Alameda County
Fiscal Year 2023-24
Budget Workgroup Meeting
May 25, 2023
Overview

- State Budget Update – May Revise
- Federal Update – Debt Ceiling
- Economic Context
- FY 23-24 Proposed Budget Update
- Pending Factors
- Next Steps
State & Federal Updates / Economic Context
State Budget Update

On January 10, 2023, Governor Newsom presented his Fiscal Year 2023-24 Budget Proposal which closed a $22.5B shortfall driven by lower than projected revenues.

On May 12, 2023, Governor Newsom presented his May Revision which projected a larger budget deficit ($31.5B) than his January proposal.

- The larger deficit was driven by lower than forecast revenues – especially personal income tax receipts.
- The additional deficit is being closed without major programmatic cuts.
- The Governor is NOT proposing to utilize the ‘Rainy Day’ fund reserves given economic uncertainty.
- The May Revise is forecasting ~$42B of Personal Income Tax Receipts to be received this fall due to the delay in tax filings.
- They May Revise is NOT forecasting a recession.
- The Legislative Analyst’s Office is warning of potentially higher budget deficits than the Governor’s proposal.
Federal Update

On April 26, 2023, the House of Representatives passed a bill that would raise the debt ceiling while rescinding unspent COVID-19 relief funds, cutting spending, placing limits on future spending, and adding work requirements for benefit programs.

Treasury Secretary Yellen has maintained early June as a debt ceiling default deadline if the debt ceiling isn’t raised or suspended.

The President and the Speaker of the House continue to negotiate terms of a debt ceiling deal, but the Speaker has warned that the two sides are still far apart.
Current Economic Situation

▪ Employment remains tight – tech layoffs continue
▪ Inflation & interest rates remain elevated
▪ Continued pressure on real estate and other assets
▪ Pressure on regional banks
▪ Debt ceiling uncertainty
FY 2023-24 Proposed Budget Update
## FY 2023-24 MOE Budget Summary

### Net Cost Change ($ in millions)

<table>
<thead>
<tr>
<th>Program</th>
<th>2022-23 FINAL Net Cost</th>
<th>2023-24 MOE Net Cost</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Program</td>
<td>$792.3</td>
<td>$867.8</td>
<td>$75.5</td>
</tr>
<tr>
<td>Total Non-Program</td>
<td>$792.3</td>
<td>($813.9)</td>
<td>($21.5)</td>
</tr>
<tr>
<td>Funding Gap</td>
<td>$0</td>
<td>$ 54.0</td>
<td>$54.0</td>
</tr>
</tbody>
</table>

NOTE: Totals may vary slightly due to rounding
## FY 2023-24 MOE Budget Summary
($ in millions)

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Appropriation</th>
<th>Revenue</th>
<th>Net Cost</th>
<th>FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>$ 300.2</td>
<td>$ 197.2</td>
<td>$103.0</td>
<td>962.5</td>
</tr>
<tr>
<td>Public Protection</td>
<td>$ 1,022.8</td>
<td>$ 521.4</td>
<td>$501.4</td>
<td>3,132.1</td>
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<tr>
<td>Public Assistance</td>
<td>$ 999.9</td>
<td>$ 927.6</td>
<td>$ 72.3</td>
<td>2,573.9</td>
</tr>
<tr>
<td>Health Care Services</td>
<td>$ 1,093.2</td>
<td>$ 902.1</td>
<td>$191.1</td>
<td>1,802.5</td>
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<tr>
<td><strong>Subtotal Program</strong></td>
<td><strong>$ 3,416.1</strong></td>
<td><strong>$2,548.3</strong></td>
<td><strong>$867.8</strong></td>
<td><strong>8,470.8</strong></td>
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<tr>
<td>Capital Projects</td>
<td>$ 15.0</td>
<td>$0</td>
<td>$ 15.0</td>
<td></td>
</tr>
<tr>
<td>Contingency / Reserves</td>
<td>$ 273.0</td>
<td>$ 88.8</td>
<td>$184.2</td>
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</tr>
<tr>
<td>Debt Service / Designations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Program Revenue</td>
<td>$0</td>
<td>$1,013.1</td>
<td>($1,013.1)</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal Non-Program</strong></td>
<td><strong>$ 288.0</strong></td>
<td><strong>$1,101.9</strong></td>
<td><strong>($813.9)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$3,704.1</strong></td>
<td><strong>$3,650.2</strong></td>
<td><strong>$ 54.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

NOTE: Totals may vary slightly due to rounding
Recap and Recommended Budget Balancing Approach

- CAO to work with County Agency/Department Heads to close the structural funding gap through a combination of strategies that will include:
  - Review of all program revenues to identify additional ongoing adjustments
  - Review program budgets to identify further cost reductions
  - Review non-program revenue and expenses based on more current data
  - Consider other countywide strategies to reduce expenses and/or increase financing

- CAO & Department Heads are identifying and evaluating strategies to balance, with a priority on identifying ongoing strategies, minimizing programmatic impacts.
## Preliminary Budget Balancing Strategies
($ in millions)

<table>
<thead>
<tr>
<th>Balancing Strategy</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Additional identified revenue</td>
<td>$20.4</td>
</tr>
<tr>
<td>Ongoing cost reductions</td>
<td>$1.4</td>
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<tr>
<td>Ongoing salary savings</td>
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<tr>
<td>Elimination of funded vacancies</td>
<td>$0.2</td>
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<td>One-time solutions</td>
<td>$5.2</td>
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<tr>
<td><strong>TOTAL REDUCTIONS</strong></td>
<td><strong>$26.9M</strong></td>
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</tbody>
</table>
Pending Factors

- Economic Downturn
- Labor negotiations & workforce challenges
- Pending litigation, settlements, and rising insurance costs
- Retirement
- Unfunded capital needs
- Ongoing homelessness crisis
- State mandates and program realignment
- Governor’s MHSA proposal
- Alameda Health System financing
Next Steps

- Continue to finalize balancing strategies
- Continue to monitor State and federal actions and potential impacts on County finances and services
- Presentation of FY 2023-24 Proposed Budget to Board
  - Week of June 12, 2023
- Budget Hearings
  - Week of June 26, 2023