



# Alameda County Fiscal Year 2023-24 Early Budget Work Session

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# 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 22<sup>nd</sup> 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 118<sup>th</sup> 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



# State Budget Update

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



# ARPA Funding Summary

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:

Category	First Tranche – Board Approved 12/21/21*	Second Tranche – Board Approved 12/6/22	Total Allocation
Health Care Services Agency	\$50.0M	\$102.2M	\$152.2M
Social Services Agency	\$50.0M	\$-	\$50.0M
Unincorporated Services	\$14.0M	\$15.0M	\$29.0M
Capital	\$-	\$45.4M	\$45.4M
Community Needs Grants	\$23.0M	\$-	\$23.0M
Economic Development Grants	\$10.0M	\$-	\$10.0M
Capacity Building	\$10.0M	\$-	\$10.0M
Outreach & Navigation	\$5.0M	\$-	\$5.0M
<b>TOTAL</b>	<b>\$162.0M</b>	<b>\$162.6M</b>	<b>\$324.6M</b>

\*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



