



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

