



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)

Program	2022-23 FINAL Net Cost	2023-24 MOE Net Cost	Change
Total Program	\$792.3	\$867.8	\$75.5
Total Non-Program	\$792.3	(\$813.9)	(\$21.5)
Funding Gap	\$0	\$ 54.0	\$54.0

NOTE: Totals may vary slightly due to rounding



FY 2023-24 MOE Budget Summary

(\$ in millions)

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

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)

Balancing Strategy	Amount
Additional identified revenue	\$20.4
Ongoing cost reductions	\$1.4
Ongoing salary savings	
Elimination of funded vacancies	\$0.2
One-time solutions	\$5.2
TOTAL REDUCTIONS	\$26.9M

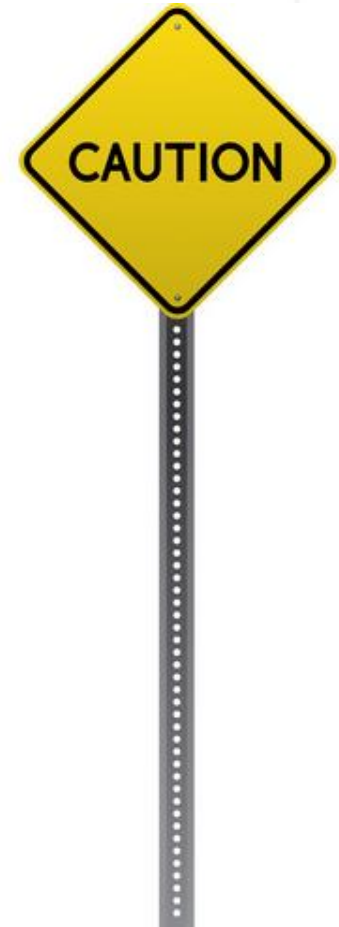


Pending Factors & Next Steps



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 MHSAs 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

