Other Revenue Sources Forecast

Introduction

In addition to the General Purpose Revenue forecast, discussed in the previous section, the County's Strategic Financial Plan (SFP) includes a wide variety of other financing sources. Key revenue sources comprise approximately 96% of the County's total funding for the 2022 SFP and include (listed from greatest to least):

1. Intergovernmental Revenues
2. Charges for Services
3. Other Financing Sources
4. Miscellaneous Revenues
5. Tax Revenue

Departments prepare revenue projections using various tools and techniques, including institutional forecasts, national, state and local economic indicators, trend analysis, and outside consultants. Projections for FY 2023-24 through FY 2027-28 were developed at the beginning of the SFP process and due to continued uncertainty in the economy and volatility in various revenue sources, the SFP projections are monitored closely and may be modified, if needed, during the FY 2023-24 annual budget development process.

Other Revenue Sources Forecast

Intergovernmental Revenues are monies obtained from federal, state, and local governments and can include grants for use in performing specific functions, shared taxes, and contingent loans and advances. State and federal sources are estimated by departments based on established funding allocation formulas, caseload projections, and the latest state and federal budget information. The estimated intergovernmental revenues are projected at $3.1 billion for FY 2023-24. Over the first two years of the SFP, intergovernmental revenues are projected to remain flat at $3.1 billion, slightly decrease to $3.0 billion in years three and four and then increase back to $3.1 billion in year five.

The following table provides details of the ongoing intergovernmental revenues forecast over the five-year SFP:

(Amounts in Millions)

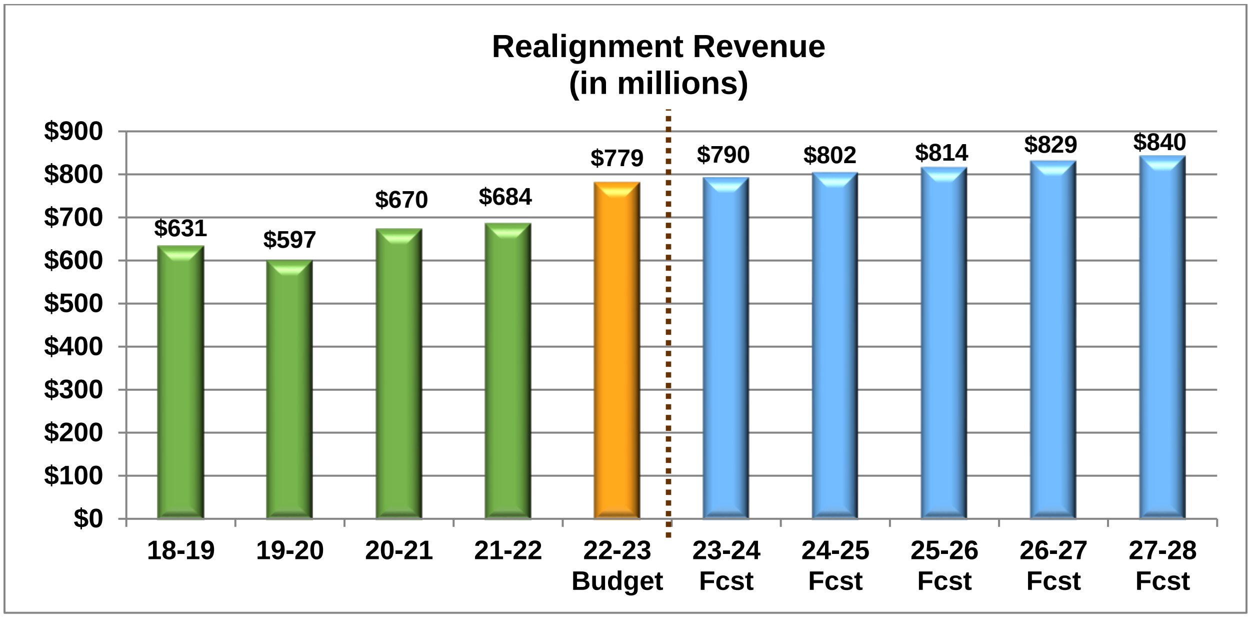
Revenue Type	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Intergovernmental Revenue	$ 3,126.3	$ 3,052.5	$ 3,030.9	$ 2,999.1	$ 3,050.2

Major County intergovernmental revenues include:

- **Realignment** revenue is a major and important revenue source for multiple County departments such as the Health Care Agency, Social Services Agency, Sheriff-Coroner Department, District Attorney – Public Administrator, Probation and Public Defender. There have been three legislative acts whereby programs and services were realigned to the County level with funding provided and limited to those realigned services. The following provides a brief summary:
    - 1991 Realignment – In FY 1991-92, the State approved the Health & Welfare Realignment Program which involved a shift of fiscal and programmatic responsibilities for many health and human services from the State to the counties. This shift was funded through a corresponding shift of new dedicated Sales Tax and Vehicle License Fee revenues.
    - 2011 Realignment – Part of the FY 2011-12 Budget plan, the State enacted another major shift of fiscal and programmatic responsibilities for various criminal justice, mental health, and social services programs from the State to the counties. This shift was funded through a corresponding shift of existing state and local tax revenues.
    - Juvenile Justice Realignment – On September 30, 2020, Senate Bill (SB) 823, Juvenile Justice Realignment: Office of Youth and Community Restoration, was chaptered. This legislation realigned the responsibility of the youth formally eligible to serve commitments at the Department of Juvenile Justice to the counties' juvenile corrections systems to serve their custodial commitments within their home counties and undergo in-custody program/treatment and receive transitional/reentry services as ordered by the Juvenile Court.

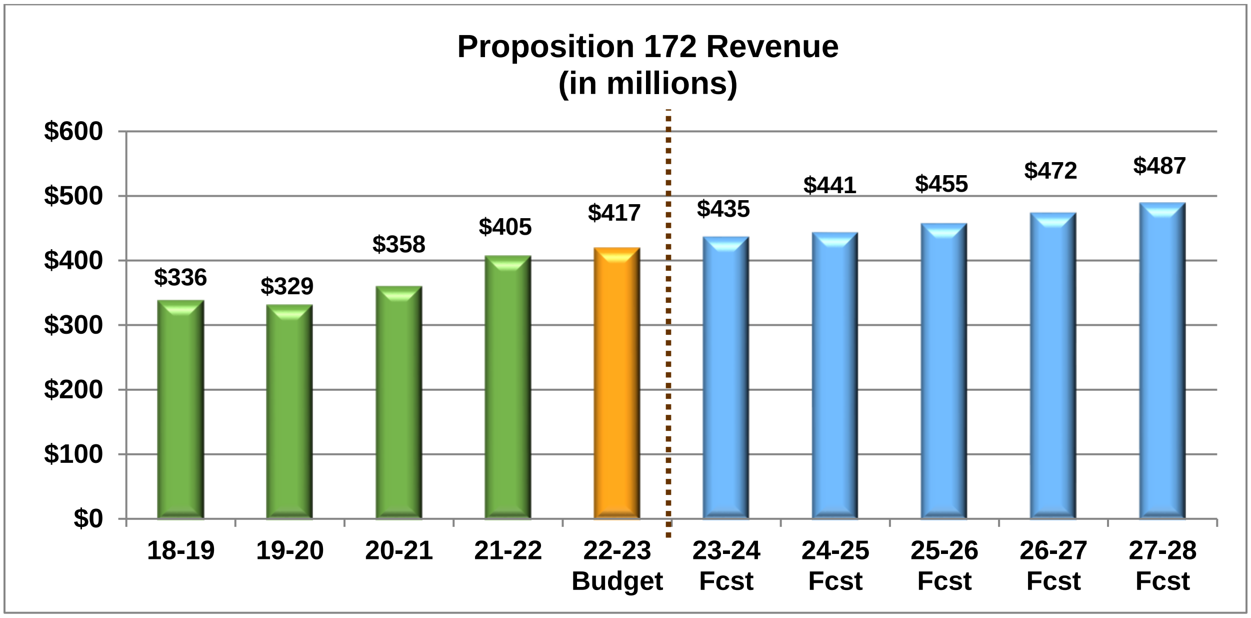
  Realignment revenue is purpose restricted to support and sustain State mandated programs. This revenue stream fluctuates with the economy, but based on current trends, Realignment revenue is projected at $789.9 million in FY 2023-24. Over the next five years, the ongoing revenue growth forecast, on average, is about 1.5% annually, and reaches over $840.3 million in FY 2027-28.

  The following chart illustrates the history of Realignment revenue growth as well as forecasts for the five years of the SFP.



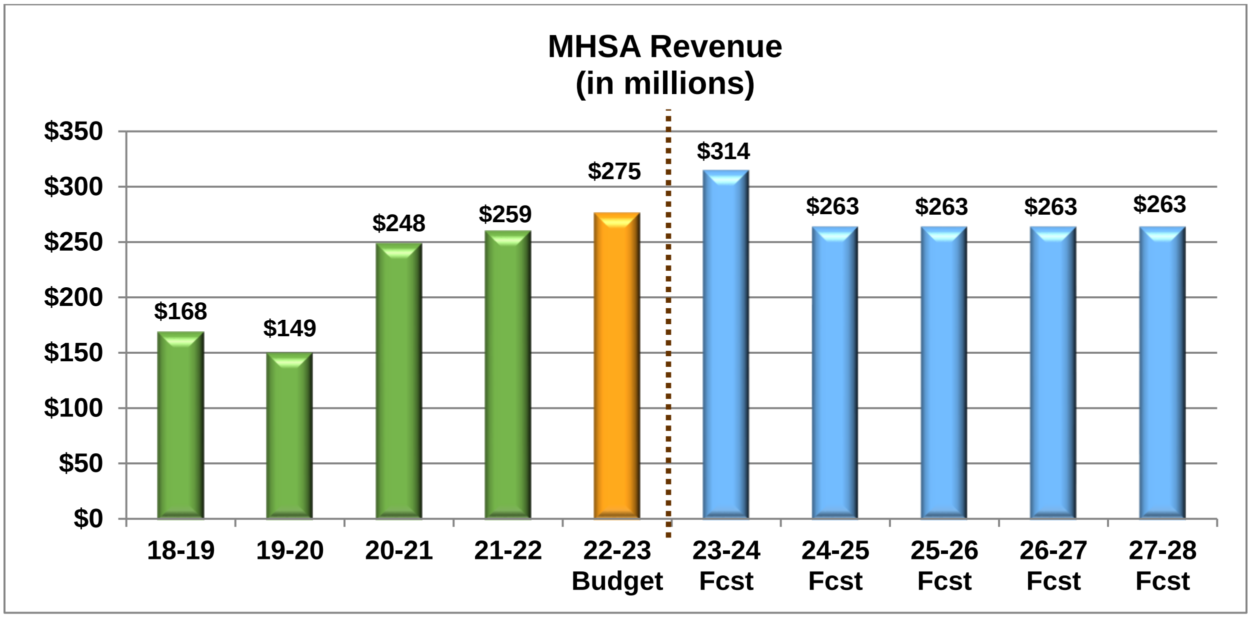
- **The Public Safety Sales Tax (Proposition 172)** is a half-cent sales tax revenue and is a significant revenue source for the OC District Attorney (OCDA) and Sheriff-Coroner Department (OCSD). The County's Public Safety Sales Tax revenue is distributed to OCDA (20%) and OCSD (80%) separately and is restricted for public safety uses. Forecasted Proposition 172 revenue takes into consideration the continued below trend growth in the economy. Based on current trends, Proposition 172 revenue is projected at $434.6 million in FY 2023-24. Over the next five years, the ongoing revenue growth forecast, on average, is about 3.1% annually, and reaches over $487.2 million in FY 2027-28.

  The following chart illustrates the history of Proposition 172 revenue growth as well as forecasts for the five years of the SFP.



- **Mental Health Services Act (MHSA)** – In 2004, California voters approved Proposition 63 and the MHSA was enacted in 2005 by placing a one percent tax on personal income above $1 million. This funding is restricted for county mental health programs for all populations: children, transitional age youth, adults, older adults, families, and, most especially, the unserved and under-served. In addition, this funding is also designed to provide a wide range of prevention, early intervention, and treatment services, including the necessary infrastructure, technology, and enhancement of the mental health workforce to support it. Based on current trends, MHSA revenue is projected at $313.8 million in FY 2023-24; however, in year two of the SFP, MHSA revenue is projected to decline and then remain leveled through year five of the SFP.

  The following chart illustrates the history of MHSA revenue growth as well as forecasts for the five years of the SFP.



Charges for Services include revenues received for contract law enforcement services and County-provided services, such as mental health, institutional care, health, road and street, and sanitation. Fees and charges recover the cost of services provided and ensure services continue in the future. Charges for services are projected at $1.0 billion in FY 2023-24. Over the next five years, the ongoing charges for services revenue growth forecast, on average, is about 1.7% annually, and reaches $1.1 billion in FY 2027-28.

The following chart illustrates the projected growth of Charges for Services revenue over the five years of the SFP.

(Amounts in Millions)

Revenue Type	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Charges for Services	$ 1,014.4	$ 1,040.4	$ 1,052.0	$ 1,064.0	$ 1,072.9

Other Financing Sources consist of transfers between county funds and long-term debt proceeds, both of which can vary significantly annually depending on departmental funding needs, particularly related to capital projects and debt service. Other financing sources are projected at $655.1 million in FY 2023-24. Over the next five years, the Other Financing Sources are projected to decline slightly to an estimated $642.4 million in FY 2027-28.

(Amounts in Millions)

Revenue Type	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Other Financing Sources	$ 655.1	$ 660.7	$ 633.1	$ 630.7	$ 642.4

Miscellaneous Revenues are mostly comprised of tobacco or other settlements, other sales, welfare repayments, insurance premiums, principal payment on demand bonds and money or other assets donated, paid or transferred to the County from private agencies, persons or other sources. The estimated miscellaneous revenues are projected at $472.1 million in FY 2023-24. Over the next five years, the ongoing miscellaneous revenue growth forecast, on average, is about 4.3% annually, and reaches $605.9 million in FY 2027-28.

(Amounts in Millions)

Revenue Type	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Miscellaneous Revenues	$ 472.1	$ 500.2	$ 533.9	$ 570.2	$ 605.9

Miscellaneous revenues also include:

- **Opioid Abatement Funds** – The County is scheduled to receive an estimated $3.4 million annually for 18 years, pursuant to the Nationwide Settlement of Claims against Opioids Distributors agreement. This allocation includes the County's allotment plus the allotment of 16 cities within County boundaries that have elected to reallocate their funds to the County. The Opioid remediation funds shall be used towards various abatement strategies including prevention, education, and intervention by leveraging current systems and infrastructure for maximum benefit for the community. The following plan has been developed to address the opioid crisis in Orange County:
  - Addressing the needs of criminal justice-involved individuals with Opioid Use Disorder (OUD) by providing Medicated Assisted Treatment (MAT) and offering recovery support via transition to continued MAT upon release along with harm reduction support.
  - Addressing the needs of pregnant or parenting women and their families, including babies with neonatal abstinence syndrome by providing perinatal services and support for OUD moms and affected babies through referrals received from Maternity Wards in Orange County. This strategy will help meet federal requirements of Plan of Safe Care (POSC) for infants with prenatal substance exposure.
  - Preventing misuse of opioids through evidence-based or evidence-informed strategies specific to adults and juveniles by leveraging and adding onto current

substance use disorder prevention campaigns such as the award-winning Life is Greater than Drugs campaign.
- Preventing overdose deaths and other opioid related harms through evidence-based or evidence-informed strategies that include training and education for the community and purchase and distribution of free overdose prevention kits.

The initial plan was developed based on prevention strategies to address the OUD in the County and to ensure resources are deployed to communities with highest risk first. These strategies meet the OUD and opioid overdose needs of Orange County by focusing on the most critical issues such as education, prevention, perinatal interventions and community awareness campaigns by leveraging current resources for mental health and recovery services and from community coalitions. In addition, the plan aligns with a critical component in the County's 2025 Vision for OC CARES, Justice through Prevention and Intervention.

Tax Revenues consist of property tax, sales and use tax, Mello-Roos taxes for Community Facilities Districts, and other tax revenues. For SFP purposes, the tax revenue forecast included in this section is net of General Fund property tax revenue, which is included in the *General Purpose Revenue* forecast. The estimated tax revenues are projected at $333.3 million in FY 2023-24. Over the next five years, the ongoing tax revenue growth forecast, on average, is about 1.1% annually, and reaches $372.4 million in FY 2027-28.

The following chart illustrates the projected growth of tax revenues over the forecasted period.

(Amounts in Millions)

Revenue Type	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Tax Revenue	$ 333.3	$ 342.7	$ 355.5	$ 360.5	$ 372.4

Conclusion

The County projects revenues to grow in the current fiscal year and increase slightly over the five years of the SFP. The growth is expected to be moderate and below prior peak experience and is monitored on a continuous basis to allow for budgetary modifications, as needed.