MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors

FROM: David Boesch, County Executive Officer
By: Graham Knaus, Finance and Budget Operations Manager

DATE: November 20, 2012

SUBJECT: County Fiscal Implications: November 6, 2012 Election

Action Requested

Receive an update on the potential County fiscal implications of the November 6, 2012 election.

Background

On September 25, 2012, the Board adopted the FY 2012-13 Final Budget. The Budget recognizes a re-benched economy that continues to show mixed signals but may be at the beginning of slow recovery. The FY 2012-13 Budget also reflects initial implementation of a five-year strategic budget approach that ensures long-term sustainability of the County budget and operations in light of future expected revenues and cost drivers, while reducing the reliance on one-time funding sources to support ongoing operations.

As adopted, the FY 2012-13 Budget aligns available resources to sustainable service levels to the greatest degree possible. In addition, the Budget incorporates known Federal, State, and local challenge areas facing the County including areas with declining revenues, those with changing workloads, those with risks posed by Federal and/or State changes, and areas with improving revenues.

November 6, 2012 Election: Potential Implications

In addition to Federal, State, and local challenge areas already reflected in the Budget, there are additional potential implications as a result of the outcome of the November 6, 2012 election. These relate to initiatives approved by voters and impacting the State Budget and/or County operations including:

- Proposition 30 – Increases State sales tax and personal income tax to generate approximately $6 billion in additional State revenue from FY 2012-13 through FY 2016-17 and a reduced amount in FY 2017-18 and FY 2018-19. Due to the passage of the measure, $5.9 billion in potential mid-year trigger cuts, largely impacting K-14 education, will not go into effect. Proposition 30 also provides constitutional protection for revenues to support the 2011 Realignment of public safety and health and human services programs.

- Proposition 39 – Requires all multi-state businesses to determine their California taxable income using the single sales factor method rather than allowing them to choose between two methods. The change results in an estimated $1 billion increase in State tax revenues from multi-state businesses beginning FY 2013-14 ($500 million in FY 2012-13). For the first five full years, half of the revenue would be dedicated to energy efficiency and alternative energy programs with the remainder benefitting the State General Fund. Beginning in FY 2018-19, all funds would flow directly to the State General Fund.

Beyond the increases to State revenues, the above measures set the stage for another round of State/County program realignment focused on State implementation of Federal Health Care Reform and further shifting health and human services, and child support responsibilities.

The election results may also alter the composition of the Legislature to have an operating democratic super majority in the Senate and Assembly for the first time in 79 years which may lead to a more ambitious policy agenda than in years past.

Staff continues to analyze potential impacts and will provide a summary report at the meeting.