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MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Donna Hom

SUBJECT: Update on Federal and State Budgetary
Actions Standing Report

DATE: April 15, 2013

City Administrator

Date

Approval

/s/ **Scott P. Johnson**

4/15/13

INFORMATION

During the April 9, 2013 Finance and Management Committee, the committee requested that the City Administration issue a written information memorandum that provides the highlights of the Assistant City Administrator's verbal reports regarding Federal and State Budgetary Actions. The information below was provided as a verbal report during the April 9th meeting.

Federal:

Sequestration: The federal sequestration started on March 1, 2013, which means \$85 of billion federal spending cuts through September 30, 2013.

The Head Start, Community Housing, Community Services Block Grant, and Senior Programs will be impacted. Each program will experience approximately a 5% reduction with varying timelines for implementation by program. Specific federal guidance has not been received yet. However, the City's Department of Human Services has estimated an overall impact to the City of approximately \$1.5 million dollars.

No official word has been received from the federal agencies regarding the impact to the City on the following grant programs other than the mandated 5% reductions from the FY 2012-13 amount : Community Development Block Grant ("CDBG"), Home Ownership and Mortgage Education ("HOME"), Housing Opportunities for Persons with AIDS ("HOPWA") and Emergency Solutions Grant ("ESG")

"Reducing Burden for State, Local, and Tribal Governments

On April 4, 2013, Office of Management and Budget (OMB) issued a memorandum to all department and agency heads, there is a specific guideline for handling state and local governments' grant funds:

HONORABLE MAYOR AND CITY COUNCIL

Subject: Federal and State Budgetary Action Standing Report

Date: April 11, 2013

Page 2

To the extent agencies provide grants or other forms of financial assistance to States, localities, or tribal governments, agencies should consider if there are ways to help such entities mitigate the effects of funding reductions due to sequestration through reducing administrative burdens or other standard administrative processes, consistent with applicable legal requirements associated with the funds provided. In doing so, agencies should consult closely with their State, local, and tribal partners to determine whether such steps enable public funds to be used in a more cost-effective manner.”

Federal Budget

President Obama is scheduled to release the Federal fiscal year 2014 budget this week. President Obama will propose \$35 billion in federal workers' retirement-program savings in his proposed fiscal 2014 budget through a combination of increased charges to employees and switching to a less-generous measure of inflation known as the chained Consumer Price Index that would result in lower cost-of-living adjustments.

State:

Legislative Activities:

In Sacramento, a number of legislative proposals are being developed that pertain to economic development and local government. These bills seek to fill the void left by the elimination of redevelopment agencies and provide tools used by local governments to remedy blight, provide affordable housing, and spur local economic development.

Several bills are also being proposed that would change the State Constitution to lower the vote threshold for ballot measures from 2/3 to 55%. Additionally, the State Department of Housing and Community Development has proposed major changes to the Enterprise Zone program which would have a negative impact on Oakland.

The legislative process has just begun. Bills would have to go through the legislative process and reach the Governor's desk to be vetoed or signed into law by October 13.

The State Department of Finance issued its monthly cash status report in March for month of February 2013:

Finance:

Preliminary General Fund agency cash for February was \$322 million below the 2013-14 Governor's Budget forecast of \$3.963 billion. Year-to-date revenues are \$4.772 billion above the forecast of \$53.914 billion.

HONORABLE MAYOR AND CITY COUNCIL

Subject: Federal and State Budgetary Action Standing Report

Date: April 11, 2013

Page 3

- Personal income tax revenues to the General Fund were \$429 million below the month's forecast of \$2.072 billion.
- Sales and use tax receipts were \$29 million above the month's forecast of \$1.620 billion.
- Corporation tax revenues were \$25 million above the month's estimate of \$118 million.
- Insurance tax revenues were \$24 million above the -\$2 million estimated for February.

Respectfully submitted,

/s/

Donna Hom
Budget Director

For questions, please contact Donna Hom, Budget Director, at (510) 238-2038.