

## **Where Is the Light at the End of the Tunnel? The Saga of Alameda County's 2010-2011 Budget**

August 3, 2010

On June 25, the Alameda County Board of Supervisors passed a budget which closed a deficit of \$ 152.4 Million dollars with a combination of one time savings, program cuts and numerous long time employees losing their jobs. This is the 18<sup>th</sup> consecutive year when Alameda County has been required to close a budget deficit, and the cumulative cut over that time is over \$1.6 Billion. As bad as the situation is, it could have been worse. Our department heads and administration have been prudent in their budgeting all year. In addition, many of our labor unions have agreed to concessions, because they realize we are all in this together. To date Alameda County has been able to avoid furlough days as a result of the collaboration between labor and County administration.

The deep cuts will be felt in all aspects of county services. The county will continue to limit General Assistance clients to aid for only three months out of the year; an initiative I continue to oppose. Furthermore, the Social Services Agency is facing an additional \$8-\$9 million dollar deficit, as a result of the Federal Government's reduction in their Federal Medical Assistance Percentage (FMAP). The Probation Department will continue to bank cases; over 12,000 adult cases including violent offenders, and 50 juvenile cases. Banked cases are people that receive no services or supervision. This is the first year we are implementing this practice for juveniles. Our consortium of health care clinics are forced to take a 25% reduction in all services funded by Measure A, a ½ cent sales tax passed in 2004, due to a decline in sales tax revenue.

While Alameda County's 2010-2011 Budget will continue to eat away at our safety net, the sluggish economy and the aptly titled jobless recovery will continue to cast a dark shadow over Alameda County's economic future. This year was the first time that the value of homes on Alameda County's assessment role has decreased since 1958; that includes 1980, the first year after Proposition 13. The unemployment rate continues to hover over 10%, which means sales tax, business taxes and payroll taxes are down. These are all vital funding sources for local government. So at a time when people are in greater need of services, there is less revenue generated to provide them.

The enormous elephant in the room is the exploding cost of retirement and health care benefits. While the Alameda County Retirement Association (ACERA) has done an exemplary job of managing our retirement funds, they have not been untouched by this economy. If retirement investments do not yield the returns to pay for the healthcare costs and pensions of the Alameda County's aging workforce, the County will be forced to significantly increase its contributions, which seems certain in the future. The increased contributions to our retirement accounts will gravely impact our ability to deliver services for those in need in the future.

As of July 19, 2010, the State of California has not passed its budget for the next fiscal year, and the writing on the wall spells less revenue for counties and other local governments. The State is talking about "realignment," which means transferring the responsibility for providing services from the State to counties. Of course the question is: How much revenue will be identified/allocated to pay for providing the services? The assumption is not enough. Yet we in local government need to pick our poison. If we refuse realignment, the state will just take a hatchet to funding for local government services. If we do agree to realignment, then we can try and negotiate the best funding sources and look for flexibility and

savings by providing the services locally. Many in Sacramento don't imagine the budget deal getting done until August or September when the State starts to run out of money. It looks like a long hot summer of negotiations and the forecast calls for pain in the fall.

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