Alameda County Fiscal Year 2023-24 Early Budget Work Session

Susan S. Muranishi, County Administrator

April 11, 2023
Early Budget Work Session

- Economic Context, Federal, and State Update

- County Budget Updates
  - Board-Approved FY 2023-24 Budget Policy
  - Budget Balancing Strategies for FY 2022-23
  - FY 2023-24 Budget Next Steps

- Pending Factors

- FY 2023-24 Preliminary MOE - Department Presentations
Economic Context

- Labor market remains tight, but pace of tech sector layoffs has increased
- Concerns with the banking system – FDIC takeovers of banks
- Federal Reserve has significantly tightened monetary policy since the beginning of 2022
  - Inflation remains above 2% target
  - At their March 22nd meeting, the Fed increased interest rates by 25 basis points
- Weakness in commercial & residential real estate markets
- Economists increasingly predicting recession
  - Goldman Sachs upped recession chances in the next 12-months on March 15
  - National Association for Business Economics survey had 58% of panelists forecasting that a recession is likely to occur in 2023.
Federal Update

- On December 29, 2022, President Biden signed a $1.7 trillion federal spending package funding the government through September 2023.

- On January 3, 2023, the 118th U.S. Congress convened with a shift in control in the House of Representatives:
  - Debt ceiling fight
  - Gridlock expected

- On March 9, 2023, President Biden released the President’s Budget for FY 2024 with key components including:
  - Focus on deficit reduction via tax increases and tougher negotiation on pharmaceutical prices:
    - 25% minimum tax on billionaires
    - Increase in corporate tax rate (21% to 28%)
    - Increase in tax on share buybacks (1% to 4%)
  - Increases in defense spending, restoration of expanded child tax credit, and green energy initiatives.
On January 10, 2023, Governor Newsom presented his $297B ($224B General Fund) Fiscal Year 2023-24 Budget Proposal. Major highlights include:

- State has shifted from surplus to deficit as the Governor’s proposal closed a $22.5B shortfall (a smaller deficit than projected by the Legislative Analysts Office)

- Budget deficit driven by lower revenues – especially taxes on capital gains for high income earners

- Homelessness funding to local governments not cut, but the Governor is pushing for new accountability measures

- No additional funding for CARE Court implementation

In its February 15, 2023 Multiyear Assessment, the LAO warned the budget gap may be $7B larger and that the State faces operating deficits in future Fiscal Years. The LAO advises holding off on using reserves as State revenues are not consistent with recessionary levels and use of reserves now would result in the inability for the State to maintain core services in the event of a recession.
2023-24 MOE Budget
MOE Budget Guidelines

**Maintenance of Effort**: The funding level needed by agencies/departments to continue existing programs, staffing and service levels.

- Known salary/benefits, operational and internal service fund adjustments
- Current revenue projections should first offset eligible increased operating costs
- 3.5% cost-of-living adjustment for eligible contracts with community-based organizations
- Mid-year Board approved adjustments
- MOE does not generally include COVID-19 impacts
- Alignment with Vision 2026
American Rescue Plan Act funds are one-time and **NOT** included in the annual operating budget. In total, the County received $324.6M in ARPA funding:

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<tr>
<th>Category</th>
<th>First Tranche – Board Approved 12/21/21*</th>
<th>Second Tranche – Board Approved 12/6/22</th>
<th>Total Allocation</th>
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<td>Capacity Building</td>
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<td>Outreach &amp; Navigation</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$162.0M</strong></td>
<td><strong>$162.6M</strong></td>
<td><strong>$324.6M</strong></td>
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</tbody>
</table>

*The Board has taken subsequent actions to define, implement, and adjust programs to meet community needs.
FY 2023-24 Budget Development Next Steps

- Continue analysis of program expenditure & revenue projections
- Analyze & update non-program revenue and expenditure projections
- Identify any remaining funding gap & balancing strategies
- Analyze Governor’s May Revision
- Submit balanced Proposed Budget to Board of Supervisors
- Budget Hearings
- Adopt balanced Final Budget by June 30th
Pending Factors

- Economic Downturn
- Labor negotiations & workforce challenges
- Pending litigation, settlements, and rising insurance costs
  - Additional Court Security Realignment costs
- Retirement
- Unfunded capital needs
- Ongoing homelessness crisis
- State mandates and program realignment
- Alameda Health System financing
FY 2023-24 Early Budget Work Session Schedule

County Administrator’s Overview

Health Care Services
Health Care Services Agency

Public Assistance
Social Services Agency
Child Support Services

General Government
General Services Agency
Public Works Agency
Community Development Agency
Information Technology Department
Registrar of Voters

Public Protection
Sheriff
Probation Department
Public Defender
District Attorney
Fire Department

General Government (continued)
Auditor
Assessor
Treasurer-Tax Collector
Human Resource Services
Library