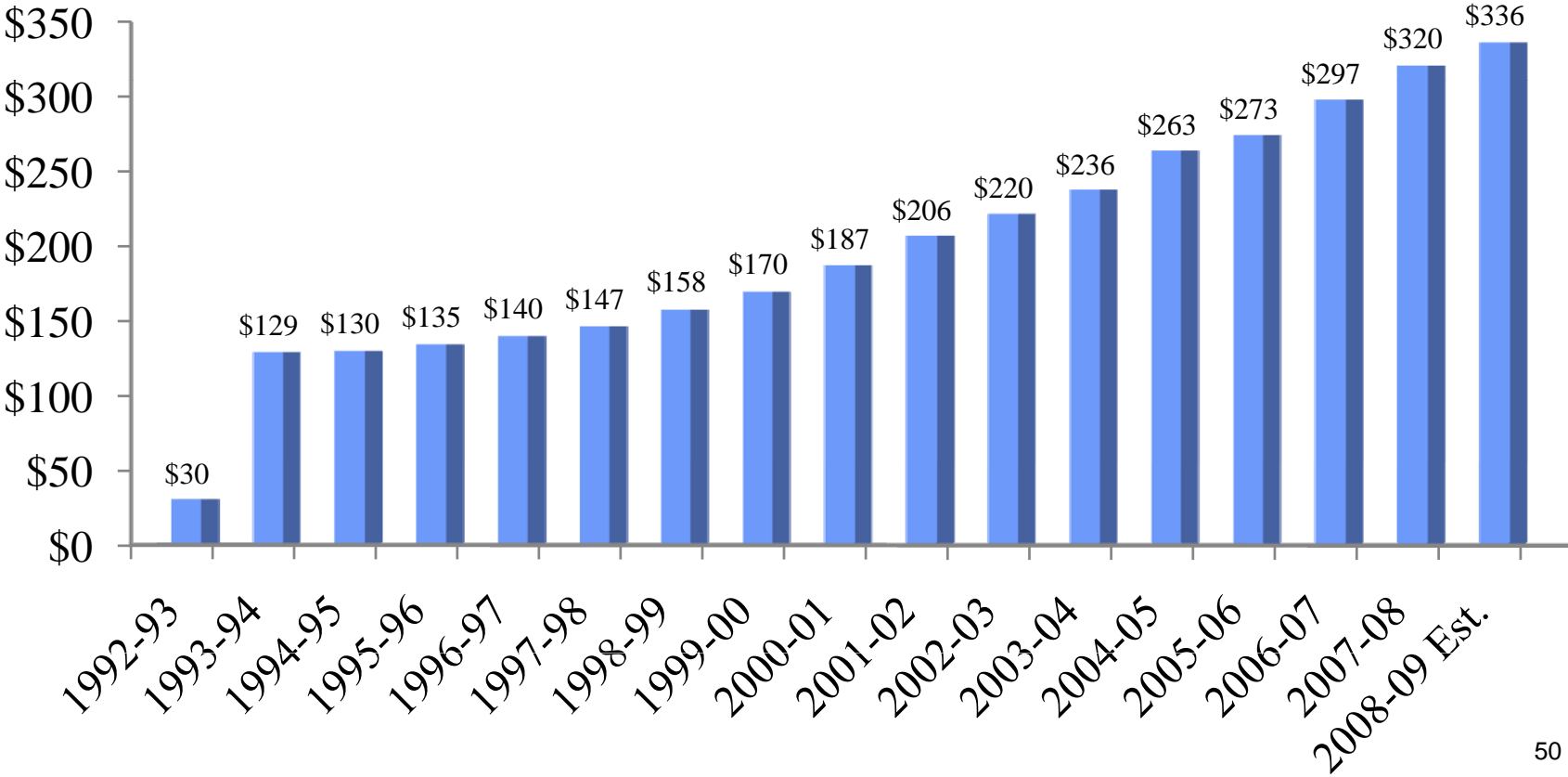


Source: Legislative Analyst's Office, March, 13, 2009.



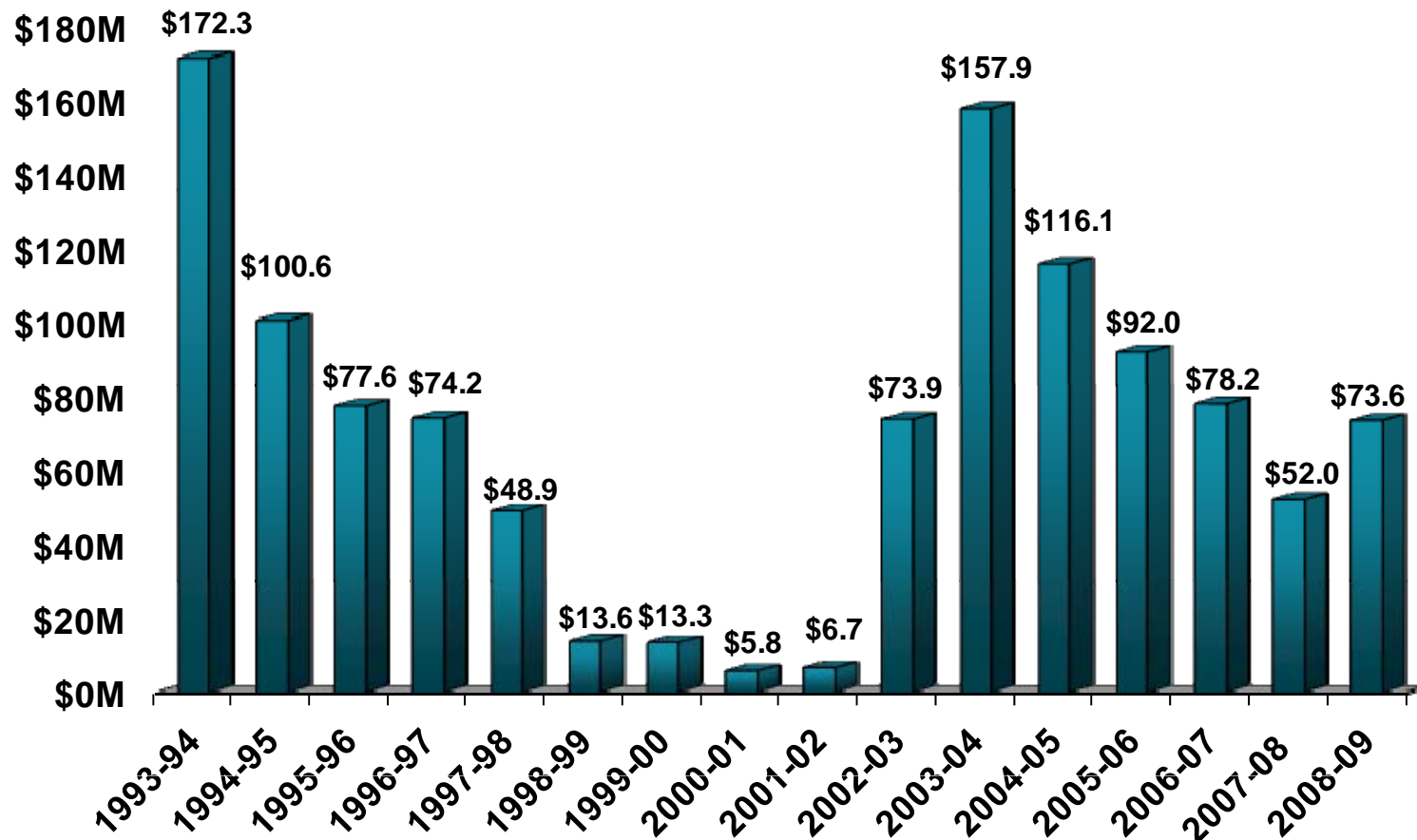
ERAF Losses by Year (Education Revenue Augmentation Fund)

Cumulative loss through 2008-09 is \$3.4 Billion





Funding Gaps Since ERAF Intercept



Recession in private sector





Alameda County Budget Reductions Since ERAF

- Since ERAF, Alameda County has closed funding gaps totaling \$1,279 M and cut 2,755 full-time equivalent positions
- In the last six years, Alameda County has closed funding gaps totaling \$570 M and cut 1,056 full-time equivalent positions



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 MOE

- ❑ Federal and State budget deficits
- ❑ Greater demand for services
- ❑ Higher cost of doing business
- ❑ Economic downturn is impacting revenues and expenses
- ❑ Financial markets impacting retirement fund



FY 2009-10 MOE Budget - All Funds

	FY 2008-09	FY 2009-10 MOE	Inc/ (Dec)	% Change
Appropriation (in millions)	\$2,395.2	\$2,518.2	\$123.0	5.1%
Revenue	\$2,395.2	\$2,340.6	(\$54.6)	(2.3%)
Funding Gap	\$0.0	\$177.6	\$177.6	
F.T.E. Positions	9,316.71	9,266.77	(49.94)	(0.5%)



Major Elements of 2009-10 MOE General/Grant/Measure A Funds

	2008-09 FINAL	2009-10 MOE	Change	% Change
Expenditures	\$2,051.0	\$2,169.8	\$118.8	5.8%
Program Revenue	\$1479.6	\$1,470.7	(\$8.9)	(0.6%)
Non Program Revenue	\$517.7	\$521.4	\$3.7	0.7%
One-Time Funding/FMR	\$53.7	\$0.00	(\$53.7)	
Total Financing	\$2,051.0	\$1,992.1	(\$58.9)	(2.9%)
Funding Gap	\$0.00	\$177.6	\$177.6	
F.T.E.	7,549.45	7,498.93	(50.52)	(0.7%)



FY 2009-10 MOE - Expenditures

<u>2008-09</u>	<u>2009-10</u>	<u>Inc/(Dec)</u>	<u>%</u>
\$2,051.0M	\$2,169.8M	\$ 118.8	5.8%

Major Components:

- Retirement contribution from investment losses
- Salary & Employee Benefit cost-of-living increases
- Caseload/workload increases
- Cost-of-living increases for Community-Based Organizations & APMC
- 1% of discretionary revenue for Capital Projects
- 1% of discretionary revenue for Reserves
- Grant Fund adjustments



FY 2009-10 MOE - Revenues

<u>2008-09</u>	<u>2009-10</u>	<u>Inc/(Dec)</u>	<u>%</u>
\$2,051.0M	\$1,992.2M	(\$ 58.8)	(2.9%)

Major Components:

- ❑ Decreased program revenues
- ❑ Decreases from declining property values: property tax, transfer tax, recording fees
- ❑ Decreases from declining sales: Measure A 1/2 sales tax, Prop. 172 public safety sales tax
- ❑ Decreased State realignment revenue
- ❑ Loss of one-time funding
- ❑ Increased grant revenues



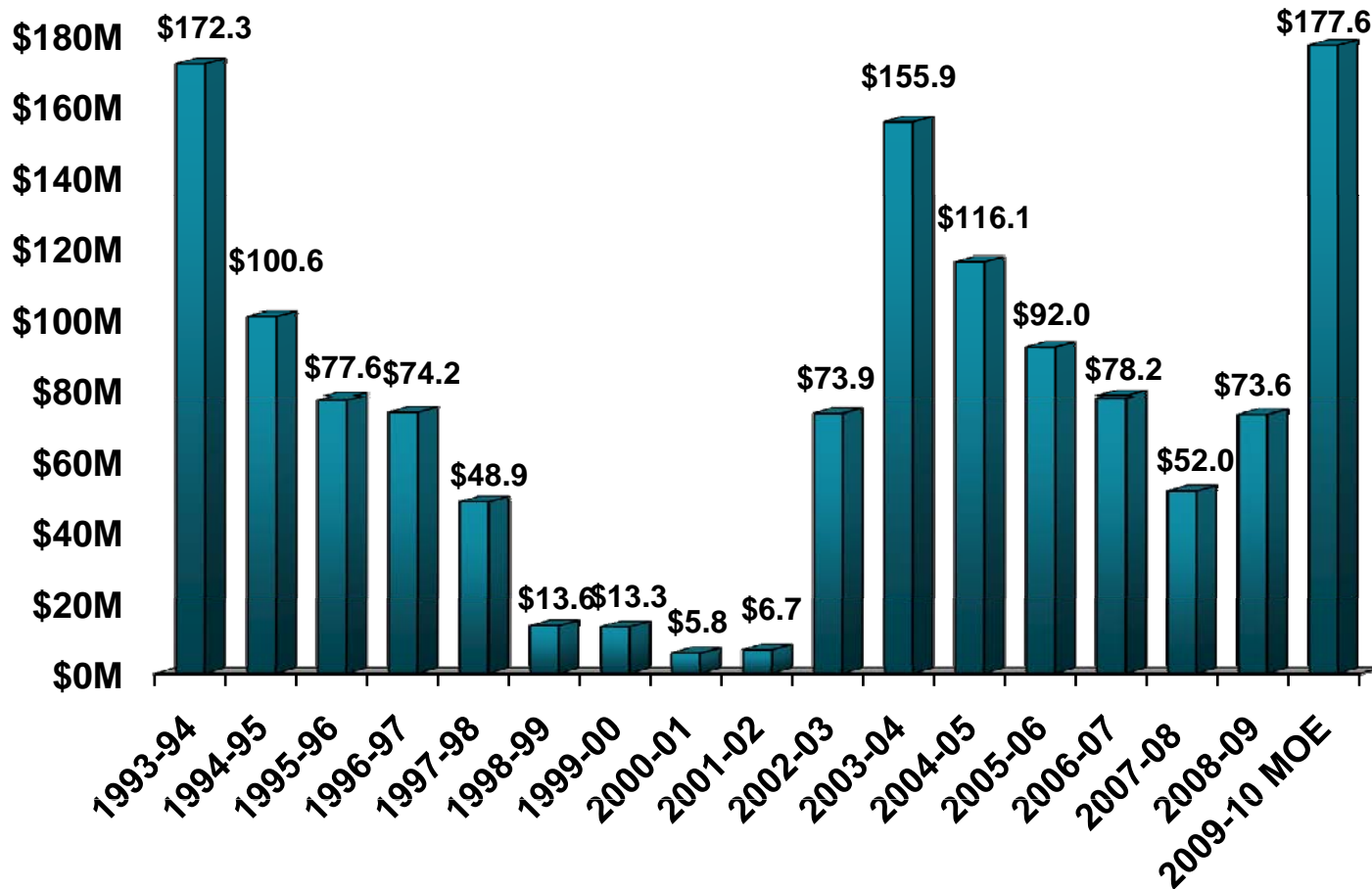
ERAF Losses by Year (Education Revenue Augmentation Fund)

Cumulative loss through 2009-10 is \$3.7 Billion





Funding Gaps Since ERAF Intercept





Closing the Gap

- Revenue Enhancements
- Program Reductions
- Countywide Strategies



Pending Factors & Outlook

- ❑ Continued downturn in economy impacting revenues
- ❑ Rising caseloads
- ❑ Rising borrowing/debt financing costs
- ❑ Pending labor negotiations
- ❑ May 19 Special Election
- ❑ 2009-10 State Budget – May/June Revise
- ❑ Federal Stimulus plan
- ❑ County Capital and Operating Needs