ATTACHMENT 3

FY2020-21 Revised Recommended Budget
THE ALL FUNDS BUDGET

The FY2020-21 Revised Recommended All Funds Budget totals $6,409,822,806 in appropriations. This is a $157,009,101 (2.5%) increase compared to the Recommended Budget approved by the Board in June (the "Approved Budget"). A more detailed comparison of the FY2020-21 Revised Recommended Budget and the FY2020-21 Approved Budget is shown in the following table.

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County of Sacramento

All County Funds Chart for September Revised Recommended Budget

FY 2020-21 THE ALL FUNDS BUDGET - TOTAL APPROPRIATIONS

Fund	FY 2020-21 Approved Budget Appropriations	FY 2020-21 Revised Recommended Budget Appropriations	Difference	% Difference
General Fund	2,882,123,911	3,086,731,237	204,607,326	7.1%
Community Investment Program	168,395	152,104	(16,291)	(9.7%)
Neighborhood Revitalization	1,617,003	1,258,924	(358,079)	(22.1%)
Mental Health Services Act	105,591,341	144,298,682	38,707,341	36.7%
Public Safety Sales Tax	131,830,208	116,051,753	(15,778,455)	(12.0%)
1991 Realignment	358,702,458	326,325,911	(32,376,547)	(9.0%)
2011 Realignment	325,172,799	279,450,927	(45,721,872)	(14.1%)
Clerk/Recorder Fees	2,430,118	5,354,266	2,924,148	120.3%
SSD DOJ Asset Forfeiture	0	0	0	
SSD Restricted Revenue	3,155,000	3,142,950	(12,050)	(0.4%)
Economic Development	119,304,411	95,265,322	(24,039,089)	(20.1%)
Environmental Management	26,425,964	27,254,094	828,130	3.1%
Golf Fund	8,265,555	8,671,369	405,814	4.9%
Transient Occupancy Tax	4,358,236	4,570,086	211,850	4.9%
Transportation	265,288,128	284,511,609	19,223,481	7.2%
Water Resources	178,747,876	207,347,736	28,599,860	16.0%
Airport System	589,882,772	503,319,043	(86,563,729)	(14.7%)
Waste Management & Recycling	173,672,463	228,282,920	54,610,457	31.4%
Capital Projects Funds	92,629,849	70,101,238	(22,528,611)	(24.3%)
Debt Service Funds	31,075,181	36,777,991	5,702,810	18.4%
Other Special Revenue Funds	106,251,028	108,699,858	2,448,830	2.3%
Other Enterprise Funds	4,925,743	4,878,194	(47,549)	(1.0%)
Other Internal Service Funds	438,730,821	464,211,171	25,480,350	5.8%
Other Special Districts & Agencies	402,464,445	403,165,421	700,976	0.2%
Total Appropriations	**$6,252,813,705**	**$6,409,822,806**	**$157,009,101**	**2.5%**
Total Reimbursements	**($1,690,497,996)**	**($1,543,995,967)**	**$146,502,029**	**(8.7%)**
NET FINANCING USES	**$4,562,315,709**	**$4,865,826,839**	**$303,511,130**	**6.7%**

In addition to the General Fund, funds or fund groups with the largest increase in appropriations include:

- The Waste Management & Recycling Fund, with a $54.6 million (31.4%) increase, due primarily to increased capital costs for various new and continuing projects.

- The Mental Health Services Act Fund, with a $38.7 million (36.7%) increase, due to the transfer of additional resources to the Health Services Department to fund initiatives that began in FY2019-20 but were not included in the FY2019-20 Adopted/FY2020-21 Approved budgets as well as new and enhanced programs in FY2020-21.

- The Water Resources related funds, with a $28.6 million (16%) increase, due primarily to increased capital project costs, including costs associated with the Arden Service Area Pipe Meter Project, home elevation projects funded by the FEMA Hazard Mitigation Grant Program and Zone 40 transmission projects.

- Other Internal Services funds, with a $25.1 million (5.7%) increase, due primarily to a $17 million increase in the Department of Technology Fund due to a change in budget practices and increases in the General Services Fund (due to the inclusion of costs for various projects, like the Energy LED Light Fixture Retrofit Project, as well as salary and benefit cost increases), the Liability/Property Insurance Fund (due to increased claims) and the Fixed Asset Heavy Equipment Fund, partially offset by a decrease in the Interagency Procurement Fund (FAAF) due to one-time increases in that Fund in FY2019-20.

- Transportation related funds, with a $19.2 million (7.2%) increase, due primarily to the timing of capital projects.

These and other increases are partially offset by decreases in appropriations in a number of funds, including a $93.9 million decrease in the Semi-discretionary Restricted Funds, as described more fully below, an $86.6 million decrease in the Airport System funds (due to a decrease in capital expenditures), a $24 million decrease in the Economic Development Fund due primarily to the annual fluctuation in costs for environmental mediation at the former McClellan Air Base, and a $22.5 million reduction in the Capital Projects funds, due primarily to a $24 million reduction in the Capital Construction Fund, reflecting the elimination of funding for the SB 1022 construction project at the Rio Cosumnes Correctional Center (RCCC).

More detailed information regarding appropriation increases in the General Fund is provided in Attachment 4.

Semi-discretionary Revenue Restricted Funds

The County receives “Semi-discretionary” revenue, which refers to Proposition 172 and 1991 and 2011 Realignment revenue that the Board generally has the ability to allocate within certain broad parameters. Semi-discretionary revenue is received in restricted funds and then either transferred to the appropriate operating budget as a reimbursement or held in reserve in the restricted funds. The following tables summarize the changes to the Approved Semi-discretionary revenue restricted funds’ budgets.

FY2020-21 Revised Recommended Budget			
Semi-discretionary Revenue Restricted Funds - Beginning Balance			
Fund	**Approved Beginning Balance**	**Revised Recommended Beginning Balance**	**Difference**
Public Safety Sales Tax	$ 746,386	$ -	$ (746,386)
1991 Realignment	$ 36,827,142	$ 4,012,569	$ (32,814,573)
2011 Realignment	$ 13,042,633	$ 1,815,400	$ (11,227,233)
Total	**$ 50,616,161**	**$ 5,827,969**	**$ (44,788,192)**

As can be seen, the Revised Recommended Beginning fund balances for the Semi-discretionary restricted funds (which represents the unaudited actual ending fund balance for those funds) decreased by a total of $44.8 million from the Approved beginning balance (which is the same as the FY2019-20 Adopted beginning balance). This reflects the fact that the FY2019-20 Adopted Budget included a significant use of fund balance to cover budgeted expenditures as well as the cancellation of approximately $15 million in reserves during FY2019-20 to help offset Realignment and Proposition 172 revenue losses due to the COVID-19 pandemic.

FY2020-21 Revised Recommended Budget			
Semi-discretionary Revenue Restricted Funds - Revenue			
Fund	**Approved Revenue**	**Revised Recommended Revenue**	**Difference**
Public Safety Sales Tax	$ 131,830,208	$ 116,051,753	$ (15,778,455)
1991 Realignment	$ 333,629,235	$ 322,313,343	$ (11,315,892)
2011 Realignment	$ 316,337,391	$ 278,151,656	$ (38,185,735)
Total	**$ 781,796,834**	**$ 716,516,752**	**$ (65,280,082)**

As can be seen, overall, Semi-discretionary revenue is projected to decrease by approximately $65.3 million (8.4%) compared to the Approved Budget level. Non-CalWORKS Semi-discretionary revenue is projected to decrease by approximately $66.7 million (10.4%).

The above numbers reflect projections of the impact of the COVID-19 pandemic on the County's Semi-discretionary revenues - which are, for the most part, derived from statewide sales tax revenue. Predicting that impact is difficult, however, because:

- Sales tax revenue information is received by the County two months in arrears (for example, the County did not receive actual sales tax data for March 15 through April 15, the first full month period impacted by the pandemic, until the end of June);

- The Governor's two executive orders allowing certain retailers to defer all or part of their sales tax collections makes it difficult to determine underlying trends; and

- The ultimate depth and duration of the current economic downturn is not known.

In making our Realignment and Proposition 172 revenue projections, we took into consideration estimates from the County's sales tax consultants, HDL, the State Department of Finance's estimates in the Governor's May revised State Budget and estimates provided by the Legislative Analyst's Office (LAO), as well as the most recent actual statewide sales tax revenue report provided on July 30. All of the estimates we looked at were based on different assumptions or ranges of assumptions about the depth and duration of the recession, with the Governor's May Revise reflecting the most pessimistic assumptions, HDL's projections being the most optimistic (they assumed that the economy would start reopening in May 2020, and full recovery would occur in FY2022-23). The LAO provided estimates for both a "U" shaped recession and "L" shaped recession. Under the LAO's U shaped recession scenario, the economy would begin to see meaningful but limited recovery in the summer of 2020, with the recovery taking a more rapid pace in 2021. Under the L shaped recession scenario, the economy would remain in a significant slump well into 2021. Gradual recovery would begin in the second half of 2021, but the economy would not return to pre-recession levels until at least 2023.

The statewide sales tax revenue reduction percentages in the different estimates are shown in the following table:

	LAO	**Governor's May Revise**	**HDL - Statewide**
FY2019-20 Percent Change from FY2018-19	-6.9%	2011 Realignment: -4.6%; 1991 Realignment: -5.11%	-6.9%
FY2020-21 Percent Change from FY2019-20	-1.6% to -12.5%	2011Realignment: -17.27%; 1991 Realignment: -18.14%	-1.1%
Cumulative Percent Change from FY2018-19	**-8.39% to -18.53%**	**-21.08% to -22.56%**	**-7.03%**

In the end, with the recent surge in COVID-19 cases and deaths and orders re-closing certain businesses but not requiring people to shelter at home (all of which occurred after the above projections were made), we chose a middle range scenario that assumed that the recovery would occur at a slower pace than the LAO's U shaped scenario, though not as slowly as the LAO's L shaped recession scenario or the recovery following the Great Recession. Our scenario included the following sales tax revenue reduction percentages:

	2011 Realignment	**1991 Realignment**	**Proposition 172**
FY2019-20 Percent Change from FY2018-19	-5.5%	-6.1%	-6.1%
FY2020-21 Percent Change from FY2019-20	-6.5%	-7.0%	-7.0%
Cumulative Percent Change from FY2018-19	**-11.6%**	**-12.8%**	**-12.8%**

One other factor we had to consider was the impact of the Governor's Executive Orders allowing certain retail businesses to defer payment to the State of some of the sales tax collected from customers. This deferral means that some sales tax revenue collected in FY2019-20 will not be received in FY2019-20, but will be received in FY2020-21. Because the State did not require retailers to file tax returns on deferred revenue when it was deferred, it is difficult to know how much revenue was actually deferred from FY2019-20 to FY2020-21. The State Department of Finance estimated that 9% of statewide sales tax revenue would be deferred from FY2019-20 to FY2020-21. However, our sales tax consultants believe that estimate is high. In the end, we assumed that 5% of FY2019-20 sales tax revenue would be deferred to FY2020-21.

FY2020-21 Revised Recommended Budget Semi-discretionary Restricted Funds			
Changes in Appropriations - Approved to Revised Recommended			
Fund	**Approved Appropriations**	**Revised Recommended Appropriations**	**Difference**
Public Safety Sales Tax	$ 131,830,208	$ 116,051,753	$ (15,778,455)
1991 Realignment	$ 358,702,458	$ 326,325,911	$ (32,376,547)
2011 Realignment	$ 325,172,799	$ 279,450,927	$ (45,721,872)
Total	**$ 815,705,465**	**$ 721,828,591**	$ (93,876,874)

Semi-discretionary restricted fund appropriations reflect the resources (from revenue and use of fund balance) in the funds transferred out (or allocated) as a reimbursement to the relevant operating budgets, mostly in the General Fund, to cover the cost of providing services. Revised Recommended appropriations total $721.8 million, a decrease of $93.9 million (11.5%) compared to the Approved Budget level. In the case of Realignment, the available resources were allocated to different departments based on the percentages historically used to allocate Realignment reimbursements. In the case of Proposition 172 revenue, resources were allocated based on a Board-approved allocation formula.

Although not part of Realignment, the County also received $34.2 million in State General Fund money to partially backfill the loss of Realignment revenue. This too was allocated to realigned programs based on the general guidance provided by the State Department of Finance. Generally, net remaining shortfalls in Semi-discretionary revenue to departments was backfilled with Net County Cost that was available due to the higher than usual General Fund beginning balance.

FY2020-21 Revised Recommended Budget			
Restricted Funds - Reserves - Approved to Revised Recommended			
Fund	**Approved Reserves**	**Revised Recommended Reserves**	**Difference**
Public Safety Sales Tax	$ 746,386	$ -	$ (746,386)
1991 Realignment	$ 11,753,919	$ -	$ (11,753,919)
2011 Realignment	$ 4,207,225	$ 516,129	$ (3,691,096)
Total	**$ 16,707,530**	**$ 516,129**	**$ (16,191,401)**

Due to the projected reduction in Realignment and Proposition 172 revenue in FY2019-20 and FY2020-21, the Revised Recommended Budget eliminates almost all Semi-discretionary Revenue Restricted Fund reserves. The $516,129 in remaining reserves reflects unallocated Community Corrections Planning revenue that must be used for specific planning activities.