



MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors

FROM: Thomas M. Miller, County Executive Officer
By Graham Knaus, Finance and Budget Operations Manager

DATE: May 24, 2011

SUBJECT: FY 2011-12 State Budget Update

Action Requested

Accept an update on the FY 2011-12 State Budget: May Revision and other legislative activities that may impact the County.

Background

On January 10, 2011, Governor Jerry Brown released his \$127.4 billion (\$84.6 billion State General Fund) FY 2011-12 Proposed Budget. The Proposed Budget projected a \$25.4 billion deficit over 18 months (\$8.2 billion in the current year and \$17.2 billion in FY 2011-12).

To address the deficit, the Governor proposed a roughly 50/50 split between cuts (\$12.5 billion) and tax increases (\$12.0 billion). The budget also proposed to borrow \$1.9 billion from special funds to close the remaining deficit, leaving a \$1 billion reserve. The bulk of the solutions were contingent upon a June 2011 Statewide Special Election to extend tax increases set to expire June 30, 2011. The tax increases, proposed to be extended for an additional five years, include Sales Tax (one percent – \$4.5 billion), Personal Income Tax (.25 percent for all tax brackets – \$4.8 billion), Vehicle License Fee (.5 percent – \$1.4 billion), and Dependent Exemption Credit (reduce credit from \$309 to \$99 - \$1.2 billion).

Legislative Action

State Budget deliberations have resulted in approximately \$14 billion in solutions thus far, which include \$11 billion in reductions and \$3 billion in one-time fund shifts and borrowing from special funds. In addition, the Realignment of Public Safety has been approved (AB 109, Chapter 15, Statutes of 2011); however the Governor has indicated that implementation will only occur once sufficient funds are available. The elimination of redevelopment agencies and the Realignment of Health and Human Services remain open issues as are the proposed tax increases.

Placer County Impacts

The Proposed State Budget would include \$30-60 million in potential impacts to Placer County that include funding reductions and increases in programmatic responsibility. Potential impacts include the proposed elimination of redevelopment agencies and the proposed Realignment of Public Safety and Health and Human Services responsibilities from the State to the County. The proposal would fund the Realignment through the tax increases.

State Budget: May Revision

The annual State Budget process begins each year with the Governor submitting a Proposed State Budget in January. The Legislature deliberates on the Proposed Budget throughout the Spring. In May, the Governor updates the Budget to reflect April personal income tax receipts along with other revenue and expenditure projections. This is known as the May Revision to the State Budget. Staff is analyzing the proposed changes in the May Revision and will provide a summary report at the meeting based on emerging details.

