

The Latest Fiscal Fallout: A City Revenues Update

Michael Coleman
coleman@muni1.com
530.758.3952



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CaliforniaCityFinance.com The California Local Government Finance Almanac



The Economy is Recovering

... is recovering ... gradually ... and with trepidation

California was hit especially hard

Housing : construction / real estate

Exports : goods / tourism / licenses

Business Spending – especially IT

California is leading in recovery

Business investment, exports, etc.

Local Budgets

taxable sales up but regional variation

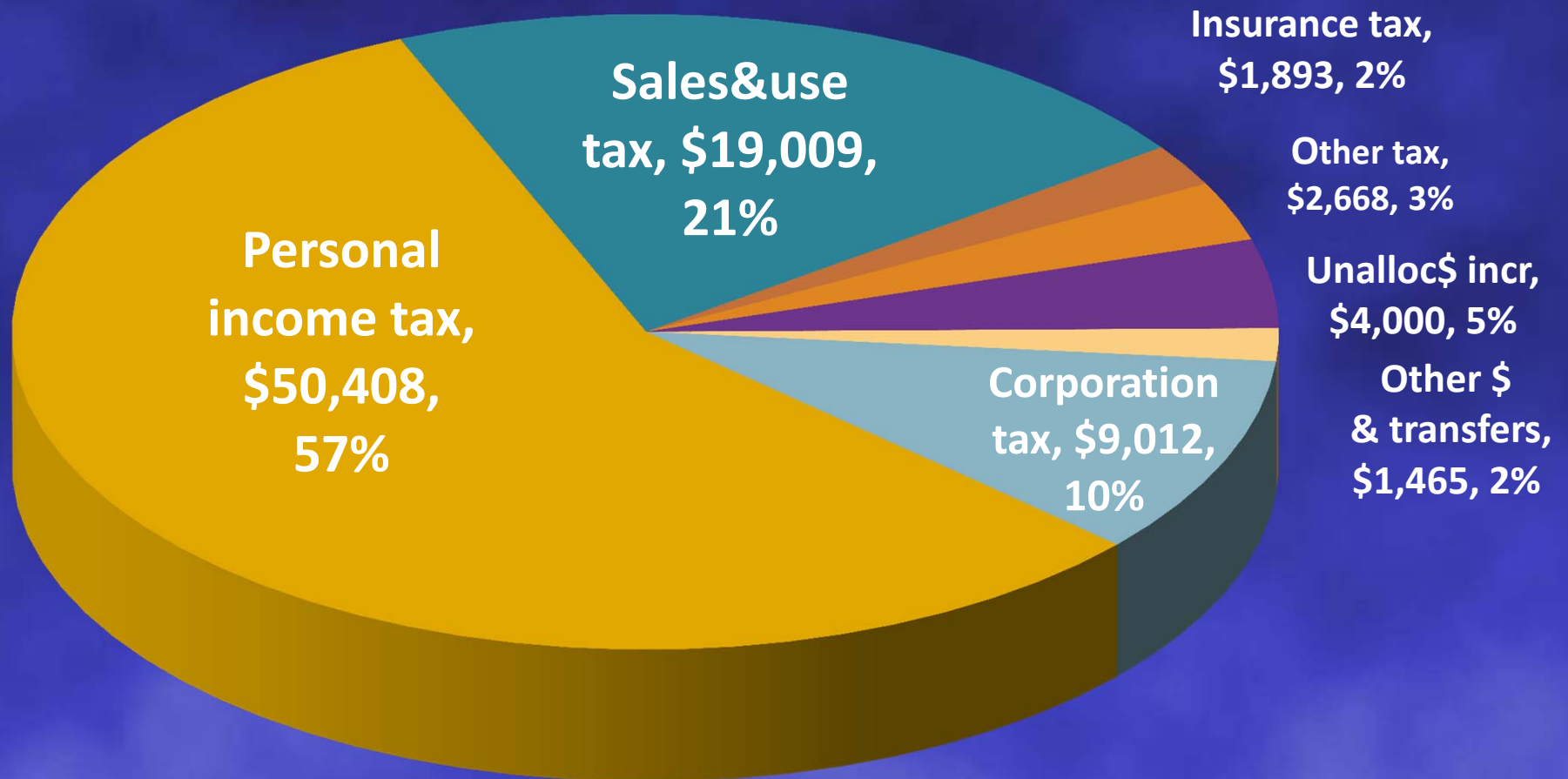
property taxes flat – decline in some areas



Calif State General Fund

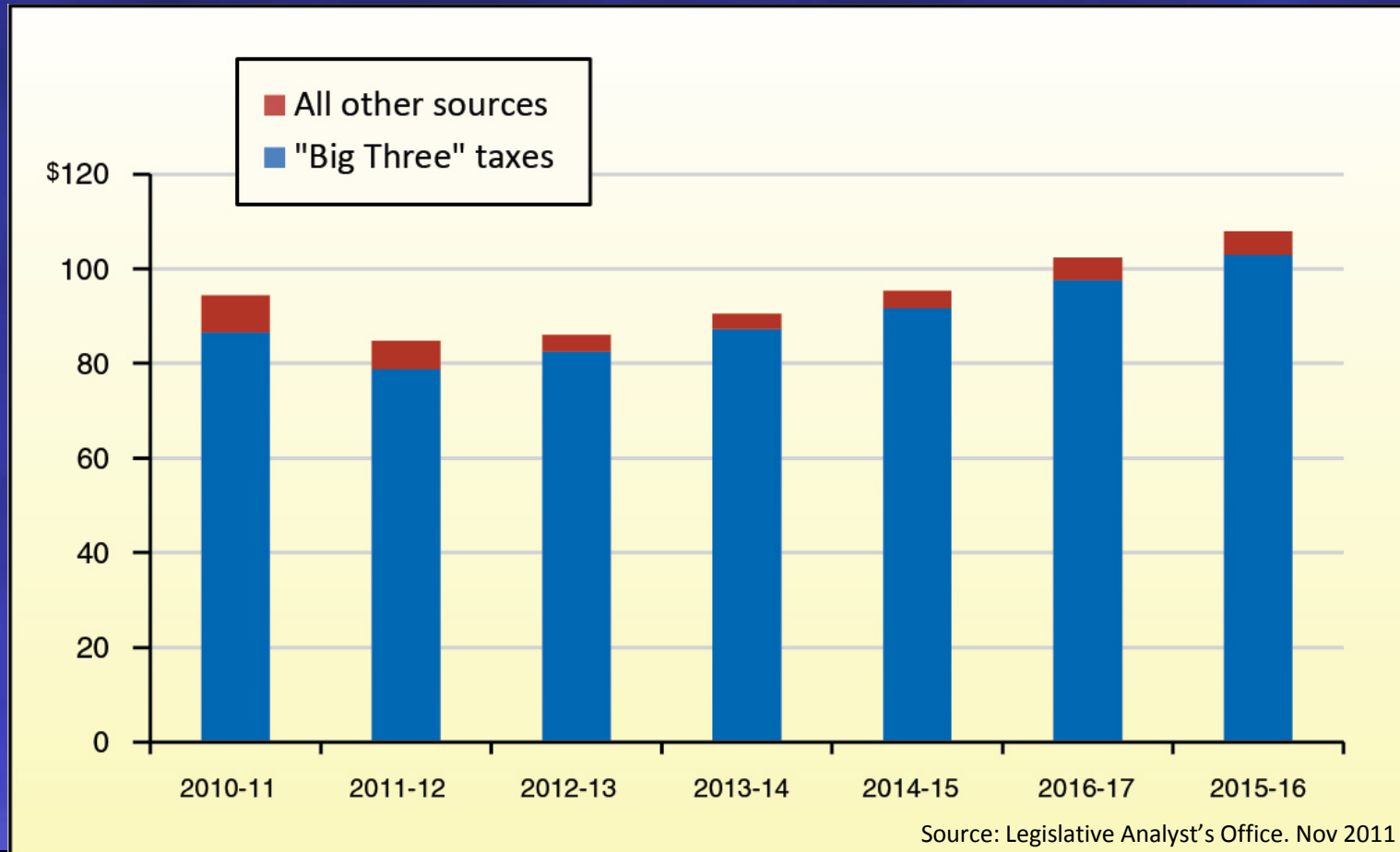
Revenues

FY2011-12 Budget Act





State General Fund Revenue Forecast

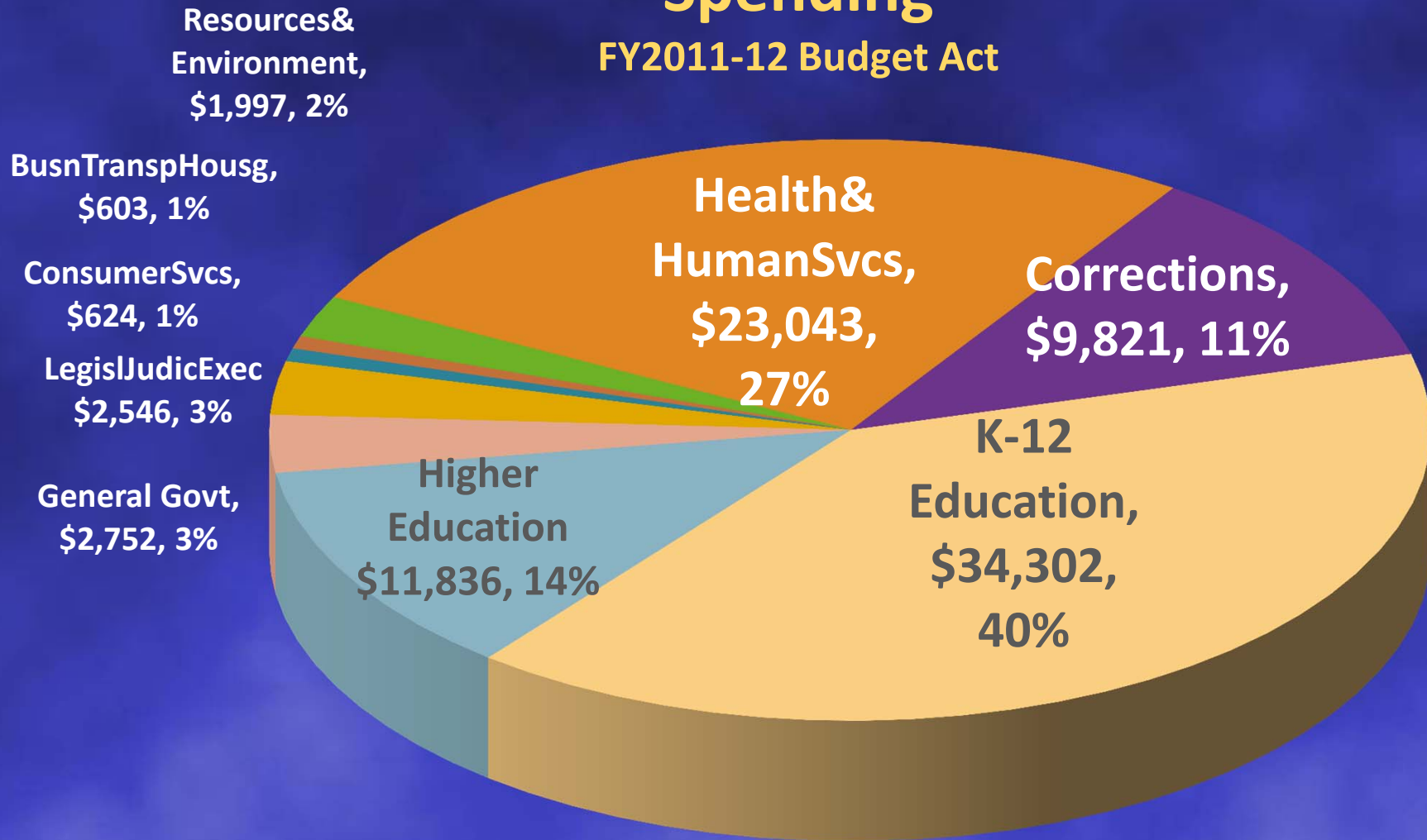




Calif State General Fund

Spending

FY2011-12 Budget Act



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The State Budget Problem

Budgetary Borrowing

	billions
Deferred payments to schools	\$ 10.4
Economic Recovery Bonds (triple flip)	6.3
Loans from special funds	3.4
Unpaid costs to local gov't of state mandates	4.5
Prop98 underfunding	3.4
Prop1A local gov't borrowing	2.1
Deferred Medi-Cal costs	1.3
Deferral of State payroll June → July	0.8
Deferred payments to CalPERS	0.5
Borrowing from transportation funds	0.3
Total	\$ 33.0

Source: Governor's Proposed FY2012-13 Budget page 14 Figure INT-04



The 2011-12 State Budget Package

Spending cuts	11.8
Tax shelter amnesty	0.2
Sales/use tax collection out-of-state retailers	0.2
Increase Vehicle Reg Fee by \$12 to fund DMV	0.3
Other revenue measures	0.6
Redirect VLF funds from cities & Orange Co.	0.2
Loans, loan extensions, transfers from special funds	2.9

Total Budget Actions **\$ 16+**



Calif State Budget FY2011-12

Trigger Cuts due to lower than hoped revenues

"Nemo dat non habet" ~ Gov Jerry Brown 13 Dec 2011

- \$248 million home-to-school transportation
- \$ 80 million reduction to K-12 schools
- \$200 million Univ of Calif and Calif State Univ
- \$102 million Calif Community Colleges
partially backfilled with \$10/unit fee increase
- \$102 million In-Home Supportive Services program
- \$100 million Dept of Developmental Services
- \$88 million to the Dept of Corrections and Rehab (CDCR)
incl \$68 million in county charges for youthful offenders sent to CDCR
- \$23 million to the Dept of Education re childcare funding
- \$16 million to the Calif State Library related to library grants
- \$15 million Local Vertical Prosecution grants (CalEMA)
- \$ 9 million Medi-Cal cuts to provider payments and increased copays



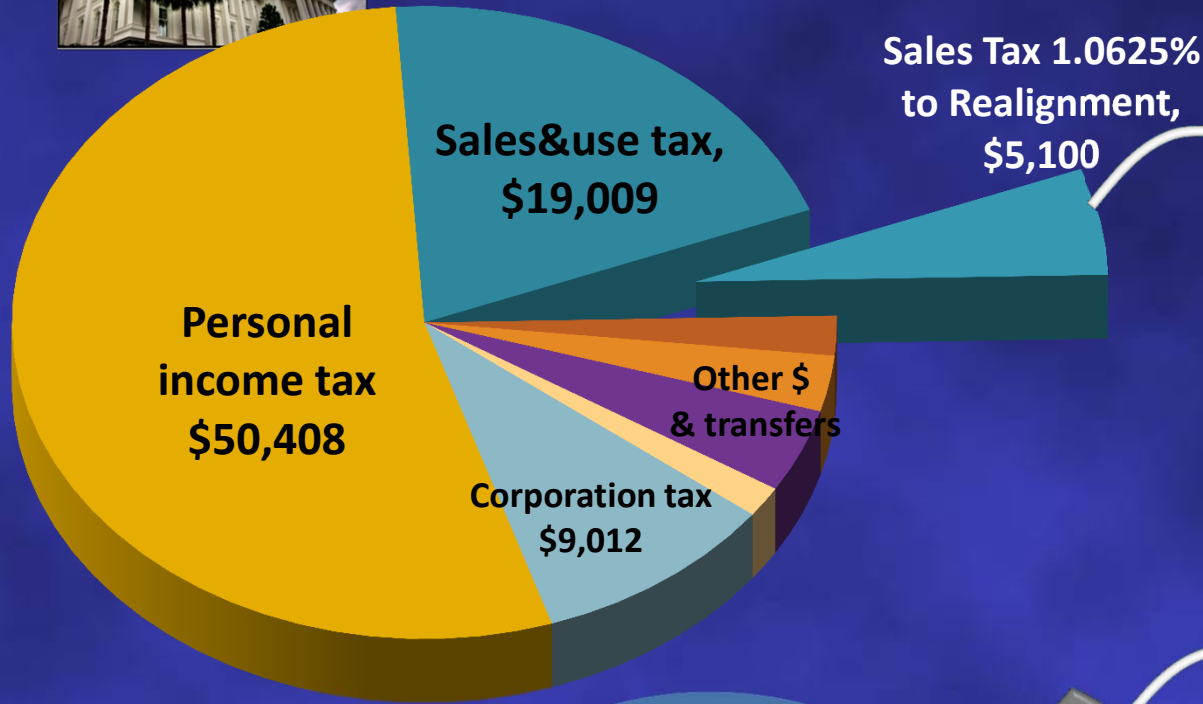
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Total midyear trigger reduction = \$980 million

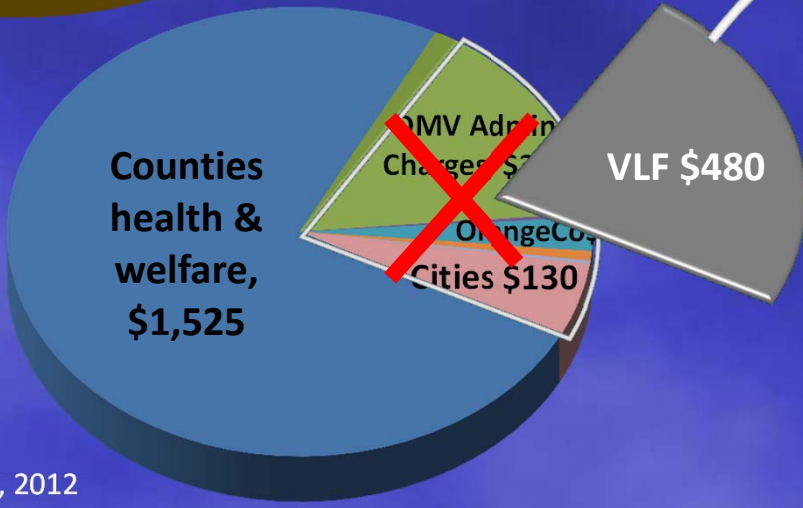
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The Realignment of 2011



- Realigned Programs**
- Adult offenders and parolees
 - Court security
 - Existing juvenile justice
 - Early Screening, Diagnosis, Treatmt
 - Mental health managed care
 - Drug and alcohol Programs
 - Foster care & child welfare services
 - Adult protective services
 - CalWORKs/mental health



- Law Enforcement Grants***
- Jail Facility (Booking Fees)
 - SLESF/COPS frontline law enforcement
 - Juvenile Justice, etc.
- *Funded in FY09-10 & FY10-11 from temporary tax and previously from State General Fund

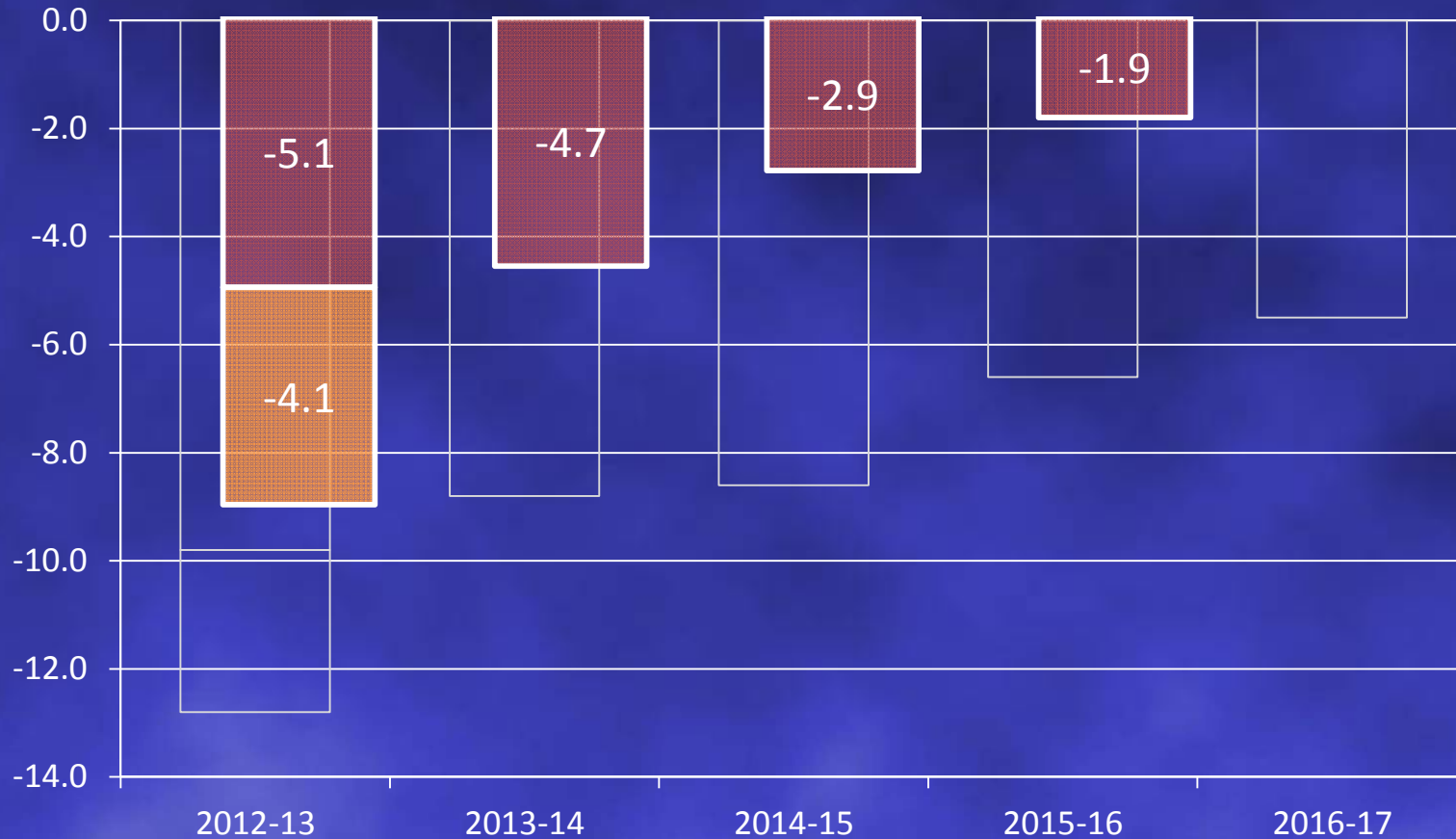


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California State Budget Operating Shortfalls



Annual operating shortfall DOF 1/12



Carry-in Deficit from 2010-11



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The State Budget Problem

2012 problem = **\$9+ billion** (Dept of Finance)

FY2011-12 will end \$4 billion short

- \$3.7 billion due to lower revenues
 - Budget assumed \$4 billion in unallocated revenue growth
- \$1.2 billion due to unrealized solutions and higher costs
- Offset by \$1 billion in trigger cuts

FY2012-13 Net Operating Shortfall: \$5 billion



Governor's Proposed FY2012-13 Calif State Budget (Jan 2012)

millions

Revenues

Upper tier Persn.Inc.Tax rate increase for 5 years (2012-2016)	\$ 5,764
State Sales Tax increase 0.5% for 4 years (2013-2016)	1,171
Other Revenue Actions	1,874

Prop98 obligation increase due to tax increases	-\$2,534
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Spending Cuts

CalWORKs and Child Care restructure/reduce	\$1,393
Medi-Cal provider payment deferral/reduce	842
Prop98 adjustments	544
Cap & Trade program – unspecified offsets	500
Cal Grant eligibility changes	302
In-home Support Services reductions	164
Local mandate reimbursements (pre-2004) defer (<i>again</i>)	100
Healthy families program reductions	64
Other programs reductions and fund shifts	77

Special funds – loan payment delays and borrowing	\$1,182
Use weight fee revenues to offset general fund	350

Total	\$10,070
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Source: Legislative Analyst's Office: "The 2012-13 Budget: Overview of the Governor's Budget" page 7 Figure 2

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Governor's Proposed FY2012-13 Calif State Budget (Jan 2012) Proposed "Trigger Reductions" if Voters Reject Tax Hikes



	millions
Proposition 98 funding for schools and community colleges	\$ 4,837
University of California and California State University	400
Judicial branch	125
CalFire	15
Department of Water Resources flood control programs	7
Department of Fish and Game	4
Department of Parks and Recreation	2
Department of Justice law enforcement programs	1
Total	\$ 5,390

Source: Governor's Proposed FY2012-13 Budget page 11 Figure INT-03



Calif State Budget FY2012-13

Issues for local agencies

- Local mandates – Governor proposes
 - suspend/repeal
 - again defer payments owed for pre 2004 costs (\$100 million in FY2012-13)
- Local law enforcement grants funded via VLF shift & \$12 Veh Reg Fee incl COPS, booking fees
- City VLF remains eliminated - SB89 of 2011
 - Annexations and new incorporations and are fiscally unviable
- Realignment: County impacts, city impacts
- Public Library Funds – restoration of interlibrary loan funds?
- State Parks: park closures and changes
- Redevelopment Future?