Alameda County
Fiscal Year 2020-21
Budget Workgroup Meeting

Susan S. Muranishi, County Administrator
Amy Costa, Deputy County Administrator
Melanie Atendido, Principal Analyst
Alma Balmes, Budget Coordinator

May 27, 2020
Overview

- Economic Update
- State and Federal Budget Updates
- FY 2020-21 County Budget Framework
  - Maintenance of Effort (MOE) Budget
  - May Revise Projections
  - State Budget & Federal Assistance
- Pending Factors
- Next Steps
Economic Update
Projected GDP Growth

Contributions to U.S. Real GDP Growth

Forecast

Source: U.S. Bureau of Economic Analysis; CA Department of Finance, May Revision Forecast.
Record Low Retail Sales

Source: LAO; May 18, 2020
California April Jobs Report: 15.5% Unemployment

Source: Legislative Analyst’s Office
Local Unemployment

- **Over 300 employers throughout the County** have submitted Worker Adjustment Retraining Notification (WARN) notices to report temporary or permanent closures or laid off employees, impacting over **37,000 workers**.*

- **Bay Area employers** reported **over 74,000 layoffs in April**

*Includes numbers through May 8, 2020 from the City of Oakland

---

**WARN**

The Worker Adjustment Retraining Notification (WARN) protects employees, their families, and communities by requiring employers to give a 60-day notice to the affected employees and both state and local representatives prior to a plant closing or mass layoff. Federal WARN is applicable only to employers with 100 or more full-time employees. California WARN is applicable to a covered establishment with 75 or more employees full or part-time.
Alameda County – Unemployment Rate (April 2020)

California: 15.5%
National: 14.7%
County: 14.1%

(County 3.8% (March))
COVID-19 Recession

- Swift and dramatic shift in economic landscape
- Historic unemployment
- Increased unanticipated costs for emergency response
- Significant anticipated declines in projected revenue
- Deep spending reductions proposed by the State
- Increased demand for services
State and Federal Budget Updates
Governor’s May Revision projects a deficit of $54 billion

Deficit Reductions include

- Cancels program expansions and spending increases
- Draws down reserves and borrows from special funds
- Reflects savings based upon direction to increase operational efficiencies
  - Negotiations with labor to achieve proposed 10% pay reductions
  - Suspension of nonessential contracts, purchases and travel
- Deferrals for pension and capital outlay projects
- Shifting costs to local government
- Includes $14 billion GF in “trigger cuts” absent additional federal aid
- Use of federal funds
- Tax changes
Federal CARES Act Funding

- **One-time** funds with limited allowable uses
- Expenses between March and December 2020
- **Cannot** be used to backfill revenue losses
- Must be for expenditures **not** included in budget
FY 2020-21 May Revision Federal Funds

▪ State Coronavirus Relief Fund Allocations (CARES)
  – State received $15.3 billion
  – $9.5 billion paid to the State
  – $5.8 billion to cities & counties with populations over 500,000

▪ State Coronavirus Relief Fund May Revision Proposals (of the $9.5B to the State):
  – $1.3 billion to counties for public health, behavioral health, and other health and human services
  – $450 million to cities for homelessness and public safety
  • City populations: > 300K will receive their allocation directly (e.g. Oakland)
    – 300K will have their share administered by their County
  – $750 million for Project Roomkey – use of CARES Act funding and transfer of responsibility to counties for hotels/motels to support unsheltered
  – $7 billion for State costs
FY 2020-21 State Budget Update – May Revision

- **Costs Shifts:** Realignment of responsibility for youthful offenders to counties

- **Revenue Losses:** Realignment and Mental Health Services Act (MHSA) revenues based on sales and income tax projections

- **$14 billion in trigger cuts absent additional federal aid:**
  - Adjust K-14 Education Spending – provides funding at the minimum guarantee ($8.1B)
  - Flat 10% reductions ($3.6B); Targeted reductions ($2.3B); Special fund loans ($0.9B)
  - CalWORKs – eliminates funding for subsidized employment
  - In-Home Supportive Services
    - 7% reduction in service hours
    - County administration and Public Authority frozen at 19-20 levels

- **Cost Reductions:** Elimination of new programs proposed in January Budget ($2.1 billion)
FY 2020-21 County Budget Framework

Phase 1: Maintenance of Effort

Phase 2: May Revise Projections

Phase 3: State Budget & Federal Assistance
Phase One

FY 20-21 Maintenance of Effort Budget
### FY 2020-21 MOE Budget - General Fund
($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 2019-20 FINAL</th>
<th>FY 2020-21 MOE</th>
<th>Increase/ (Decrease)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation</td>
<td>$3,032.2</td>
<td>$3,120.9</td>
<td>$88.7</td>
<td>2.9%</td>
</tr>
<tr>
<td>Revenue</td>
<td>$3,032.2</td>
<td>$3,048.8</td>
<td>$16.6</td>
<td>0.6%</td>
</tr>
<tr>
<td>Funding Gap</td>
<td>$0</td>
<td>$72.1</td>
<td>$72.1</td>
<td>N/A</td>
</tr>
<tr>
<td>FTE Positions*</td>
<td>7,931.1</td>
<td>7,987.0</td>
<td>55.9</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

NOTE: Totals may vary slightly due to rounding

*FTE = Full-Time Equivalent positions

majority of the FTE increase is project positions (including 37.0 FTE from Probation pre-trial grant)
## FY 2020-21 Budget Balancing – Option C

($ in millions)

<table>
<thead>
<tr>
<th>Program Area</th>
<th>Option C</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>$17.5</td>
</tr>
<tr>
<td>Public Protection</td>
<td>$31.2</td>
</tr>
<tr>
<td>Public Assistance</td>
<td>$2.9</td>
</tr>
<tr>
<td>Health Care</td>
<td>$20.5</td>
</tr>
<tr>
<td>Total Programs</td>
<td><strong>$72.1</strong></td>
</tr>
</tbody>
</table>

Absorb NCC Increase w/ FMP and Credit Share of $20.6M Based on % Share of NCC Increase

Numbers and percentages are rounded for display purposes, but calculations are based on exact numbers.
FY 2020-21 Net Cost Reduction Strategies (Current Status)

PRELIMINARY

Fiscal Management Program savings $38.9M
Net appropriation reductions $13.3M
Net revenue increases $19.0M

Total net reductions $71.2M

($900K shortfall of closing gap)

Position reductions: 11.71 Full-Time Equivalents (vacant)

NOTE: Totals may vary slightly due to rounding
FY 2020-21 One-Time Versus Ongoing Net County Cost Reduction Strategies by Program (in millions)
FY 2020-21 Net County Cost Reduction Strategies Countywide (in millions)

**PRELIMINARY**

- **One-Time**
  - $56.2M; (77%)
- **Ongoing**
  - $15.9M; (22%)
- **To be determined**
  - $0.9M; (1%)

**Total Funding Gap:** $72.1M

*One-time strategies includes $38.9M use of FMP*
FY 2020-21 Net County Cost Reduction Strategies by Revenue and Appropriation (in millions)

PRELIMINARY

Revenue Increases* $19.0M; (59%)
Appropriation Reduction $13.3M; (41%)

Total Funding Gap: $72.1M

Note: Chart does not include $38.9M FMP one-time use
*17.2M is one-time revenue
## Ongoing Fiscal Uncertainty and Budget Gaps

<table>
<thead>
<tr>
<th>20-21 MOE Baseline Budget Funding Gap</th>
<th>20-21 May Revise and Other Projected Revenue Reductions</th>
<th>20-21 State Budget &amp; Federal Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$72.1 million</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Care: $20.5M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Assistance: $2.9M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Protection: $30.3M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Gov’t: $17.5M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>($900K shortfall)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One-Time: $55.5M (77%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ongoing: $15.9M (22%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Phase Two

FY 20-21 May Revise Projections
## Projected Realignment Revenue Loss – May Revise

### (in millions)

<table>
<thead>
<tr>
<th>Program / Source</th>
<th>20-21 MOE</th>
<th>20-21 May Revise</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Health Care</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>$72.9</td>
<td>$66.1</td>
<td>($6.8)</td>
<td>(9.3%)</td>
</tr>
<tr>
<td>2011</td>
<td>$83.8</td>
<td>$66.7</td>
<td>($17.1)</td>
<td>(20.4%)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$156.7</td>
<td>$132.8</td>
<td>($23.9)</td>
<td>(15.3%)</td>
</tr>
<tr>
<td><strong>Social Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>$120.9</td>
<td>$106.5</td>
<td>($14.4)</td>
<td>(11.9%)</td>
</tr>
<tr>
<td>2011</td>
<td>$97.4</td>
<td>$84.7</td>
<td>($12.7)</td>
<td>(13.0%)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$218.3</td>
<td>$191.2</td>
<td>($27.1)</td>
<td>(12.4%)</td>
</tr>
<tr>
<td><strong>Public Protection</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$84.9</td>
<td>$72.8</td>
<td>($12.1)</td>
<td>(14.3%)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$459.9</td>
<td>$396.8</td>
<td>($63.1)</td>
<td>(13.7%)</td>
</tr>
</tbody>
</table>
### Other Sales and Income Tax-Based Revenue Projections (in millions)

<table>
<thead>
<tr>
<th>Source</th>
<th>20-21 MOE</th>
<th>20-21 May Projection</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure A (County portion)</td>
<td>$38.0</td>
<td>$32.2</td>
<td>($5.8)</td>
<td>(15.3%)</td>
</tr>
<tr>
<td>MHSA*</td>
<td>$127.0</td>
<td>$94.6</td>
<td>($32.4)</td>
<td>(25.5%)</td>
</tr>
<tr>
<td>Unincorporated Area Sales Tax</td>
<td>$23.4</td>
<td>$20.2</td>
<td>($3.2)</td>
<td>(13.7%)</td>
</tr>
<tr>
<td>Prop. 172</td>
<td>$170.9</td>
<td>$153.8</td>
<td>($17.1)</td>
<td>(10.0%)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$359.3</strong></td>
<td><strong>$300.8</strong></td>
<td><strong>($58.5)</strong></td>
<td><strong>(16.3%)</strong></td>
</tr>
</tbody>
</table>

*Mental Health Services Act
FY 2020-21Projected Revenue Reductions

- **$63.1M** in Realignment
  - **$23.9M** Health Care
    - 1991 – Health, Mental Health, Social Services/Public Health
    - 2011 – Behavioral Health subaccount
  - **$27.1M** Social Services
    - 1991 – Admin, Adult & Aging, Children & Family Services, CalWORKS MOE
    - 2011 – Adult & Aging, Children & Family Services
  - **$12.1M** Public Protection
    - 2011 – Community Corrections (AB 109), Revocation Proceedings (AB 118), Juvenile Justice & Trial Court Security subaccounts

- **$58.5M** in sales & income tax-based revenues
  - MHSA, Measure A, Unincorporated, Prop 172

- **$121.6M** in total projected revenue losses
<table>
<thead>
<tr>
<th>Program</th>
<th>20-21 MOE</th>
<th>20-21 May Revise</th>
<th>Loss Amount</th>
<th>Loss % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>$321.7</td>
<td>$259.6</td>
<td>($62.1)</td>
<td>(19.3%)</td>
</tr>
<tr>
<td>Public Assistance</td>
<td>$218.3</td>
<td>$191.2</td>
<td>($27.1)</td>
<td>(12.4%)</td>
</tr>
<tr>
<td>Public Protection</td>
<td>$255.8</td>
<td>$226.6</td>
<td>($29.2)</td>
<td>(11.4%)</td>
</tr>
<tr>
<td>General Government</td>
<td>$ 23.4</td>
<td>$ 20.2</td>
<td>($ 3.2)</td>
<td>(13.7%)</td>
</tr>
<tr>
<td><strong>Total Projected Program Impact</strong></td>
<td><strong>$819.4</strong></td>
<td><strong>$697.6</strong></td>
<td><strong>$121.6</strong></td>
<td><strong>(14.8%)</strong></td>
</tr>
</tbody>
</table>

Numbers and percentages are rounded for display purposes, but calculations are based on exact numbers.
## FY 20-21 Phase Two Reduction Options
($ in millions)

<table>
<thead>
<tr>
<th>Program</th>
<th>Option 2A</th>
<th>Option 2B Distribute based upon estimated loss of Revenue by Program Area</th>
<th>Option 2C Distribute based upon proportion of MOE Funding Gap</th>
<th>Option 2D Distribute based upon proportionate 15% reduction of NCC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>$30.4</td>
<td>$62.1</td>
<td>$34.5</td>
<td>$26.2</td>
</tr>
<tr>
<td>Public Assistance</td>
<td>$30.4</td>
<td>$27.1</td>
<td>$4.9</td>
<td>$12.4</td>
</tr>
<tr>
<td>Public Protection</td>
<td>$30.4</td>
<td>$29.2</td>
<td>$52.6</td>
<td>$65.5</td>
</tr>
<tr>
<td>General Government</td>
<td>$30.4</td>
<td>$3.2</td>
<td>$29.6</td>
<td>$17.4</td>
</tr>
<tr>
<td>General Fund Total</td>
<td>$121.6</td>
<td>$121.6</td>
<td>$121.6</td>
<td>$121.6</td>
</tr>
</tbody>
</table>

NOTE: Totals may vary slightly due to rounding
# Ongoing Fiscal Uncertainty and Budget Gaps

<table>
<thead>
<tr>
<th>20-21 MOE Baseline Budget Funding Gap</th>
<th>20-21 May Revise and Other Projected Revenue Reductions</th>
<th>20-21 State Budget &amp; Federal Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$72.1 million</strong></td>
<td><strong>$121.6 million</strong>*</td>
<td></td>
</tr>
</tbody>
</table>

- **Health Care:** $20.5M
- **Public Assistance:** $2.9M
- **Public Protection:** $30.3M
- **General Gov’t:** $17.5M
  - ($900K shortfall)
- **One-Time:** $55.5M (77%)
- **Ongoing:** $15.9M (22%)

- **Health Care:** $62.1M
- **Public Assistance:** $27.1M
- **Public Protection:** $29.2M
- **General Gov’t:** $3.2M
Phase Three

FY 20-21 State Budget & Federal Assistance
$14 billion in statewide trigger cuts by program area absent federal aid*

- Adjust K-14 Education Spending – provides funding at the minimum guarantee ($8.1B)
- Flat 10% reductions ($3.6B); Targeted reductions ($2.3B); Special fund loans ($0.9B)
- Impacted Programs (not limited to):
  - CalWORKs
  - Medi-Cal
  - In-Home Supportive Services
  - Public Health
  - Trial Courts

*Limited to State General Fund Estimates
Federal Budget Update

- **Coronavirus Aid, Relief, and Economy Security (CARES) Act**
  - Enacted March 27; $2 trillion stimulus
  - Coronavirus Relief Fund – Direct allocation to the states & units of government with population > 500K
  - Cannot offset revenue losses

- **HEROES Act**
  - $875 billion to states and local governments
    → County allocations based on population:
    - $125 billion within 30 days of enactment; $62.5 billion within one year
    - Allows funds to offset lost revenue as a result of the coronavirus pandemic

- **SMART Act**
  - Bipartisan bill for $500 billion in emergency funding for state and local gov’ts
  - Allows funds to be used retroactively to offset lost revenues
  - Funds allocated based upon population size, infection rates and revenue losses
# Ongoing Fiscal Uncertainty and Budget Gaps

<table>
<thead>
<tr>
<th>20-21 MOE Baseline Budget Funding Gap</th>
<th>20-21 May Revise and Other Projected Revenue Reductions</th>
<th>20-21 State Budget &amp; Federal Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$72.1 million</strong></td>
<td><strong>$121.6 million</strong>*</td>
<td>TBD</td>
</tr>
</tbody>
</table>

- Health Care: $20.5M
- Public Assistance: $2.9M
- Public Protection: $30.3M
- General Gov’t: $17.5M

($900K shortfall)

- One-Time: $55.5M (77%)
- Ongoing: $15.9M (22%)

- Health Care: $62.1M
- Public Assistance: $27.1M
- Public Protection: $29.2M
- General Gov’t: $3.2M

- Trigger cuts ($14B)
- Cost shifts
- Program reductions
- Revenue losses
- Deferrals

Local impact to be determined
Alameda County Funding Gaps since ERAF

Total since FY 1993-94: $2.3 billion
FY 20-21 MOE Pending Factors

- Pending funding gap closure of $900K
- Health Care challenges
  - Expiration of Medicaid waivers; Alameda Health System financial status
- Rising retirement costs
- Ongoing homelessness crisis
- Facility maintenance & capital needs
- Increased public safety costs
- Pending litigation
- Wellpath inmate medical services contract
- Census 2020
- County structural funding gap – one-time funding sources for ongoing uses
- COVID-19 global pandemic: revenues, caseloads, and cost impacts
  - Economic downturn
FY 2020-21 May Revise Pending Factors

To Be Addressed in Phase Two:

- **Costs Shifts**: Realignment of responsibility for youthful offenders to counties
- **Cost Reductions**: Elimination of new programs proposed in January Budget and current year
- **Revenue Losses**: Realignment, Mental Health Services Act (MHSA), and other revenues based on sales and income tax projections
FY 20-21 State Budget & Federal Assistance Pending Factors

To Be Addressed in Phase Three:

- **$14 billion in GF trigger cuts absent additional federal aid:**
  - Adjust K-14 Education Spending – provides funding at the minimum guarantee ($8.1B)
  - Flat 10% reductions ($3.6B); Targeted reductions ($2.3B); Special fund loans ($0.9B)
  - CalWORKs, Medi-Cal, In-Home Supportive Services, Public Health, Trial Courts (not limited to)

- Federal budget – downstream impacts absent additional stimulus

- COVID-19 pandemic impacts resulting in unanticipated expenses and reduced federal, State and local revenues

- Revenues could be further downgraded
FY 20-21 Budget Balancing Next Steps

- **Phase One: Pending** FY 20-21 MOE $72.1M funding gap

- **Phase Two:** Address the $121.6M revenue shortfall (currently in MOE budget)

  - **May Revision**
    - Determine/refine budget and human impact estimates
    - Continue to monitor State budget negotiations
    - Work with legislative advocates

  - Presentation of the FY 20-21 Proposed MOE Budget to the Board (early June)

  - Budget Hearings/Adoption by June 30, 2020

- **Phase Three:** Assess and address the FY 20-21 State Budget & Federal Assistance impacts