



# Fiscal and Legislative Update

**April 7, 2020**



# County Administrator Bratton Opening Comments





# OVERVIEW

## **Degree of Fiscal Impact will be informed by:**

- COVID 19's depth and duration
- The timing of the State/Federal support

## **Projected fiscal impacts are limited because:**

- Post-pandemic Economic data is not available
- Not enough time has lapsed to identify patterns
- State and Federal stimulus details are not yet known
- Analysis is only on GF main revenue general purpose sources

## **Revised New Year Budget Timeline**

- Present a “Recommended” baseline budget in June, along with the next fiscal update; and
- Recommend a final Budget with needed adjustments in the fall





# Preliminary – High Level Fiscal Impacts of Covid-19 for Current FY 2019-20





## Fiscal impact of COVID-19 on Current FY19-20

- Immediate impact on key revenue sources:
  - Transient Occupancy Tax
  - Sales Tax
  - Proposition 172 Public Safety Funding
- Limited/no immediate impact
  - Property Tax
  - Grant Revenues





## Fiscal impact of COVID-19 on FY19-20

- Estimated reduction between \$2 million and \$8 million for major local discretionary revenues
  - Or, 1% to 3% of total general purpose sources
- Estimated Additional loss of \$1 million to \$6 million in Proposition 172 funding
  - Supporting criminal justice programs
- Not yet determined impacts
  - Department services revenue streams
  - Emergency incurred expense
  - Unclaimable or unbillable staffing costs as a result of redirecting resources





# Preliminary – High Level Post-Covid 19 Revised Projections for next year's FY 2020-21





## Post COVID-19 FY20-21 Revised Projections

- Economic downturn expected to continue
- Congressional Budget Office projections include unemployment nationwide at 9% in 2021
- HUGE degree of uncertainty
  - How long will social distancing last?
  - How much federal stimulus will be received?
  - How quickly will impacted sectors bounce back?







## Post COVID-19 FY20-21 Revised Projections

**Most recent reference available for forecasting is the Great Recession of 2008-2010, when:**

- Main tax revenues dropped 6.3% from peak
- Sales tax fell 23%
- Property tax fell 5.4%

Decline was not instantaneous – property tax lagged recession (and recovery) by 1-2 years





# Post COVID-19 FY20-21 Revised Projections

## Initial Estimate Changes for FY2020-21

- Optimistic Scenario: \$10 million decline in primary revenues
  - If social distancing is largely concluded
- Mid-range Scenario: \$15 million decrease in primary revenues,
  - If social distancing extends into the first part of the new FY
- Not Optimistic Scenario: revenue changes will worsen
  - if stay at home order significantly extends





# Post COVID-19 FY20-21 Revised Projections

## **Additional impacts still being evaluated:**

- Licenses and Permitting fees
- Proposition 172
- State realignment funding (based on sales tax and vehicle license fee revenue)

## **Next fiscal update planned for June**

- As economic information becomes available
- With HdL Sales Tax consultant estimates
- Including depts.' Leadership input





# Federal Legislative Review





# Alcalde and Fay

## Federal Update:

- Federal Emergency bills to date
- CARES Overview
- CARES highlights for Sonoma
- What's Next Implementation
- What's Next Legislatively





# Van Scoyoc Associates and Capital Decisions

## Congress:

- All attention has been on COVID-19 response; other issues that were front & center (prescription drug pricing, surprise billing) have been moved to the backburner
- 3 large stimulus packages thus far
  - Phases 1 & 3 combined included \$2.5 billion for state & local preparedness & response activities
    - Most of these funds are flowing to states for distribution
- Work on Phase 4 underway
  - There are discussions about adding greater resources for mental health/addiction treatment/recovery support services

## Agencies

- Broad flexibilities being granted
  - For example, significant loosening of telehealth rules





# State Legislative Review





# Shaw Yoder Antwih Schmelzer & Lange

## State Update:

- Timing and deadlines when the Legislature returns
- How we expect federal stimulus to work in California
- 20-21 State Budget expectations
- Legislative expectations
- November ballot







**Information Only**

**End of Presentation – Q&A**

