



**AGENDA SUBMITTAL TO SOLANO COUNTY BOARD OF SUPERVISORS**

<b>ITEM TITLE</b> Receive a report from State Legislative Advocate Paul Yoder and County staff on Governor Jerry Brown's state budget proposal and Solano County legislative priorities		<b>BOARD MEETING DATE</b>  January 25, 2011	<b>AGENDA NUMBER</b>  <b>21</b>
<b>Dept:</b>	County Administrator's Office	<b>Supervisorial District Number</b>  ALL	
<b>Contact:</b>	Amy Jenkins		
<b>Extension:</b>	707-784-3002		
<b>Published Notice Required?</b>		Yes _____	No <u>  X  </u>
<b>Public Hearing Required?</b>		Yes _____	No <u>  X  </u>

**DEPARTMENTAL RECOMMENDATION:**

Receive a report from State Legislative Advocate Paul Yoder and County staff on Governor Jerry Brown's state budget proposal and Solano County legislative priorities.

**SUMMARY:**

The Legislative Advocate and County staff will provide a report on Gov. Brown's January budget proposal and its potential impacts to Solano County. A status update will also be provided on the County's 2011 legislative priorities.

**FINANCING:**

This is a preliminary report and analysis on Gov. Brown's proposed budget and the potential impacts to County programs and revenues. The cost of preparing this report and compiling the information is a General Fund cost covered in the County Administrator's administration budget and the County departments that have provided analysis and input.

**DISCUSSION:**

Gov. Jerry Brown released his FY2011/12 state budget proposal on January 10, 2011. The proposed budget can be found at <http://www.dof.ca.gov>.

While much can change between now and the time the final state budget is approved, preliminary analysis by Solano County staff anticipates the impact of this proposal to be significant, particularly in the areas of public safety, health and social services and early childhood development.

**State Budget Overview.** Describing the 18-month \$25.4 billion State General Fund (GF) deficit, which includes a current year (FY2010/11) shortfall of \$8.2 billion, and a budget year (FY2011/12) shortfall of \$17.2 billion, Gov. Brown cites unrealistic assumptions, including the reliance on federal funds which have not materialized, the sunset of tax extensions, one-time solutions, and a stagnant economy as reasons for the shortfall. As a result, the Governor's proposed budget includes \$12.5 billion in program cuts, \$12 billion in revenue increases and \$1.8 in "other" solutions, while maintaining a \$1 billion reserve.

The proposed reductions include cuts to major programs including \$1.7 billion to Medi-Cal, \$1.5 billion to CalWORKS, \$500 million each to the University of California and California State University, \$750 million to the Department of Developmental Services, \$580 million to state

operations and employee compensation, and the elimination of enterprise zones (\$924 million) and redevelopment agencies (\$1.7 billion). The proposal also includes shifting portions of both Proposition 10 and Proposition 63 funds to further relieve the State GF.

As expected, the Governor also proposes a major restructuring of state/county program responsibilities, in two phases, which would eventually impact more than \$10 billion in program funding by FY2014/15.

The proposal also includes a request to the legislature to enact the statutory changes necessary to approve the budget, as proposed, by March 2011 in order to put certain provisions before the voters in a June 2011 special election.

**State/Local Realignment Proposal.** The Governor proposes a two-phase realignment proposal, with more details available on phase one than on phase two; though there are many questions and limited details, thus far.

Immediate discussions among state legislative leaders and the Governor will focus on phase one, which is proposed to be completed by March 2011, with phase two discussions anticipated following approval of the FY11/12 state budget.

Phase One, as proposed, includes \$5.9 billion in program shifts and realignments to counties beginning in FY2011/12, growing to \$7.3 billion in FY2014/15. Under the Governor's plan, programs would be funded by a 5-year extension of the 1% sales tax and 0.5% Vehicle License Fee (VLF), which are currently set to expire on June 30, 2011. The extension of these taxes would need to be approved by the voters in a June 2011 special election. Programs proposed to be shifted to counties in phase one are considered to be "public safety" in nature and include:

- Fire and Emergency Response Activities;
- Court Security;
- Public Safety Programs (funded by a portion of VLF revenues);
- Low level offenders, adult parolees and remaining juvenile justice programs;
- Mental Health Services (Early Periodic Screening Diagnosis, and Treatment program, Mental Health Managed Care, AB 3632 and existing Community Mental Health Services);
- Substance Abuse Treatment;
- Foster Care and Child Welfare Services; and
- Adult Protective Services.

The Governor's Budget Summary suggests that when the tax increases expire, the state would provide funding to counties in an amount equal to what the sales tax and VLF would generate. Yet, the summary fails to specify what those revenue sources would be after the first five years.

Phase Two realignment, as proposed, lacks most details, but is anticipated to follow implementation of Federal Health Care Reform. As written, the proposal would realign from counties to the state In-Home Support Services (IHSS) and Child Care Services (CCS). In addition, counties would assume responsibility for CalWORKS, food stamp administration, Child Support and Child Care programs. Public Health would remain at the county level, but no specifics are provided on how much funding would remain for the provision of public health services. The Governor has also expressed a desire to look at the Local Revenue Funded Indigent Health Care Account (1991 Realignment) and determine which level of government would be best suited to provide these health-related programs. With few details available, it is safe to assume that additional details and discussion concerning phase two realignment will commence in July or

August 2011, following approval of the FY2011/12 state budget and when the final agreement on phase one realignment is reached.

**Solano County Impacts.** While the Governor's budget proposal attempts to achieve a balanced approach between reducing expenditures and the extension of existing tax increases, the proposal relies most heavily on solutions that impact many Solano County (County) programs and services. A recent analysis by the Los Angeles County estimates that of the \$25.4 billion in total budget solutions, an estimated 46% is directly attributed to proposals that affect counties. This includes an estimated \$5.8 billion in overall reductions to funding for existing Health and Social Services programs and the \$5.9 billion included in the proposal to realign of state responsibilities to counties.

A more detailed analysis of the Governor's budget proposal and potential County impacts is set forth in *Attachment A*. High level summaries of more significant program impacts are outlined below.

#### **Public Safety Program Realignment Proposal**

- **Low-Level Offenders and Parole Violators:** Proposes the transfer of prison inmates from state to county jail facilities. Under this proposal, offenders without any current or prior violent or sex convictions would become the responsibility of local jurisdictions and would apply to prospective, low-level inmates, effective July 1, 2011. The state projects that this would be in the neighborhood of 37,000 offenders and it is contemplated that a combination of local jail time, probation services and alternative sentencing options would need to be utilized to accommodate this new population.

The Sheriff Department's initial staff review of the proposal anticipates a shift of low-level offenders to County custody, which would ultimately increase the County's jail population, though the extent of the increase remains to be determined. While the County may experience some relief from jail population increases at the onset by increasing Probation, Parole and Alternative Sentencing strategies, over time many of those diverted to the County, based on statewide recidivism statistics, would potentially re-offend and be returned to custody. The Sheriff's internal assessment also suggests that, at a minimum, the County would need to increase the number of staff assigned to Alternative Sentencing. Based on preliminary estimates of potential shifts, the County would also need additional Correctional Officers to manage the anticipated increase. There is, at this time, no trigger or set date proposed, so the transition and timing of staffing impacts are unclear.

- **Adult Parole:** Proposes the transfer of \$741 million to counties for adult parole supervision responsibilities from the state to county probation departments. According to the County Probation Department, substantial operational changes would be required to handle this population, as many are anticipated to be sex offenders and other violent and serious offenders.
- **Juvenile Justice Programs:** Proposes to realign remaining state juvenile justice programs to county probation departments. The County Probation Department indicates that affected juveniles are typically the most dangerous offenders, often requiring enhanced intervention and rehabilitation services. Upon initial analysis, County Probation believes it is not equipped to provide the long-term intervention services required to sufficiently meet the needs of this population.
- **Vehicle License Fee (VLF) Public Safety Programs:** Proposes to extend the temporary increase in the VLF (0.5%), which is set to expire in June 2011, for an additional five years

to fund existing public safety programs, as follows: Citizens Option for Public Safety or COPS (\$107.1 million); Juvenile Justice Crime Prevention (\$107.1 million); Jail Booking Fee subventions (\$35 million and would eliminate ability for counties to charge); Small/Rural Sheriffs program (\$18.5 million); and Juvenile Probation programs (\$181.3 million).

If the proposed June 2011 ballot initiative to extend the existing tax increases is not approved by the voters, impacts to County public safety programs would be significant. The County Probation Department estimates its portion of VLF revenues alone to be over \$2.7 million in FY2010/11. The Sheriff's Office receives approximately \$1.2 million in VLF revenues.

**Health and Social Services (H&SS).** The Governor's proposal includes significant changes to H&SS programs, which include program cuts and revenue reductions. As proposed, reductions and subsequent impacts are, as follows:

- **CalWORKS Program:** Reduces funding by \$1.5, as follows: a 13% grant cut for a family of three (\$13.9 million in FY2010/11 and \$405 million in FY2011/12); institutes a 48-month versus 60-month time limit (\$698.1 million in FY2011/12), though child-only benefits would continue beyond 48-months for families meeting work participation requirements; and continues the reduction to the county single allocation that is provided to counties to fund work placement services (\$377 million).
- **Child Welfare Services & Foster Care:** Transfers Child Welfare Services and Foster Care program responsibilities from the state to the counties for an estimated State GF savings of \$1.605 billion.
- **In Home Support Services (IHSS):** Anticipates \$486.1 million in State GF savings in the In-Home Support Services Program through an 8.4% reduction in service hours for all recipients, the elimination of domestic and related services, and the elimination of services for recipients without physician certifications.
- **Medi-Cal:** Includes a \$1.7 billion reduction to the Medi-Cal program which includes a 10% reduction in provider payments (\$709.4 million); requires Medi-Cal beneficiaries to pay a share of costs for services (\$557.1 million); establishes an annual dollar cap on services (\$217.4 million); and eliminates Adult Day Health Care (\$193.2 million).
- **Mental Health:** Includes a one-time, statewide shift of \$861 million in Proposition 63 (Mental Health Services Act) revenues to fund AB 3632 (\$98.6 million), EPSDT and mental health managed care in FY2011/12. Funding is currently provided by the State GF. Commencing in FY2012/13, an alternate revenue stream (likely Proposition 63 funds) would be used to fund these programs on an ongoing basis.

**First 5 and Child Care.**

- **First 5:** Makes a \$1 billion one-time reduction to California Children and Families Program (Proposition 10) reserves to backfill state programs (Medi-Cal) for children 0-5, subject to voter approval. It also redirects 50% of the annual statewide First 5 revenues (\$200 million) to pay for state children services thereafter. Should a proposed ballot measure be approved by the voters, First 5 Solano anticipates a one-time hit of \$8.57 million and an additional loss of \$2 million in annual revenues. H&SS would also be directly and indirectly impacted through a loss of First 5 Solano funding.

- **CalWORKs Stage 3 Child Care:** Includes \$58 million to fund Stage 3 child care through December 30, 2010, and \$52.6 million to restart Stage 3 child care services for Stage 3 families, effective April 2011. As you may recall, Gov. Schwarzenegger vetoed \$256 million from CalWORKs Stage 3 child care in October 2010, effectively eliminating Stage 3 child care funding assistance for families who have transitioned off CalWORKs. In response to this action, the Board authorized First 5 Solano in November 2010 to provide, emergency bridge loan funding in the amount of \$761,902 to cover Stage 3 child care from November 2010 through January 2011. Stage 3 child care funding is currently provided to nearly 800 children in Solano County.

**Other Budget Provisions of Interest.** The Governor's budget proposes to eliminate \$10 million in Williamson Act subvention funding in FY2010/11, which would result in a current year loss to the County of \$200,000. On transportation funding, the budget proposes to re-enact the 17.3 cents excise tax increase on gasoline, approved in March 2010, and the 1.75 cent sales tax rate increase on diesel fuel, which was invalidated pursuant to the passage of Prop. 26. Should the transportation provision be included in the final budget, it would protect an estimated \$3.5 million annual allocation for County streets and roads. The budget proposal also recommends a decrease of \$9.9 million for county veterans' services offices and Operation Welcome Home, resulting in net loss of \$144,054 for County Veteran's Services.

For a more detailed budget analysis, please refer to *Attachment A*.

**ALTERNATIVES:**

The Board may wish to not receive a report at this time; amend the recommended positions provided in *Attachment A*; or provide direction relative to some of the proposals contained in the Governor's proposed state budget.

**OTHER AGENCY INVOLVEMENT:**

The County Administrator's Office consulted with County Department Heads, the Legislative Advocate and the California State Association of Counties (CSAC) during the preparation of this report. Representatives from First 5 Solano, the Solano County Department of Health and Social Services, the Solano County Probation Department and the Solano County Sheriff's Office will be prepared to provide additional analysis and input.

**DEPARTMENT HEAD SIGNATURE:**

By   
Michael D. Johnson, County Administrator

**Attachments:**

Attachment A: Preliminary Summary of the Governor's State Budget for FY2011/12 and Potential Solano County Impacts

Attachment B: 2010 CSAC Realignment Principles

**Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts**

Governor's Proposed Budget		Comments	Recommended BOS Position
<b>OVERVIEW</b>			
Revenue Shortfall	\$25.4 billion (\$8.2 billion in current year/\$17.2 in FY11/12)	Shortfall assumes sunset of temporary tax increases (\$7.2 billion; unrealistic federal funding assumptions (\$3.6 billion); Prop 22 impacts (\$1.6 billion); expiring federal stimulus funds (\$4 billion), etc.	
<b>PROPOSED SOLUTIONS</b>			
Expenditure Reductions	\$12.5 billion	Makes substantial cuts to most major programs: Medi-Cal (\$1.7 billion); CalWORKS (\$1.5 billion); UC and CSU (\$1 billion); Developmental Services (\$750 million); state operations and employee compensation (\$580 million).	
Maintains Temporary Tax Increase: Sales & Use Tax	Effective July 1, 2011, extends the \$0.01 sales and use tax increase for 5 addit'l years. The rate would sunset on June 30th to 5-cents without voter approval.	If extended, the proposal is expected to generate \$4.549 billion in FY 11-12 and \$5.5 billion in FY 14-15 to fund realignment of public safety and health and social service programs.	
Maintains Temporary Tax Increase: Vehicle License Fee (VLF)	Effective July 1, the 1.15% VLF rate would continue for five years. Of the 1.15% rate, 0.5% would be used to fund local programs including public safety.	If extended, this proposal is expected to generate \$1.382 billion in FY 11-12 and nearly \$1.7 billion in FY 14-15 to fund realignment of public safety and health and social service programs- 0.5% VLF and \$0.01 sales tax.	
Maintains Temporary Tax Increase: Personal Income Tax (PIT)	Effective for tax years on or after January 1, 2011 but before January 1, 2016, maintains the 0.25% surcharge for PIT tax rate and the Alternative Minimum Tax Rate.	If extended, this proposal is expected to generate revenues of \$1.187 billion in FY 10-11 and \$2.077 billion in FY 11-12.	
Maintains PIT Dependent Exemption Credit	Maintains the dependent exemption credit in effect in 2009 until 2015.	If extended, this proposal is expected to generate revenues of \$725 million in FY 10-11 and \$1.248 billion in FY 11-12.	
Singles Sales Factor	\$1.4 billion changing from elective to mandatory for the purposes of apportioning business income to California - permanent by statute.		
Eliminates Enterprise Zones	\$924 through elimination of enterprise zones - permanent by statute.		
Tax Enforcement	Implement tax shelter amnesty.		

ATTACHMENT A

**Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts**

Governor's Proposed Budget		Comments	Recommended BOS Position
<b>One-Time Solutions</b>	\$8.2 billion - includes borrowing from special funds (\$1.8 billion); property tax shifts through elimination of redevelopment (\$1.7 billion); Prop. 10 to fund children's programs (\$1 billion); Prop. 63 to fund community mental health services (\$900 million)		
<b>Reduction in State Operations &amp; Employee Compensation</b>	\$580 billion - Includes 10% reduction to 6 units that do not have contracts.		
<b>Payment Deferrals: mandates</b>	Governor's budget summary suggests that it is "highly likely" that all payments the State has deferred in the current year will be deferred in the budget year.		
<b>REALIGNMENT: Major restructuring of state/county programs responsibilities, in two phases, which would eventually impact more than \$10 billion in program funding</b>			
<b>Phase One - Public Safety Programs: Shift from State to local governments</b>	Assumes implementation date of July, 1, 2011. Dedicates \$5.9 billion of tax revenues to local governments – VLF (\$1.4 billion) / sales tax (\$4.5 billion). Funds would be dedicated to the following purposes: Cal Fire (\$250 million); Court Security (\$530 million); VLF Programs (\$506); Low Level Offenders (\$1.8 billion); Parole (\$841 million); Juvenile Justice (\$257 million); Adult Protective Services (\$55 million); Dept. of Drug and Alcohol Programs (\$184 million); CWS (\$1.6 billion); and Mental Health (\$861 million)	Local governments would retain growth in these services until extensions expire at the end of FY2014/15. State would then provide counties an amount equal to what the two sources would generate.	WATCH - Funding contingent upon voter approval in a June 2011 special election. Even if funding is approved, which there is no guarantee, a permanent, dedicated revenue stream has not been identified. Encourage CSAC to advocate for greater revenue protections and prevent state funding cuts in future budget years.
<b>Phase Two - Implementation of National Health Care Reform: Shift from local governments to State</b>	Proposes to include the following: Realigns from local governments to the State: (1) IHSS; (2) CCS – child care services. Realigns from the State to local governments: (1) child care; (2) child support; (3) food stamp administration; (4) CalWORKs. The Governor wants to examine the Local Revenue Funded Indigent Health Care Account (1991 Realignment) and determine which level of government is best suited to provide health-related programs.	Only a concept and will not formally be part of budget deliberations in FY11/12. Will follow implementation of health care reform.	WATCH

**Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts**

Governor's Proposed Budget		Comments	Recommended BOS Position
<b>GENERAL ASSUMPTIONS</b>			
Implementation Date	The proposal assumes a March 2011 implementation of all statutes and trailer bills, with the phase one realignment proposed to take effect July 1, 2011.		
Special Session	No special session anticipated and no modifications to existing special session called by the previous Governor		
Legislative Vote Requirement	Assumes 2/3 urgency vote for everything in the regular legislative session		
Ballot Measures	Assumes the passage of at least two ballot measures in June 2011: (1) A constitutional amendment to extend the existing temporary tax increases for 5 additional years (PIT surcharge and dependent credit reduction dedicated to education at state level and 0.5% VLF and \$0.01 sales tax) to be dedicated to phase one realignment; and (2) A ballot measure to amend Prop. 10 to sweep \$1 billion in reserves and redirect 1/2 of money to pay for children services at the state level thereafter (\$200 million per FY).		
<b>EDUCATION FUNDING</b>			
K-12 (Prop. 98)	No suspension of Prop. 98. Maintains current levels of funding (\$49.7 billion)		
California Community Colleges (CCC)	Eliminates \$400 million to CCCs – focuses on reducing administration and delivering services more effectively. Proposes \$10/unit fee increase – to \$36 – and allows CCCs to keep the fee increase, which totals about \$100 million.		
UC/CSU	Eliminates \$500 million to UC and CSU with focus on reducing administration and delivering services more efficiently.		
<b>IMPACTS ON COUNTY PROGRAMS AND SERVICES</b>			
<b>AG &amp; NATURAL RESOURCES</b>			
Cooperative Extension		Cooperative Extension: As a result of the \$500 million cut to the UC system, UC Dept. of Ag & Natural Resources anticipates a \$20 million reduction statewide, which may impact Cooperative Extension programs.	WATCH - Impacts on Cooperative Extension are yet to be determined.



Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts

Governor's Proposed Budget		Comments	Recommended BOS Position
Dept. of Food & Agriculture	Tasks new Secretary of Food & Ag with developing recommendations to limit State GF support by Feb. 1, 2011, resulting in FY11/12 savings of \$15 million and \$30 million ongoing.	<u>Ag Commissioner</u> : May impact existing invasive species prevention and eradication programs through a reduction in state border enforcement, etc., which could be harmful to County agriculture.	WATCH
State Parks	Reduces funding to state parks by \$11 million in FY11/12, but includes \$7 million in current year funding to account for a State GF workload adjustment. Increases reduction to an ongoing, permanent reduction of \$22 million beg. in FY12/13.	May impact Benicia Capitol State Historic Park or the Benicia State Recreation Area, which were proposed for closure after cuts to the state park system in prior years.	WATCH
Williamson Act: subventions	Eliminates \$9.9 million in current year funding and does not provide ongoing state funding in the FY11/12, thus making it a local program. The Governor's budget summary suggests that "funding provided from the redevelopment agencies tax shift could help counties continue this program on their own."	The cost to fully fund Williamson Act subventions is approx. \$39 million. Over the past three years, state funding for Williamson Act subventions has been significantly reduced. <u>Solano County</u> : Prior year Williamson Act subvention amounts were, as follows: \$710,000 (FY07/08); \$690,000 (FY08/09); and \$18.35 (FY09/10) with \$200,000 (anticipated in FY10/11). The elimination of Williamson Act funding, as previously approved in the FY10/11 budget, represents a current year loss of \$200,000 in subvention funding. Protecting Williamson Act funding has been identified as a priority issue ( <i>see Page 5, Item 3 in County's Legislative Platform</i> ).	OPPOSE - Priority issue in County's LegislativePlatform
<b>CHILD SUPPORT SERVICES</b>			
Child Support Services	Suspends the counties share (2.5%) of child support collections in FY11/12 (estimated at \$24.4 million statewide in FY11/12). Allows the entire non-federal portion of child support collections to benefit the State GF. Hence, any additional cost increases will have to be absorbed by DCSS.	<u>Child Support Services</u> : <b>Estimates the County's share of child support recoupment collections, totaling \$394,000 in FY09/10</b> , will be eliminated if passed by the Legislature. Funding is presently divided between H&SS and Probation.	WATCH

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Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts

Governor's Proposed Budget	Comments	Recommended BOS Position
<b>EARLY CHILDCARE &amp; DEVELOPMENT / PROPOSITION 10</b>		
<p>First 5</p> <p>Makes a \$1 billion one-time reduction to the California Children and Families Program (Proposition 10) to backfill state programs (Medi-Cal) for children 0-5, subject to voter approval. Redirects 50% of the annual revenues (\$200 million) to pay for state children services thereafter.</p>	<p><u>First 5 Solano</u>: Should a proposed ballot measure be approved by the voters, First 5 Solano anticipates the following: (1) a one-time hit to its fund balance, with an estimated loss of \$8.57 million; and (2) additional loss of \$2 million in annual revenues. The result would be a 65-70% reduction in the First 5 annual operating budget from \$9 million to \$2.5-3 million. H&amp;SS would also be directly and indirectly impacted through a loss of First 5 funding that supports multiple FTEs, leveraged funds and non-profit subcontracts. Other existing contracts for services with both public and non-profit agencies could also be impacted and possibly eliminated. <b>Total loss anticipated at \$10.57 million.</b></p>	<p>OPPOSE</p>
<b>ECONOMIC DEVELOPMENT</b>		
<p>California Fairs</p>	<p>Eliminates \$32 million in GF support for all California Fairs in FY11/12.</p>	<p><u>Solano County Fair</u>: Elimination of State funding represents an annual loss of \$107,500 or 4% of the Fair's annual operating budget beg. in calendar year 2012. It is not anticipated that specific services will be eliminated, though contracts may have to be amended to reflect reduced revenues. The lack of State funding also eliminates grant money for future infrastructure investments. <u>Dixon May Fair</u>: Anticipates a loss of \$160,000 in ongoing allocations, beg. in calendar year 2012. <b>The total combined hit to both fairs is \$267,500.</b></p>
<p>Enterprise Zones</p>	<p>Eliminates all tax credits and other preferential tax treatment within enterprise zones, totaling \$924 million</p>	<p>There are 42 Enterprise Zones located throughout California, but none in Solano County.</p> <p>NO POSITION - No County impact anticipated.</p>
<p>Economic Development Financing Mechanism: Voter threshold to approve economic development &amp; infrastructure</p>	<p>Proposes a future ballot measure (anticipated in 2012) to allow for 55% vote threshold for economic development and infrastructure from a revenue source other than property tax. Voter approval in each affected jurisdiction would be required to use tax revenues for these purposes.</p>	

**Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts**

<b>Governor's Proposed Budget</b>		<b>Comments</b>	<b>Recommended BOS Position</b>
<b>Redevelopment Agencies</b>	Eliminates redevelopment agencies by prohibiting existing redevelopment agencies from creating new contracts or obligations, effective upon enactment of emergency legislation (anticipated before March). As proposed, by July 1, 2011, existing agencies would be dissolved and successor local agencies would be established to collect tax increment to retire existing RDA debt and meet contractual obligations. Of the estimated \$300 billion in unencumbered tax increment in FY2010/11, \$840 would be used on a one-time basis to offset State GF costs for Medi-Cal and \$860 million to trial courts. \$210 million would be distributed to cities, counties and special districts proportionate to their current property tax shares. Beg. FY12/13 amounts remaining after payment of preexisting RDA debts would be distributed to cities, counties and special districts proportionate to their current property tax shares.	Funding would be additional to anything dedicated under realignment or pledged to schools through the minimum guarantee. It is anticipated that it will take approx. 20 years to retire existing RDA debt.	WATCH
<b>ELECTIONS/REGISTRAR OF VOTERS</b>			
<b>Special Election</b>	Funding provisions not included in budget proposal.	<u>Registrar of Voters</u> : Budgeting \$800,000 in the mid-year budget in anticipation of June 2011 Special Election. The Governor's proposal suspends all election reimbursements.	WATCH - Seek reimbursement for special election costs.
<b>HEALTH &amp; SOCIAL SERVICES (H&amp;SS)</b>			
<b>Realignment Phase One:</b>			
<b>Adult Protective Services</b>	Transfers primary program responsibility for Adult Protective Services to counties (\$55.0 million)	Part of Phase One - Public Safety Realignment.	WATCH - Sufficient funding needs to be allocated
<b>Child Welfare Services &amp; Foster Care</b>	Transfers primary program responsibility for CWS and Foster Care to counties (\$1.6 billion)	Part of Phase One - Public Safety Realignment.	WATCH - Sufficient funding needs to be allocated
<b>Mental Health: AB 3632, Early Periodic Screening Diagnosis, and Treatment program (EPSDT) &amp; Mental Health Managed Care</b>	Uses \$861 million in Prop. 63 (Mental Health Services Act) revenues to fund AB 3632 (\$98.6 million), ESDT and mental health managed care in FY11/12. Also provides \$69 million in federal IDEA or special education funds to support FY11/12 AB 3632 program costs. Commencing in FY12/13, an alternate revenue stream (likely Prop. 63 funds) would be used to fund these programs on an ongoing basis.	Part of Phase One - Public Safety Realignment.	WATCH - Funding assumes use of Prop. 63 funds in FY11/12, but fails to identify reliable funding stream in future budget years.

**Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts**

Governor's Proposed Budget		Comments	Recommended BOS Position
<b>Substance Abuse Treatment</b>	Transfers primary program responsibility for Substance Abuse Treatment to counties (\$184.0 million). According of the Governor's Budget Summary, this should enable counties to better utilize and prioritize funding to meet community goals and encourage creative models of integrated services for the new probation population, as well as other persons receiving treatment services.	Part of Phase One - Public Safety Realignment. <u>H&amp;SS</u> : Solano County usually receives about 1% or \$170,000 in Drug Medi-Cal funding.	WATCH - Sufficient funding needs to be allocated
<b>Other H&amp;SS program impacts:</b>			
<b>Aging: Multipurpose Senior Service Program (MSSP)</b>	Eliminates MSSP (\$19.9 million).	MSSP provides social and health care management for senior who are certifiable for placement in a nursing facility, but who wish to remain in the community. The program currently services 11,798 clients a month at 41 sites across the state.	
<b>AIDS Drug Assistance Program (ADAP)</b>	Increases client share of cost for state GF savings of \$16.8 million.		
<b>Cal Fresh (formerly Food Stamps)</b>	Increases funding by \$110.9 million to reflect anticipated caseload in in FY11/12.		
<b>CalWORKS</b>	Reduces funding by \$1.5, as follows: a 13% grant cut for a family of three (\$13.9 million in FY2010/11 and \$405 million in FY2011/12); institutes a 48-month versus 60-month time limit (\$698.1 million in FY2011/12), though child-only benefits would continue beyond 48-months for families meeting work participation requirements; and continues the reduction to the county single allocation that is provided to counties to fund work placement services (\$377 million).	<u>General Services</u> : Cites potential changes to CalWORKS program could change program requirements for William J. Carroll Government Center Project. <u>H&amp;SS</u> : The proposal to reduce the maximum aid payment would likely increase homelessness among local families who cannot pay their rent with the \$90 per month reduction. The reduction in the time limit for assistance would accelerate existing timed out cases, which average about 712 per month. Of those, few, if any, are meeting the work requirement, and would likely lose aid. This is about 11.9% of the County's CalWORKS caseload.	WATCH
<b>CalWORKS: Stage 3 Child Care</b>	Proposes \$58 million to fund Stage 3 child care through December 30, 2010, and \$52,6 million to restart Stage 3 child care services for Stage 3 families, effective April 2011.	Restoration of Stage 3 funds is consistent with Board adopted policy ( <i>see Page 5, Item 4 of County's Legislative Platform</i> ). In Solano County, the restoration of funding would provide child care services for over 330 children currently in the Stage 3 program.	SUPPORT - Priority issue in County's Legislative Platform.

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**Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts**

<b>Governor's Proposed Budget</b>		<b>Comments</b>	<b>Recommended BOS Position</b>
<b>Child Care</b>	Proposes \$716.0 million in reductions to child care, as follows: drops 11/12 year olds; reduces eligibility to 60% of the State Median Income (from 75%); reduces subsidies, but provides greater flexibility at local level to administer remaining child care funding. Eligible families would pay difference btw subsidy and regular day care charge as co-payment directly to provider. Additional flexibility would be provided to determine wait list structure, co-payment and structure subsidy reductions.	<u>H&amp;SS</u> : The child care cut would have an impact on the County's contract with Solano Family and Children's Services, which cannot be quantified at this time. They also have separate child care contracts directly with the CA Dept of Education that would likely be impacted.	WATCH
<b>Department of Developmental Services</b>	Eliminates \$750 million from continuing the provider rate reductions, additional federal funds, and implementing statewide standards across all of the Regional Centers.		
<b>Foster Care: Transitional Housing Programs</b>	Reduces program funding by \$19.9 million (leaving \$16 million remaining) by reducing funding for housing services to 18 and 19-year old former foster youth, effective July 1, 2011.	Assumes this population will be served through AB 12, which was supported by Solano County, to extend benefits to former foster youth age 18 starting January 1, 2012 and age 19 on January 1, 2013.	WATCH
<b>Health Care: Emergency preparedness</b>	Eliminates \$5.8 million to maintain state's health care surge capacity, which includes field hospitals and stockpiles of medical supplies to be used in the event of a disaster.		
<b>Healthy Families Program</b>	Eliminates \$1.9 billion, as follows: elimination of vision benefit (\$11 million), increase in premiums (\$22 million) and co-pays (\$5.5 million)		

Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts

Governor's Proposed Budget		Comments	Recommended BOS Position
In Home Support Services (IHSS)	Imposes an 8.4% reduction in assessed hours (\$127.5 million); eliminates domestic service hours when recipient and provider live in the same household (\$236.6 million); and requires a physician certification to receive IHSS services (\$120.5) . Also proposes to eliminate mandates for counties to establish advisory committees at their own expense (\$1.6 million). Counties that choose to continue committees would be eligible for federal matching funds. Reduces county administration (\$7.7 million/\$3.1 million State GF) to reflect lower anticipated caseload.		WATCH
Medi-Cal	Eliminates \$1.7 billion, as follows: caps prescriptions and doctors visits beginning in Oct. 2011 (\$207.6 million); increases co pays and shares of cost by Oct. 1, 2011 (\$557 million/current year); caps supplies and equipment, such as hearing aids, etc. (\$9.8 million/FY11/12); limits over-the-counter drugs and nutritional supplements (\$16.6 million/FY11/12); eliminates Adult Day Health Care (\$176.6 million/FY11/12); reduces provider pay by 10% (\$720 million/FY11/12); shifts Prop. 10 for Medi-Cal for children up to age 5 (\$1 billion), contingent upon voter approval; extends hospital fees through June 30, 2011, to allow state to draw down additional federal funding to offset State GF costs; and permanently extends tax on Medi-Cal Managed Care organizations to includes funding for Healthy Families Program (\$97.2 million).	<u>General Services:</u> Cites potential changes to Medi-Cal program could change program requirements for William J. Carroll Government Center Project. <u>H&amp;SS:</u> The Medi-Cal impact seems to be focused mostly on the provider and recipient side, and not on administration and staffing. However, clients will have to make co-pays for doctors visits, and will have limits on the number of visits and prescriptions. Community impacts for all providers and pharmacies are anticipated. Furthermore, in Solano County, changes to provider rates and recipient benefits would be determined by the Partnership HealthPlan of California, which may not be subject to the proposed spending cuts	WATCH
<b>HUMAN RESOURCES/EMPLOYEE RELATIONS</b>			
Employee Health Costs	Directs CalPERS to add a core health plan option to the existing portfolio of health plans to provide fundamental coverage at a lower premium.	It is unclear whether the additional plan would be available only to state employees or extended to local governments that contract with CalPERS, including counties.	WATCH

**Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts**

Governor's Proposed Budget		Comments	Recommended BOS Position
<b>LIBRARY</b>			
<b>Public Library Foundation (PLF), Transaction Based Reimbursement (TBR) and California Library Literacy and English Acquisition Service</b>	Eliminates state funding (\$30.4 million) for public libraries, including the Public Library Foundation (\$12.9 million), Transaction Based Reimbursement (\$12.9 million) and the California Library Literacy and English Acquisition Service (\$4.6 million).	<b>Library System: Results the elimination of \$521,426 in County library funding</b> , as follows: \$61,426 for literacy and English programs and \$460,000 for Transaction Based Reimbursement and Public Library Foundation programs. Decrease could impact existing library services and contracts for services.	OPPOSE
<b>MANDATES</b>			
<b>Pre-2004 (Prop. 1A) Mandate Obligations</b>	Defers annual payment to counties for pre-2004 mandate obligation (\$94 million)	Pre-2004 mandate are required to be repaid by FY20/21. <b>County:</b> Pre-2004 unpaid mandate claims totals \$7,337,740.	WATCH
<b>SB 90 Appropriations</b>	Proposes \$52 million in state GF for law enforcement, property tax, and social services for SB 90 claims for FY04/05 through FY 09/10; \$3 million for Administrative License Suspension and Pesticide Use Reporting; and \$98.6 million for AB 3632 mental health program (these funds replace funds removed in the current budget by Gov. Schwarzenegger for unpaid FY04/05 through FY08/09 claim).		SUPPORT
<b>SB 90 Suspended Mandates</b>	Proposes to suspend again all programs that were suspended or eliminated for funding in last year's state budget (FY09/10) for estimated state GF savings of \$227.8 million. Additionally, the proposal suspends reimbursements for elections, the Open Meetings Act and the Crime Victims Domestic Violence Incident Report I & II.	Animal Care Services - Continued suspension of SB90 Hayden Bill will continue to result in lost revenue of approximately \$24,000 to the County.	WATCH
<b>Mandate Reform</b>	The budget summary also proposes establishing a process whereby all existing mandates are reevaluated, beginning in FY12/13.		WATCH

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**Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts**

	Governor's Proposed Budget	Comments	Recommended BOS Position
<b>PUBLIC SAFETY</b>			
Fire & Emergency Response Activities	Provides up to \$250 million to realign fire suppression and emergency response (CAL FIRE) in highly populated SRAs (state responsibility areas). The Board of Forestry would reevaluate SRAs and make a redetermination. Funding would be realigned accordingly and would be assumed by local governments.	Part of Phase One - Public Safety Realignment.	WATCH
Court Security	Provides up to \$530 million for court security. Current law (with limited exceptions) requires that the Sheriffs Office provide court security in the trial courts. This proposal would transfer the funding to counties and provide that the court and counties negotiate the cost of providing security.	Part of Phase One - Public Safety Realignment. It should be noted that the Governor's budget would make significant, ongoing cuts to court operations, proposing a permanent reduction in FY11/12 (\$200 million). Minimal impacts to County GF anticipated provided reliable funding stream exists.	WATCH
Adult Parole	Provides \$113.4 million in FY11/12 growing to \$409.9 million in FY14/15. Counties would assume prospective responsibility for supervision for those released to parole.	Part of Phase One - Public Safety Realignment. <u>Probation</u> : Substantial operational changes would be required to handle this population, as many would be sex and other violent offenders. Anticipates more than 1,000, mostly high risk offenders. Could require substantially more probation officers (25+).	OPPOSE

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Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts

	Governor's Proposed Budget	Comments	Recommended BOS Position
<p>Juvenile Justice Programs</p>	<p>Eliminates the Dept. of Juvenile Justice (DJJ) by June 30, 2014 and requires counties to house, treat and supervise all youthful offenders, including the 707(b) population (\$257.6 million). Counties, beginning in July 2011, would assume entire responsibility for juvenile justice programming. The elimination of the DJJ would mean the eventual elimination of over 4,000 positions, in addition to reductions at the CA Dept. of Corrections and Rehabilitation.</p>	<p>Part of Phase One - Public Safety Realignment. <u>General Services</u>: Estimates accelerated need for new juvenile detention beds. <u>Probation</u>: Solano has approx. 10 DJJ offenders at any given time. These are the most dangerous juvenile offenders and, in Solano, are typically sex offenders, with the remaining violent offenders. County is not equipped to provide the long-term intervention needs required to meet the needs of this population. Failure to provide an alternative regional housing facility would force County to house in its existing juvenile detention facility, putting lower-level juvenile offenders and staff at risk. The average State cost for this population is \$200,000 per juvenile, per year. In order to address the needs of this population, including mental health services and other specialized treatment, additional facilities need to be identified.</p>	<p>OPPOSE - Special facilities need to be identified to meet the needs of this population. State should seek other options, incl. incentivizing counties to adopt a regional approach to addressing this population in lieu of a county-by-county approach, privatization or handing over existing DJJ facilities to counties.</p>
<p>Lower Level Offenders and Parole Violators</p>	<p>Provides \$298.4 million in program funding FY11/12 growing to \$908.1 million at full implementation in FY14/15. Under this proposal, offenders without any current or prior violent or sex convictions would become the responsibility of local jurisdictions. Would apply to prospective inmates, effective July 1, 2011. The Administration projects that this would be in the neighborhood of 37,000 offenders. It is contemplated that a combination of local jail time and probation services would be utilized in lieu of state prison. Of the 37,000 about 6,500 are parole violators. Resources from the realignment plan would be used to expand local capacity to address the needs of this population. Defines eligible low level offender as anyone who does not have a current or prior sex offense, serious felony, or violent felony.</p>	<p>Part of Phase One - Public Safety Realignment. <u>District Attorney/Public Defender</u>: Transfer of low level offenders and state parolees may impact criminal prosecution unit and caseloads in the Public Defender's Office. <u>General Services</u>: Estimates accelerated need for new bed capacity. <u>Probation</u>: Anticipates approx. 400 more adults on probation (up 10%). Office Family Violence Prevention: Anticipates increased caseloads for OFVP. Additionally, with a reduction in funding for CalWORKS, Medi-Cal, First 5 funded programs and other social services, victims of violence will have fewer resources with which to seek permanent safety. OFVP has already seen a significant increase in family violence, which can be attributed to the scarcity of resources.</p>	<p>OPPOSE - Too much uncertainty concerning anticipated, short-term and long-term impacts. Current infrastructure (human and capital) does not exist to implement proposal. Significantly more resources are needed to accommodate increase in jail population. Counties lack current bed capacity to accommodate anticipated numbers. Proposal does not anticipate or fund additional staffing needs. Need further clarification concerning State's daily jail rate assumptions, which covers only 2/3rds of costs. Proposal also shifts liability, so that counties assume risks associated with alternative sentencing options (electronic monitoring) or early release.</p>

Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts

	Governor's Proposed Budget	Comments	Recommended BOS Position
<p>Lower Level Offenders and Parole Violators (continued)</p>		<p><u>Sheriff</u>: Significantly more resources would be required to meet demand. The shift of low risk offenders to County custody will ultimately increase the jail population. To what extent remains to be determined and depends on several factors. On average, the Solano County Superior Court sentences 30-40 individuals per month to State prison, of which approx. 25 are considered "low level." Proposal does not appear to take into account the anticipated federal court order that the State reduce its prison population by more than 40,000 inmates. Solano presently has 260 beds available, but no staff support, which is insufficient to cover anticipated impacts. Additionally, the proposed daily jail rate is 2/3rds of actual cost, which would need to be offset by County GF. Alternative sentencing or early release options would also need to be explored, imposing greater risk on the community. While the County may experience some relief from jail population explosion at the onset by increasing Probation, Parole and Alternative Sentencing strategies, over time many of those diverted to the County will re-offend and be returned to custody. At a minimum, the County will need to increase the number of staff assigned to Alternative Sentencing. Based on preliminary estimates, the County will need at least four additional Correctional Officers to manage the anticipated increase.</p>	

**Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts**

	Governor's Proposed Budget	Comments	Recommended BOS Position
<p><b>VLf Public Safety Programs</b></p>	<p>Citizens Option for Public Safety or COPS (\$107.1 million); Juvenile Justice Crime Prevention (\$107.1 million); Jail Booking Fee subventions (\$35 million and would eliminate ability for counties to charge); Small/Rural Sheriffs program (\$18.5 million); and Juvenile Probation programs (\$181.3 million). <u>Funding contingent upon approval by the voters of the temporary tax increases (VLf/sales tax)</u>. Funding of \$57.4 million would also be provided for a variety of program grants currently funding within the CA Emergency Management Agency.</p>	<p>Part of Phase One - Public Safety Realignment. The extension of the VLf increase is consistent with Board adopted policy (see Page 5, Item 1 of County's Legislative Platform ). <u>Probation</u>: Estimates its portion of VLf revenues to be over \$2.7 million in FY2010/11. The elimination of VLf funding would have the following impacts: Loss of JJCPA funding, resulting in a loss of 5 County staff plus community based treatment provider staff. Programs at risk of elimination include the Vallejo Day Reporting Center, serving juveniles returning to the community after detention, or who have violated their terms of probation; Repeat Offender Prevention Program which targets younger, first time wards; and Juvenile Drug Offender Program, providing resources to minors and their families who are experiencing significant problems related to substance abuse. Juvenile Probation and Camps funding impacts may include closure of the Fouts Springs Youth Facility (loss of 29 Solano County staff plus Colusa County Office of Education staff), which serves high-risk youth from Solano and other counties throughout the state. Approx. 47% of the youth have a sustained 707(b) WIC offense and would likely be committed to DJJ w/out Fouts. New Foundations (loss of 13 County Probation staff plus Solano County Office of Education staff and community based treatment providers) is an intensive program for County wards of the court, providing short-term intervention. The program served more than 70 youth in 2010. If New Foundations closes, these youth will likely be placed in foster or group home care.</p>	<p>SUPPORT, if amended - The extension of the 0.5% VLf increase should be a stand alone ballot measure and not tied to the Governor's larger, phase one realignment proposal. VLf funding is a separate and distinct revenue stream for existing public safety programs administered by cities and counties. Having a separate and distinct ballot measure for public safety funding will be less confusing to voters. Capturing all tax extensions into one ballot measure puts all funding sources at risk. Only four times in the past 22 years have California voters approved tax increases at the ballot box. In three of those instances, the authorized taxes were levied for very specific purposes: Prop. 10 (First 5), Prop. 63 (mental health) and Prop. 42 (gasoline tax). Solano County supports AB 66 and ABX1 9, by Senator Wesley Chesbro.</p>

**Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts**

Governor's Proposed Budget		Comments	Recommended BOS Position
<p>VLF Public Safety Programs (continued)</p>		<p><u>Sheriff</u>: VLF revenues for the Sheriff's Office is approx. \$1.2 million. Staff impact on loss of VLF would be one sergeant and three deputy sheriffs. These positions currently staff the California Multijurisdictional Methamphetamine Enforcement Team (Cal-MMET). Currently in Solano County there are two narcotics enforcement teams (Cal-MMET and Sol-NET) supported by two independent sources of funding, operating as a single team under the direction of the Sheriff's Office. The loss of VLF funding for Cal-MMET would severely impact Sol-NET. Several years ago the County merged Cal-MMET and Sol-NET to create a larger, more capable task force. The loss of Cal-MMET would significantly reduce the capabilities of county-wide narcotics enforcement and causing Sol-Net to lose affiliation with the Sheriff's office. The Sheriff's Office provides equipment, office space, supervision and management for both teams. Without the support of Cal-MMET funding and the support of the Sheriff's Office, it is doubtful that Sol-NET could continue. Loss of VLF funding would diminish the County's ability to support county-wide service of warrants for wanted criminal offenders. The Sheriff's Office currently uses VLF funding to provide overtime to compensate deputy sheriffs who serve warrants during their off hours. While no loss of staff is anticipated, warrant service would be eliminated and the number of active warrants, currently at approx. 12,000, will increase. Loss of VLF funding will cause us to defer maintenance in the jails. No loss of staff is anticipated.</p>	
<b>TRANSPORTATION</b>			
<p>Planning Programs Project Initiation Document (PID)</p>	<p>Proposes to shift \$7.2 million in costs to local agencies for developing Caltrans Project Initiation Documents for local projects.</p>		

Preliminary Summary of Governor's State Budget for FY2011/12 and Potential Solano County Impacts

Governor's Proposed Budget		Comments	Recommended BOS Position
Proposition 1B	Appropriates \$2.3 billion for capital funding for bond projects, including \$22 million for local bridge seismic safety and \$200 million for state-local partnership programs.	<u>Resource Management</u> : Solano County has already received its allocation of Prop. 1B funds, thus no impact on the County GF is anticipated.	WATCH - No impact on County GF anticipated, however funding could be allocated for a transportation improvement project within the County.
Transit	Fully funds local transit, as required under Prop. 22.	According to the CA Transit Association, the total amount of state funding for local transit agencies is estimated to be \$329.6 million for FY11/12. <b>No impact on County GF anticipated.</b>	NO POSITION
Transportation Funding: Reenactment of the Gas Tax Swap	Re-enacts the 17.3 cents excise tax increase on gasoline, approved in March 2010, and the 1.75 cent sales tax rate increase on diesel fuel, which was invalidated pursuant to the pass of Prop. 26.	Reenacting the excise tax on gasoline for local streets & roads maintenance is a priority issue for Solano County (see Page 5., Item 2 in County's Legislative Platform). <u>Resource Management: Public Works</u> : Loss of the 17.3 cent excise tax on gas would cost the County about \$3.5 million annually.	SUPPORT - Priority issue in County's legislative platform
Truck Weight Fees	Shifts weight fees from the State Highway Account to pay down transportation related debt service and provide State GF relief. The weight-fee account would be backfilled with gasoline excise tax. Anticipates \$262.4 million in weight fees in current year and \$700 million FY11/12 for bond debt; borrows \$494 million in current year and \$166.4 million in FY11/12 in weight fees for State GF relief.	Revenues deposited into the State Highway Account are presently used for highway purposes, including road construction and maintenance, therefore no impact on County GF is anticipated.	NO POSITION
<b>VETERANS SERVICES</b>			
Veteran's Services	Eliminate General Fund Support for County Veterans Service Offices — A decrease of \$9.9 million (\$7.6 million local assistance and \$2.3 million state operations) in FY11/12 as a result of eliminating State GF support for County Veterans Services Offices and Operation Welcome Home.	<u>Veteran's Affairs</u> : There would be no impact on the current FY budget. The impact is anticipated in FY11/12 where the County could see a loss of approximately \$189,500. That would be partially offset by approximately \$45,000 in subvention funding that is included in the State's FY10/11 budget, but not paid until FY11/12. Thus, <b>Veteran's Affairs anticipates a net impact of \$144,054.</b>	OPPOSE, unless amended - Working with the California Dept. of Veteran's Affairs to develop reasonable solutions to address loss of revenue and access the needs of the County's Veterans population.

## 2010 CSAC Realignment Principles

Approved by the CSAC Board of Directors



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*Facing the most challenging fiscal environment in the California since the 1930s, counties are examining ways in which the state-local relationship can be restructured and improved to ensure safe and healthy communities. This effort, which will emphasize both fiscal adequacy and stability, does not seek to reopen the 1991 state-local Realignment framework. However, that framework will help illustrate and guide counties as we embark on a conversation about the risks and opportunities of any state-local realignment.*

*With the passage of Proposition 1A the state and counties entered into a new relationship whereby local property taxes, sales and use taxes, and Vehicle License Fees are constitutionally dedicated to local governments. Proposition 1A also provides that the Legislature must fund state-mandated programs; if not, the Legislature must suspend those state-mandated programs. Any effort to realign additional programs must occur in the context of these constitutional provisions.*

Counties have agreed that any proposed realignment of programs should be subject to the following principles:

- 1. Revenue Adequacy.** The revenues provided in the base year for each program must recognize existing levels of funding in relation to program need in light of recent reductions and the Human Services Funding Deficit. Revenues must also be at least as great as the expenditures for each program transferred and as great as expenditures would have been absent realignment. Revenues in the base year and future years must cover both direct and indirect costs. A county's share of costs for a realigned program or for services to a population that is a new county responsibility must not exceed the amount of realigned and federal revenue that it receives for the program or service. The state shall bear the financial responsibility for any costs in excess of realigned and federal revenues into the future. There must be a mechanism to protect against entitlement program costs consuming non-entitlement program funding.

The Human Services Funding Deficit is a result of the state funding its share of social services programs based on 2001 costs instead of the actual costs to counties to provide mandated services on behalf of the state. Realignment must recognize existing and potential future shortfalls in state responsibility that have resulted in an effective increase in the county share of program costs. In doing so, realignment must protect counties from de facto cost shifts from the state's failure to appropriately fund its share of programs.

- 2. Revenue Source.** The designated revenue sources provided for program transfers must be levied statewide and allocated on the basis of programs and/or populations transferred; the designated revenue source(s) should not require a local vote. The state must not divert any federal revenue that it currently allocates to realigned programs.
- 3. Transfer of Existing Realigned Programs to the State.** Any proposed swap of programs must be revenue neutral. If the state takes responsibility for a realigned program, the revenues transferred cannot be more than the counties received for that program or service in the last year for which the program was a county responsibility.
- 4. Mandate Reimbursement.** Counties, the Administration, and the Legislature must work together to improve the process by which mandates are reviewed by the Legislature and its fiscal committees, claims made by local governments, and costs reimbursed by the State. Counties believe a more accurate and timely process is necessary for efficient provision of programs and services at the local level.
- 5. Local Control and Flexibility.** For discretionary programs, counties must have the maximum flexibility to manage the realigned programs and to design services for new populations transferred to county responsibility within the revenue base made available, including flexibility to transfer funds between programs. For entitlement programs, counties must have maximum flexibility over the design of service delivery and administration, to the extent allowable under federal law. Again, there

must be a mechanism to protect against entitlement program costs consuming non-entitlement program funding.

6. **Federal Maintenance of Effort and Penalties.** Federal maintenance of effort requirements (the amount of funds the state puts up to receive federal funds, such as IV-E and TANF), as well as federal penalties and sanctions, must remain the responsibility of the state.