

The Annual Budget Dance

Over the next 20 years California is estimated to grow by over 10 million new residents. In the Bay Area, our population is expected to increase by over 3 million new residents. These facts are critical to local government as we determine how to maintain the necessary services for all of our residents over the next budget cycle. As Alameda County begins our annual budget process for the next fiscal year, the County again faces another budget deficit in our quest to provide mandated services to our residents. Our estimated budget gap for next the fiscal year is about \$78.2 million, which means in order to provide the same level of service as the current year we would need to identify an additional \$78.2 million. We are working internally with all County departments to aggressively construct a budget that allows us to start the new fiscal year in balance.

The challenge in the next fiscal year is estimating the revenue that we will receive from the state and federal a government. Although we are mandated by state and federal law to provide a safety net of services, some of those services are in jeopardy because of the priorities of our national and state leaders.

The current national deficit is estimated around \$8 trillion and growing. The cause of the deficit is the difference between income tax collected and government spending. Half of our tax revenue goes to the military and to pay interest on the national debt. May 1st marked the three year anniversary of the War in Iraq which is currently estimated at \$273 billion and continues to grow every second. The funding priorities of this administration are primarily focused on military spending therefore the safety net for our low income residents continues to unravel right underneath our feet.

According to the National Priorities Project, over a one year period we could provide funding for an estimated 45,229 children in Oakland to attend one year of Head Start with the money that is paying for the War in Iraq; or that amount of money could have paid for the hiring of 5,927 public school teachers in Oakland for a year; or we could build 3,079 units of Housing in Oakland.

On the state level the Governor's January budget proposal includes cuts to CalWORKS recipients and other vital services. The budget proposal cuts nearly \$199 million from CalWORKS programs. In addition, the proposal also decreases spending by \$114.6 million in child care expenditures for County programs, such as financial payments to families to cover the cost of child care.

The increased work requirements the proposed funding level for the reauthorization of TANF in the proposed budget will not adequately met the needs of CalWORKs families. The Governor's budget fails to restore the 2005-06 cost-of-living allowance (COLA) for CalWORKs families and eliminates the COLA's for 2006-07. The maximum grant for a three-person household would remain at \$723 a month through July 2007--\$29 more than the 1989-90 maximum grant of \$694. In the Bay Area with the high cost of living recipients of this program cannot continue to forgo COLA's and receive cuts to their core

funding. This proposal will have a serious impact on families and children in the CalWORKs system. Reductions in resources for counties serving low income families are always troubling, since many families still struggle to find work and child care and other services. These families need comprehensive supportive services to be able to move out of poverty.

In 1992, the State found itself with serious financial challenges in their effort to sustain education across the state and as a result the Educational Revenue Augmentation Funding (ERAF) was enacted. Over the last 13 years the County has contributed over \$2.4 billion of revenue to this fund that could have been used to help sustain core programming in the Alameda County. Although last year in our budget negotiations with the state the contributions from Counties to this fund were mitigated although the state continues to still find ways limit resources to mandated programs.

Many economists have predicted a slow rebound for the economy, the state and federal government boast of higher than expected revenue, yet Alameda County is still faced with large funding gaps to provide essential services.

The Association of Bay Area Governments (ABAG), forecasts over 46,000 fewer jobs than originally projected in the report Projections 2002. This is a result of the slow pace of job growth in the Bay Area during the early part of the forecast. The pace has been so slow that it has caused ABAG to reduce the long-term job outlook somewhat. Some sectors are expected to have more jobs because the region will have 330,000 more residents by 2030. These are in the Construction sector and sectors related to meeting the local demand for goods and services. Overall, however, the slower economy of the last few years has overshadowed this impact and resulted in lower job growth.

As the Chair of the County Budget Workgroup, one of my goals is to ensure that there is equity amongst all areas of service. We do not want one service area to excel at the expense of another. It is the goal of our Budget Committee to ensure that all services are sustained and maintained for all residents in the county. Over the last few years the County has been successful with innovative strategies to address the budget deficits. However, as we begin this budget dance again this year, the State continues to step on our toes and limit our ability to provide quality services. As we analyze the numbers for the next fiscal year, I encourage members of the community to voice their concerns to the local, state and federal elected officials. Let them know that you will not continue to do the two step dance and allow them to cut essential funding for local programs for our most vulnerable populations.