

# **ATTACHMENT A**

## **FY 2022/23 BUDGET MESSAGE**



# BUDGET MESSAGE FROM THE CAO

Jason T. Britt

September 13, 2022

Dear Board of Supervisors:

It is my pleasure to report that Tulare County is financially stable and well-positioned to face current economic pressures, including the prolonged COVID-19 pandemic, historically high inflation, and future uncertainties. The Fiscal Year (FY) 2022/23 Recommended Budget is submitted for your consideration, review, modification, and/or adoption.

The prudent fiscal policies of your Board, the use of conservative revenue estimates, and the efforts of an outstanding County management team has contributed to the County's continuing strong financial position. This recommended budget of \$1.82 billion dollars is balanced for all applicable funds as required by law. Consistent with previous years, the FY 2022/23 Recommended Budget was developed in accordance with the priorities established in Tulare County's adopted Strategic Business Plan and the following long-standing budgeting principles:

- a. Historically conservative and reasonable revenue estimates are budgeted to ensure a balanced budget;
- b. Maintain the Board's strong commitment to public safety;
- c. Proceeds from sales of real property are designated for future one-time capital needs;
- d. One-time funds are used for one-time purposes when setting agency/departamental budget targets;
- e. County agencies/departments seek grants and other funding opportunities, to the extent possible, to minimize reoccurring General Fund costs. Departments should maximize expenditure of subvented dollars prior to using General Fund dollars;
- f. County General Fund will not backfill revenue losses from state-mandated or grant-funded programs; and
- g. Any structural increases or substantial one-time funding to agency/departamental budgets require a new or expanded sources of revenue and operational efficiencies (corresponding reduction of expenses or programmatic or project re-direction of expenses) for budget sustainability.

## County Budget Highlights

This \$1.82 billion budget, submitted to your Board for consideration, demonstrates Tulare County's sound financial position, and reflects the Board's policy to maintain feasible and sustainable fiscal operations within all of Tulare County's Governmental Funds, Internal Service Funds, Special District Funds, Enterprise Funds, Assessment Districts, and County Service Areas. Some notable budget highlights:

- General Fund budget increases from \$949.5 million to \$1.1 billion (10.7% increase from FY 2021/22);
- General Fund discretionary revenues increase from \$186.9 million to \$207.7 million (11.1% increase from FY 2021/22);
- General Fund unassigned fund balance increases from \$49.1 million to \$68.1 million (38.8% increase from FY 2021/22);
- Strategic Reserve increases from \$33 million to \$36 million; and
- Maintains General Fund Contingency at \$5 million.

## Budget Message

---

The proposed budget also includes several investments in key County services. These investments will provide funds for future elections, increased retirement costs, building improvements, and other important needs. Some important investments include:

- Transfers \$1 million to the Public Agency Retirement Services (PARS) 115 trust to offset future retirement liabilities;
- Transfers \$5 million to replenish the Jail Medical Fund;
- Transfers \$2 million to the Equipment and Vehicle Replacement Fund;
- Transfers \$2.5 million to the Natural Resources Fund;
- Transfers \$3 million to replenish the Election Trust Fund;
- Transfers \$1.5 million to replenish the Conflict Defender Fund;
- Transfers \$4 million to the Litigation Trust Fund for future litigation;
- Allocates \$7 million for the Capital Improvement Plan (increase of \$1 million from FY 2021/22);
- Funds budgetary retirement costs from \$45.3 million to \$50.7 million (11.9% increase from FY 2021/22);
- Funds Pension Obligation Bond (POB) debt service payment of \$19.8 million;
- Allocates \$3 million for the SQF Complex Fire abatement and future disasters;
- Allocates \$1.4 million for Fire equipment and vehicles;
- Allocates \$1.5 million for IT projects;
- Funds total employee compensation increases from \$406.3 million to \$437.2 million (7.6% increase from FY 2021/22);
- Allocates \$1 million for drought response; and
- Allocates \$1 million for disaster management.

### American Rescue Plan Act

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law and authorized \$90.6 million dollars in COVID-19 relief funds to Tulare County. On August 24, 2021, the Board of Supervisors approved the ARPA Interim Recovery Plan to align with the US Department of Treasury interim rules. In May 2022, the US Department of Treasury released the final rule which included broader eligibility guidelines and acceptable uses of the funds. On July 26, 2022, the Board of Supervisors adopted the ARPA Final Recovery Plan, which aligns the County's spending with the US Department of Treasury's final rule. As of June 30, 2022, the County has expended over \$28 million of ARPA funds. The FY 2022/23 budget reflects approximately \$37 million in ARPA Final Recovery Plan spending.

### FY 2022/23 State Budget Highlights

On June 27, 2022, Governor Newsom signed California's FY 2022/23 Budget Act into law. The enacted budget agreement includes \$234.4 billion in General Fund appropriations and \$37.2 billion in budgetary reserves, which include:

- \$3.5 billion in the Special Fund for Economic Uncertainties;
- \$9.5 billion in the Public School System Stabilization Account;
- \$900 million in the Safety Net Reserve; and
- \$23.3 billion in the Budget Stabilization and Rainy-Day Fund.<sup>i</sup>

Consistent with the prior year's budgetary practices, California's FY 2022/23 budget also returns a portion of its unanticipated tax income to residents in the form of a broad-based relief package to offset rising costs associated with the highest inflation the country has experienced in 40 years.

Notable State Budget Act impacts to the County include the following:<sup>ii</sup>

- **Climate Resilience.** \$125 million for the Regional Resilience Grant Program to support regional climate resilience planning and implementation to reduce the risk of climate change impacts such as wildfire, sea level rise, drought, flood, increasing temperatures, and extreme heat events.
  - \$75 million in one-time grant funding to eligible agriculture-related businesses affected by severe drought conditions.
- **Organic Waste.** \$270 million over two years to provide direct support for local governments in the implementation of organic waste recycling.
- **Wildfires.** \$30 million General Fund for investments to support wildfire and forest resilience.
- **Homelessness.** An additional \$3.4 billion of General Fund over three years to invest in immediate behavioral health housing and treatment, as well as encampment cleanup grants, and extends for an additional year support for local government efforts.
- **Agriculture.** \$25 million for a one-time subvention payment to counties with active Williamson Act programs.
- **Library Infrastructure.** \$50 million to support an infrastructure grant program for capital projects. Priority is given to requests from local libraries in high-poverty areas and the match requirement may be reduced or waived for such libraries. There is also an intent to provide an additional \$100 million in FY 2023/24.
- **Affordable Housing.** \$2 billion multiyear package of affordable housing and homeownership investments including \$500 million to establish the California Dream for All program to assist first-time homebuyers.
- **Transportation.** \$14.8 billion for regional transit and rail projects; to support the continued development of the high-speed rail; bicycle and pedestrian projects; and climate adaptation projects, with a focus on aligning the state's transportation system with its climate goals. Budget also includes a one-year diesel sales tax holiday.
- **Behavioral Health**
  - **CARE Courts.** \$64.7 million for the Community Assistance, Recovery, and Empowerment (CARE) Court proposal to fund state departments and Judicial Branch costs for the new program, contingent on adoption of statutory changes codifying the program. However, there is no funding for counties to implement this mandated program.
  - **Behavioral Health Bridge Housing.** \$1.5 billion over two years for immediate, clinically enhanced bridge housing solutions for individuals experiencing homelessness with behavioral health needs.
  - **Behavioral Health Workforce.** \$200 million one-time General Fund over four years for behavioral health workforce investments.
- **Health**
  - **Medi-Cal for All, Regardless of Immigration Status.** The budget expands eligibility for full-scope Medi-Cal coverage to income-eligible individuals aged 26 to 49 years, regardless of immigration status. The estimated cost is \$2.6 billion (\$2.1 billion General Fund) annually at full implementation, inclusive of In-Home Supportive Services (IHSS) costs. Coverage is to begin no later than January 1, 2024.
  - **Workforce for a Healthy California for All Program.** \$296.5 million in FY 2022/23, \$370.5 million in FY 2023/24 and FY 2024/25 from the General Fund and the Opioid Settlement Fund to strengthen and expand the state's public health workforce.
  - **Unwinding the Public Health Emergency (PHE).** \$26.2 million in FY 2022/23, and \$1.2 million in FY2023/24 and FY 2024/25 and trailer bill language to unwind the array of program policy and system-related changes put in place during the COVID-19 PHE within the 12-month timeframe outlined by State Health Official Letter 21-002, once the COVID-19 PHE is officially terminated at the federal level.
- **Human Services**
  - **Resource Family Approval.** \$50 million General Fund ongoing to support counties in reducing approval timelines for foster caregiver applications.
  - **CalWORKs Grant Increase.** A 21% increase in CalWORKs grant levels beginning October 1, 2022. SB 187 also includes language that expresses the intent of the Legislature to increase CalWORKs maximum aid payments starting in October 2024 to a level that ensures no children live in deep poverty.

## Budget Message

---

- **Local Public Safety**

- **Division of Juvenile Justice (DJJ) Realignment.** \$100 million one-time General Fund investment to support improvements to county-operated juvenile facilities more conducive to serving justice-involved youth with a wide range of needs, focused on supporting trauma informed care, restorative justice, and rehabilitative programming. This funding will be distributed directly to county probation departments no later than August 31, 2022 based on juvenile population levels and the number of facilities operated in each county.
- **Peace Officer Wellness and Training.** \$50 million one-time General Fund grants for city and county law enforcement agencies to improve law enforcement officer wellness units, peer support units, mental health services, and other evidence-based programs or services that enhance wellness.
- **Local Law Enforcement Aid.** \$23.4 million to support the State's Law Enforcement Mutual Aid System to provide local law enforcement aid during disasters and emergencies. This funding will reduce local costs, accelerate response time, and is a step toward sustainable participation for all counties.

### Forward Looking

Tulare County finished FY 2021/22 with an unassigned fund balance of \$68.1 million, stemming from greater-than-anticipated countywide revenues, planned and unplanned departmental savings, and revenue from the American Rescue Plan Act. Unassigned fund balance is considered one-time monies and are budgeted according to the Board's adopted Financial Policies. According to a recent report by PFM Asset Management, current national economic conditions can be described as persistent high inflation, declining consumer sentiment, slowing economic growth and looming recession probabilities, aggressive increases in Fed borrowing rates, rising yields and decades high mortgage rates, and elevated volatility in credit and equity markets.

As of the publication of this book, the economic outlook for the U.S., California, and the County continues to be uncertain. Contributing to that uncertainty are historically high inflation rates and a looming recession on a national level; constitutional funding obligations outpacing forecasted tax revenue collections at the state level <sup>iii</sup>; and for the County, growing wage pressure, retirement costs, exponential growth in costs for jail medical and mental health, and new unfunded or underfunded mandates. Of specific concern for Tulare County are several pieces of State legislation which could impose new mandated service obligations on the County without corresponding revenues. CARE Court and CalAIM are both significant pieces of legislation that will require the County to fund more services utilizing existing revenue streams.

The County continues to anticipate significant financial challenges as operational costs grow and are exacerbated by the highest inflationary period in the last 40 years. Rising operational costs include labor; law enforcement and fire services; jail medical and mental health care; Internal Service Funds working capital reserves; Zones of Benefits; new countywide financial and human resources systems; and the uncertain impacts of the lingering drought on our agricultural economy. The overall uncertainty in the economy coupled with growing operational costs, and state-imposed obligations to general county revenue will limit the County's capacity to fund new ongoing commitments in future years.

To maintain the County's financial stability given current economic uncertainties and enjoy balanced budgets in future years, the Board should maintain the following budget philosophy and strategies: fund only mandated services, negotiate financially sustainable labor agreements, limit the issuance of debt, use one-time funds for one-time expenses, strive to fund the Strategic Reserve to the stated reserve ratio reflected in the Reserve Policy, collaborate with TCERA to minimize significant retirement cost increases, continue utilizing conservative revenue estimating practices, encourage departments to maximize the use of non-General-Fund revenues to minimize the burden on the General Fund, and encourage departments to adopt more efficient business practices.

### Appreciation

Finally, the budget development process and budget book are not something done alone. I appreciate and thank the Tulare County Board of Supervisors for their guidance and commitment to conservative fiscal practices. I appreciate all elected

and appointed department and agency heads for their assistance throughout the budget process. Special thanks to the CAO staff for their commitment and dedication to the budget process and budget book.

Please take a moment to review the Executive Summary of the FY 2022/23 Recommended Budget that directly follows this letter.

Respectfully submitted,

Jason T. Britt  
County Administrative Officer

---

<sup>i</sup> <https://ebudget.ca.gov/2022-23/pdf/Enacted/BudgetSummary/SummaryCharts.pdf>

<sup>ii</sup> [https://www.counties.org/sites/main/files/file-attachments/csac\\_june\\_budget\\_bab\\_-\\_2022-06-29.pdf](https://www.counties.org/sites/main/files/file-attachments/csac_june_budget_bab_-_2022-06-29.pdf)

<sup>iii</sup> <https://lao.ca.gov/Publications/Report/4590>