



\$3.1 Billion Budget Proposed for Alameda County

- Proposed \$3.1 Billion Budget Would Close \$65.9 Million Funding Gap
- Includes Investments to Address Affordable Housing, Homelessness, Aging Infrastructure
- Benefits of Strong Economy Offset by Continued High Demand for Services
- Uncertainty About Federal, State Funding Complicates Financial Picture

Alameda County Administrator Susan S. Muranishi has proposed a \$3.1 billion County Budget for FY 2018-19 that is balanced and would close a \$65.9 million funding gap without significant reductions to services or staff.

Muranishi said the proposed spending plan includes funding increases to community service providers, allows the County to continue building its financial reserves, and supports a workforce of more than 9,700 employees. It also expands funding for initiatives addressing some of the County's most difficult challenges – including the lack of affordable housing, chronic homelessness, and maintenance and improvement of aging infrastructure. These efforts benefit from a strong regional economy and energized housing market that continue to provide much-needed revenues to the County.

The Proposed Budget was presented Tuesday to the Alameda County Board of Supervisors against a backdrop of concern about what lies ahead. While County finances are sound, the current economic expansion is less than a month shy of becoming the longest in modern history. Many economists are predicting a recession within the next two years, which will create significant challenges in funding services for County residents.

As it is, the task of keeping the County's budget in balance is complicated by many factors, including rising employee salary and benefit costs, growing pension obligations, and expanding financial responsibility for mandated services such as In-Home Supportive Services for the elderly and disabled.

Even as local communities benefit from the region's robust economy – including an unemployment rate that is about half of what it was four years ago – demand for County-administered safety net services remains high. Soaring home prices and a lack of affordable housing surely play a role, as relatively sluggish wage growth for lower- and middle-income workers results in many residents – even those working full-time – struggling to make ends meet.

"Our resources remain under significant strain, as many residents find it extremely difficult to cover the costs of housing and other basic necessities," said Wilma Chan, President of the Alameda County Board of Supervisors.

Rising real estate values have fueled a nearly 7 percent increase in the County's assessment roll, resulting in increased revenues for the County. This helps the County fund increases to many of the Community Based Organizations (CBOs) that receive County General Fund support. As proposed, annual spending by the County will grow to about \$558 million to the 332 CBOs that provide health and human services, housing, community development, and public safety services.





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This year's \$65.9 million funding gap underscores the fact that – even with bolstered property tax revenue – Alameda County is grappling with a structural deficit in which State and federal funding combined with limited discretionary revenues continue to fall short of the rising cost of providing services to residents.

The projected funding gap represents the difference between the cost of maintaining existing programs and projected revenues. The Proposed Budget would close more than half of the funding gap by using Fiscal Management Reward savings accrued by County agencies/departments that have operated well within budget to avoid future funding cuts and maintain the continuity of services. With over 60 percent of its General Fund budget supported by State and federal revenue, including Medicaid and Medicare charges for services, uncertainty over those sources add to the complexity of Alameda County's fiscal outlook.

The sweeping tax cuts signed by President Trump in late 2017 have prompted predictions of spiraling federal deficits, which over time could result in cuts to safety net programs and a rise in interest rates that could slow down the economy and make it more expensive for local governments to finance capital projects. Threatened moves to weaken the Affordable Care Act (ACA) would also negatively impact the County's health care delivery system, while grants funding vital law enforcement services may be at risk as the US Department of Justice considers shifting eligibility requirements based on compliance with current immigration priorities.

Questions about State support for local government also persist. With State finances surging amid California's continued economic expansion, Governor Brown remains committed to building State reserves and holding the line on spending for local priorities such as affordable housing, subsidized childcare, and assistance to seniors, undocumented immigrants and other vulnerable populations.

These uncertainties further complicate long-term planning efforts by the Board of Supervisors. Earlier this year, the Board approved a new strategic plan, "Vision 2026," that outlines County priorities for advancing local communities toward a healthy, prosperous future. Details about the plan are vision2026.acgov.org.

Supervisor Keith Carson, who chairs Alameda County's Budget Workgroup, said fiscal discipline and strong management by County department heads are allowing the County to keep its finances in order without disrupting services. This is no small feat and – with the threat of an economic downturn looming – it's not going to get any easier.

"While our finances are relatively stable during what historically are pretty good times, we've got to get out in front of some looming challenges that await us," Carson said, "If we don't, many vital services in our communities will be placed in peril."

The Proposed Budget will be the focus of Budget Hearings held by the Board of Supervisors June 25-27. The Board is scheduled to adopt the Final Alameda County Budget for 2018-2019 on Friday, June 29. All sessions will be in the Board of Supervisors Chambers, 1221 Oak Street, 5th Floor, Oakland.

CONTACT

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