

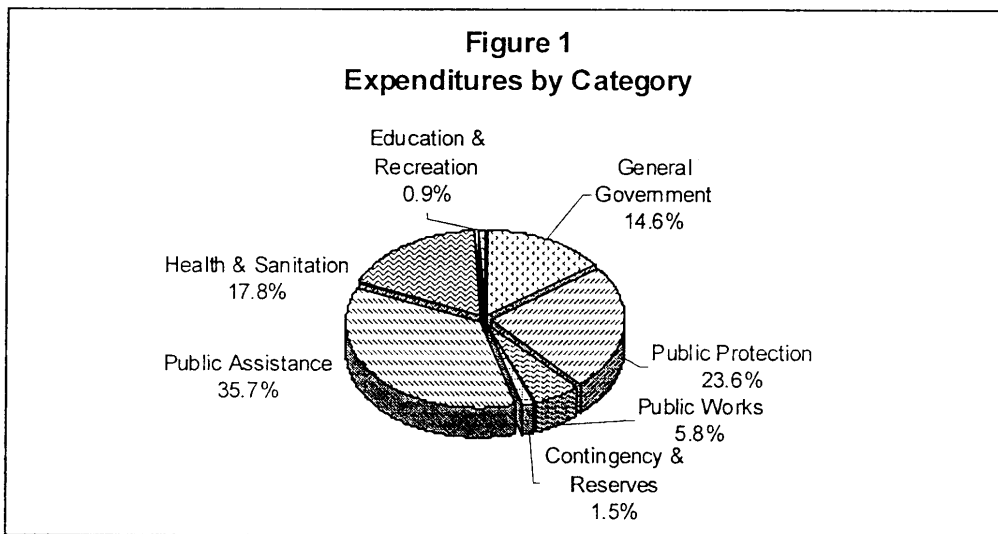
# BUDGET OVERVIEW

# OVERVIEW OF FISCAL YEAR 2008-2009 PROPOSED BUDGET

## COUNTY OPERATING BUDGET

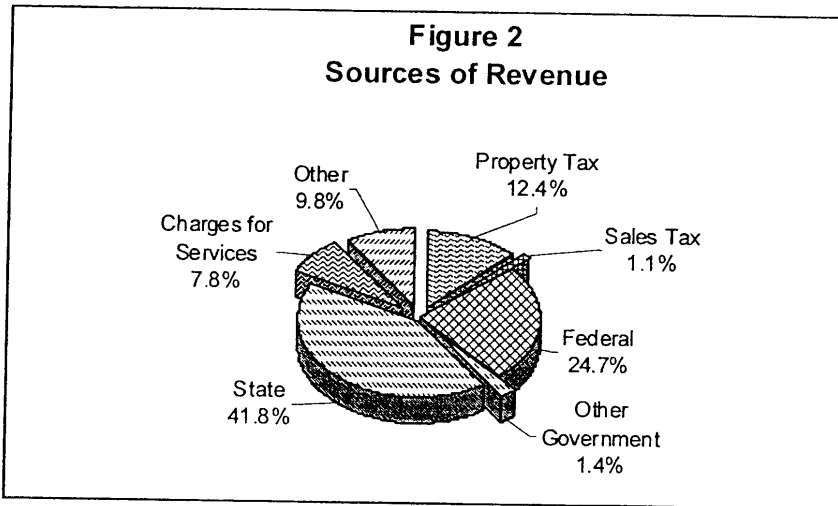
For fiscal year 2008-2009, the budget proposes a total County spending plan of \$420.6 million in the operating budget. However, \$21.9 million of this total is proposed as transfer of general purpose revenues from the General Fund to support expenditures in Special Revenue, Capital Projects, and Debt Service Funds, so direct appropriations are proposed at over \$398.7 million. The Proposed Budget does not consider all potential State budget impacts, as the State Legislature has not finished considering the Governor's budget proposals as of the writing of this Overview.

**How Total Spending Is Allocated.** Figure 1 shows how spending is allocated among major program areas. It shows that health and social services programs, including the landfill, environmental health, mental health, and public assistance payments, account for 53.5% of the total budget, with public protection services accounting for 23.6%. Public Works operations, including road and bridge construction and maintenance, as well as transit services, account for 5.8% of the budget total. Expenditures for general government services, such as Human Resources, Auditor-Controller, Assessor, Treasurer, County Counsel, and Administration departments account for 14.6%, with the remainder allocated to the Library, Farm & Home Advisor, other recreation and education services, and contingencies.

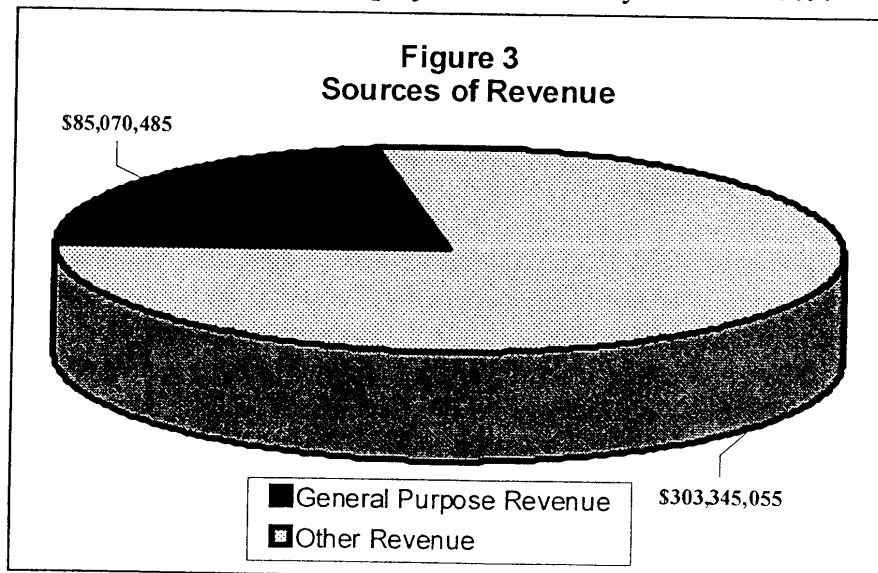


**Projected Revenue for Fiscal Year 2008-2009.** Among the most important assumptions underlying the Proposed Budget are its revenue projections. Butte County will collect State and Federal revenues, taxes, fees, and other miscellaneous revenues in fiscal year 2008-2009. These revenues are deposited into either the General Fund, or into a variety of other separate special funds. Anticipated revenues for fiscal year 2008-2009, excluding general purpose revenue transfers, total \$388.4 million. In addition to the revenues the General Fund balance carryover of \$12.5 million and restricted fund balance carryover of approximately \$0.5 million are used to cover the proposed expenditure plan. Total resources (revenues plus fund balance carryover) are approximately \$423.4 million.

Revenues that are deposited into the General Fund support a wide variety of services and programs, including sheriff operations and patrol, jail and juvenile hall operations, district attorney services, probation, public defender, tax collection and the treasury, assessor, agricultural commissioner, farm and home advisor, and several essential support services. Revenues deposited into special funds are earmarked for specific purposes, such as public and behavioral health, public works and transit, welfare programs, child support services, capital projects, fire protection, water services, and the County libraries. Transfers of General Purpose Revenue are made to special funds to support their funding requirements, and transfers are made between funds as agreed to by County departments in providing a cooperative service delivery system.



Figures 2 and 3 provide two alternative perspectives on anticipated revenues in fiscal year 2008-2009. Over 66.5% of the County's budget is funded by State and Federal revenue sources. Property tax revenue accounts for 12.4%, sales tax accounts for 1.1% and charges for services accounts for 7.8%. The remaining comes from miscellaneous revenues, such as interest earnings, licenses and permits, fines, forfeitures and penalties. County General Purpose Revenue is estimated at 21.9% of the total amount of anticipated revenue, excluding fund balance, projected for fiscal year 2008-2009.



## **GENERAL PURPOSE REVENUE - Sources**

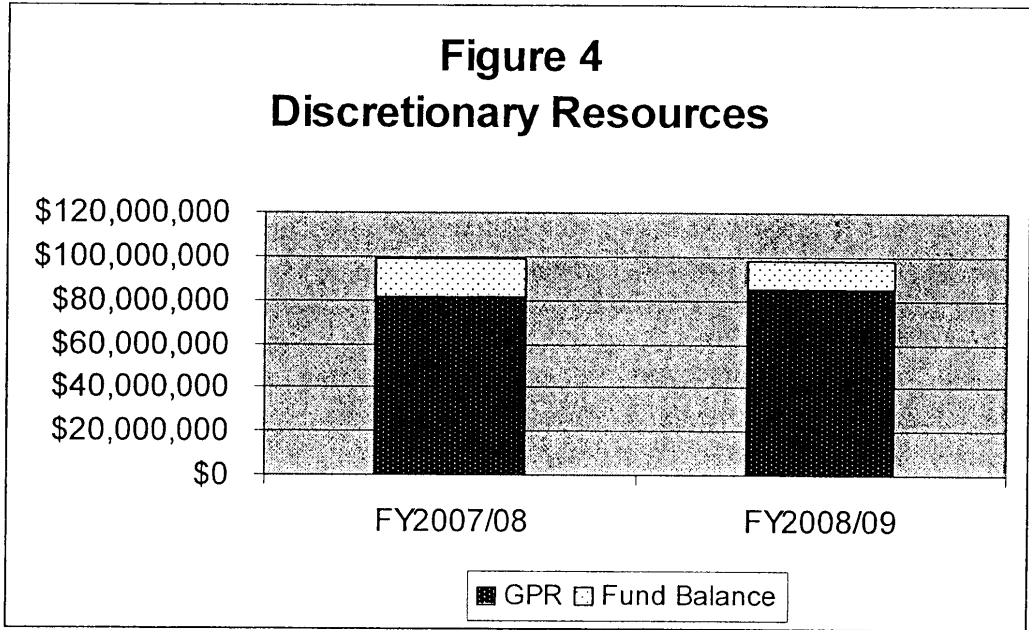
Over three-quarters of County General Purpose Revenue is derived from three major taxes: property tax, public safety sales tax and the Chico area redevelopment agency pass through of property taxes. As shown in Table 1, the largest of these is property tax, which is projected to account for 56.8% of total General Purpose Revenue. The second largest is the Proposition 172 Public Safety Sales Tax, which accounts for 16.3% of the total available. The third largest is the Chico area redevelopment agency pass through of property taxes which accounts for about 5.3% of total General Purpose Revenue. In fiscal year 2008-2009, the Bradley-Burns Sales Tax contributes 4.8% and tobacco lawsuit settlement funds will account for 2.9% of the total General Purpose Revenue available. Other various unrestricted State subventions, interest earnings and miscellaneous revenues comprise the remaining 13.9% of General Purpose Revenue. General Purpose Revenues are used to fund the net County costs of services and programs, including required maintenance of effort, matching funds and unfunded State mandated programs. It is important to note that the Public Safety Sales Tax can only be received if the County funds public safety programs at the required Maintenance of Effort (MOE) level. The Proposed Budget not only meets the MOE level but exceeds it by \$37.5 million.

(This portion of the page was intentionally left blank)

**Table 1**  
**County General Purpose Revenue (GPR)**

	<b>2008-2009 Proposed</b>
Property Tax	48,278,221
Sales Tax	4,100,295
Homeowners Property Tax Exemption	260,408
Teeter Plan Proceeds	1,657,157
State Stabilization Funds	631,000
Open Space Act (Williamson Act)	639,561
PG & E Franchise	995,115
Cable TV Franchise	431,091
Business License	1,200
Treasury Interest	2,325,000
Redevelopment – Chico	4,503,338
Tobacco Settlement Funds	2,482,733
Other Taxes	3,424,515
Other State Revenues	40,000
Federal Revenues	67,748
Other Intergovernmental Revenues	17,975
Fines, Forfeitures, Penalties	1,144,126
Other Use of Money & Property	49,398
Other Miscellaneous Revenue	171,651
Proposition 172 Sales Tax for Public Safety	13,849,953
<b>TOTAL</b>	<b>85,070,485</b>

**Trends in General Purpose Revenue.** The total amount of discretionary resources available in the fiscal year 2008-2009 Proposed Budget is \$97.6 million, which includes an estimated \$12.5 million in fund balance carryover in the General Fund and the General Purpose Revenue described above. This represents a 1.2% decrease in discretionary resources from the fiscal year 2007-2008 Final Budget. Figure 4 compares the discretionary resources between the current year and the budget year.



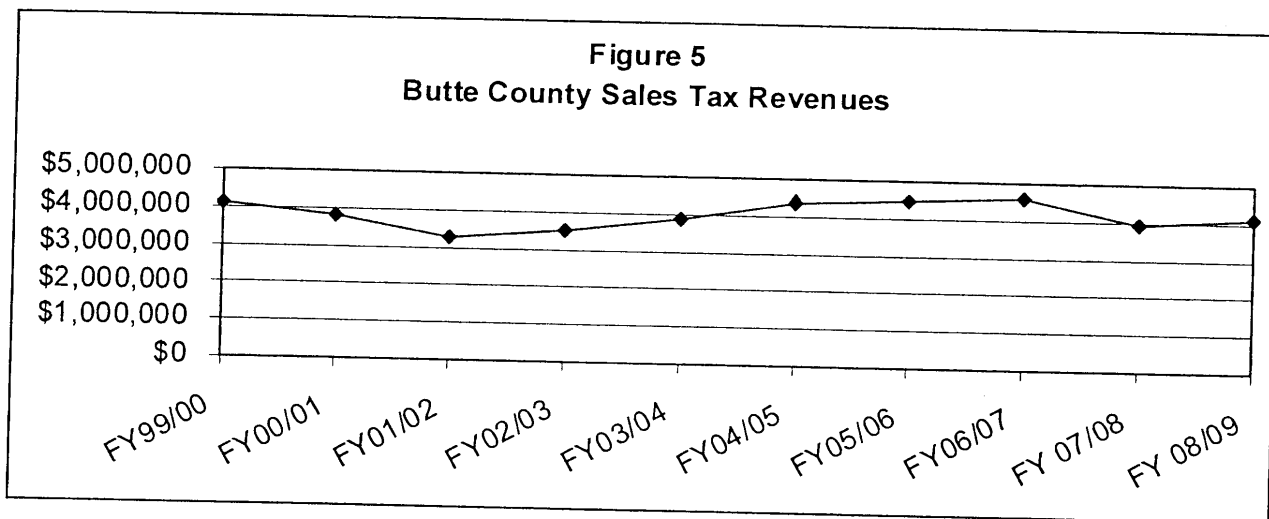
**Fund Balance.** The projected fund balance carryover for fiscal year 2008-2009 is somewhat less than the actual fund balance carryover for fiscal year 2007-2008. Fund balance occurs when revenues come in higher than budgeted, and/or actual expenditures are lower than appropriations. Fund balance can fluctuate greatly from year-to-year. For fiscal year 2007-2008 fund balance carryover from the previous year was \$17.2 million. In contrast, \$12.5 million in fund balance carryover is estimated for fiscal year 2008-2009. The decrease in estimated fund balance for fiscal year 2008-2009 is due primarily to estimated revenues and expenditures for fiscal year 2007-2008 being closer to the budgeted amount than in fiscal year 2006-2007.

**Property Tax.** Property tax revenues are one of the most important components of General Purpose Revenue. Historically, the County’s share of each property tax dollar collected was only 13%; the vast majority of property tax receipts were distributed to K-12 education.

However, the distribution of property taxes changed significantly during fiscal year 2004-2005. The County’s share of property taxes increased due to the passage of Propositions 56 and 57 in March 2004. The passage of these measures triggered the “triple flip” of local revenue which reduced the County share of the Bradley-Burns Sales Tax by ¼ cent. This allowed for the state to dedicate a ¼ cent sales tax towards payment of the voter-approved debt bonds provided by Proposition 57. To make up for the loss in sales tax revenue to local government, the “triple flip” also provided that local governments would contribute less property taxes to the Educational Revenue Augmentation Fund (ERAF) by an amount equal to the sales tax loss. The State thereafter provides an additional State General Fund allocation to local schools to make up for the decrease in ERAF revenue to the schools, so that local government and school districts are entirely made whole and do not suffer from the “triple flip” revenue transfers.

**Vehicle License Fees.** Another significant change in fiscal year 2004-2005 was the loss of revenue from the motor vehicle in-lieu fee (VLF) that is replaced with funding provided by an increase to the percentage of property taxes the County will retain to offset the VLF revenue loss. This in combination with the “triple flip” has effectively eliminated the County’s contribution to the ERAF and increase the percentage of property taxes retained by the County from the historic 13% to a much higher 25%.

**Sales Tax.** California law allows a tax to be levied on the sale of almost all tangible goods purchased in the state. The revenues collected are distributed by the State based upon where the purchase was made, or on a situs basis. Therefore, if the sale occurred within a city, that city would receive the local portion of the sales tax. Figure 5 shows the changes in Sales Tax revenues during the past eight years. The dip in the chart beginning in fiscal year 2000-2001 is due to annexations by the City of Chico. Reflected in the fiscal year 2004-2005 and thereafter fiscal year data is the “triple flip” described above which includes the regular sales and use tax revenue plus the shifted property tax that is received “in lieu” of sales tax. It is necessary to add the In-Lieu Sales Tax allocation in order to see trends due to local sales and use transactions. Additionally fiscal years 2004-2005 and 2005-2006 chart data have been modified to account for an adjustment made in fiscal year 2005-2006 that should have been reflected in fiscal year 2004-2005. This modification is needed to see the true trend. Actual sales tax revenues in fiscal year 2006-2007 are all but flat from the prior year, but based on current receipts modest decreases are anticipated for both fiscal year 2007-2008 and 2008-2009.



**GENERAL PURPOSE REVENUE – Uses**

**GPR Must First Be Used To Meet Mandates.** When State and Federal mandates are placed upon the County without a dedicated revenue source, the County has no other option but to utilize local General Purpose Revenue to meet these mandated requirements. This results in a shift of local control over discretionary revenues to the State and Federal governments, and a decrease in the amount of discretionary General Purpose Revenue available to fund local priorities. After funding the mandates, the remaining General Purpose Revenue can be used for public safety and other public service demands.