



AGENDA ITEM NO.

L-1

COUNTY OF HUMBOLDT

For the meeting of: January 17, 2017

Date: January 9, 2017

To: Board of Supervisors

From: Amy S. Nilsen, County Administrative Officer *AN*

Subject: County Administrative Officer Report: Community Budget Meetings and Various Other Topics

RECOMMENDATION(S):

That the Board of Supervisors receive an oral report from the County Administrative Officer (CAO) regarding the format of the community budget meeting(s) for 2017, and various other topics, and take action as may be required.

SOURCE OF FUNDING: General Fund

DISCUSSION:

The County Administrative Officer will provide a brief oral report to the Board on various topics. Anticipated topic for January 17 is:

1. Community Budget Meetings

On January 3 your Board directed the CAO to review a proposal (Attachment 1) for community engagement with and by Mary Gelinas. The CAO has reviewed said proposal and met with Ms.

Prepared by Amy S. Nilsen

CAO Approval *E. Shindler*

REVIEW:

Auditor _____ County Counsel _____ Human Resources _____ Other _____

TYPE OF ITEM:

- Consent
- Departmental
- Public Hearing
- Other _____

PREVIOUS ACTION/REFERRAL:

Board Order No. _____

Meeting of: _____

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT
Upon motion of Supervisor _____ Seconded by Supervisor _____

- Ayes _____
- Nays _____
- Abstain _____
- Absent _____

SEE ACTION SUMMARY

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: _____

By: _____

Kathy Hayes, Clerk of the Board

Gelinas to discuss. Staff would like to discuss the possibilities the proposal presents for receiving community feedback on the budget process.

2. Governor's Budget

On January 10, 2017, Governor Jerry Brown released his proposed state budget for fiscal year 2017-18. The County Administrative Officer will provide the Board with information about the Governor's proposals and their potential effects on Humboldt County.

FINANCIAL IMPACT:

There is no financial impact to hearing the oral report. Some topics discussed may have positive or negative financial impact on the county.

OTHER AGENCY INVOLVEMENT: None.

ALTERNATIVES TO STAFF RECOMMENDATIONS: Board's discretion.

ATTACHMENTS:

Proposal to the Humboldt County Board of Supervisors Regarding Public Engagement
Governor's 2017-18 Proposed Budget by Rural County Representatives of California
California State Association of Counties Budget Action Bulletin

Proposal to the Humboldt County Board of Supervisors Regarding Public Engagement

From the League of Women Voters of Humboldt County and
the Cascadia Center for Leadership

Introduction

The purpose of this proposal is to provide a vehicle through which residents, governmental bodies and organizations can evaluate current public engagement processes and develop proposals to improve public participation, public trust, and governmental effectiveness.

By “public engagement” we mean (1) the range of vehicles through which members of the public become more informed about and/or influence public decisions, and (2) how local officials involve residents in policy decisions and actions of local governmental bodies.

Such an effort is timely as municipalities around the country and particularly in California are improving how they involve residents in problem solving and decision-making. In 2015 the California State Assembly created the Select Committee on Civic Engagement and the California Consortium on Public Engagement was formed. Mary Gelinas, co-director of the Cascadia Center for Leadership, is a member of this Consortium. Mary also serves as an advisor to the Institute for Local Government on Public Engagement. She, along with her co-director Roger James, created the Leading Organizational and Community Change Certificate Program at Humboldt State University. It focuses, in part, on strengthening public engagement practices.

In May, 2016, the League of Women Voters of Humboldt County approved a new position that reads, in part, “The League of Women Voters of Humboldt County supports public participation in government as a civic responsibility that makes government work effectively...All governmental bodies and organizations should...Conduct regular and consistent evaluations of engagement processes utilized in the gathering of public input in order to improve citizen participation and public trust with the goal to improve governmental effectiveness.”

Context

The recent presidential campaigns and elections testify to how increasingly polarized our nation is at every level—local, regional, and national. Unfortunately, this is occurring as the issues facing us become increasingly complex and inter-connected. For example, in Humboldt County we struggle to solve issues such as food insecurity, homelessness, poverty, substance abuse, increasing crime, land and water use, vacation rentals, inadequate low-income housing, and new marijuana ordinances.

It is likely that we have been unable to make significant progress on these issues due to the region’s history of conflict (e.g., the “Timber Wars” and disagreements over the General Plan Update) and current challenges including:

- We are community of activists. People with opposing points of view communicate their positions, often vociferously, to decision-makers. Many “in the middle” tend to opt out of the process because they don’t want to get caught in the crossfire and suspect they will be criticized if they take sides, but also if they do not take sides.
- There is a mismatch between the complexity of the issues facing us and the traditional processes we use to address them. To successfully tackle these issues residents need to engage with one another constructively so they understand both the issues and the multiple perspectives about them. Residents need to understand the knowledge, experience and values of one another and the staff who often have helpful content expertise about the issues.

- Publically mandated hearings do not allow or encourage people to talk informally with one another, yet this is vital if they are to better understand and appreciate the multiple parts of an issue and the various points of view about it.
- Traditional public hearings or periods of public comment tend to enable activists on either end of the political spectrum to dominate public processes.
- Traditional public comment periods in which people have their three-minutes at a microphone, are not effective because:
 - People usually advocate for their individual solutions with no shared understanding of or agreement on the issues and their underlying causes.
 - People, many of whom are unused to public speaking, can feel isolated and disconnected walking to a microphone and speaking to decision makers up on a dais. This tends to trigger self-protective mechanisms in the human brain. Residents can become frightened and combative.
 - Listening to individual points of view serially from residents in public hearings does not create a "sense of the whole" and leaves decision makers to figure out where common ground might actually exist.

As a result of all of these challenges...

- Effective solutions are rarely found so initial issues remain unsolved and additional issues arise (e.g., homelessness exacerbates mental health issues and engenders crime).
- People tend to avoid public engagement due, in part, to in part to socio-economic factors along with a sense of exclusion, powerlessness, and distrust in government as a whole.
- Our "citizenship skills" are getting weaker just when we need them to be stronger. Public hearings or comment periods, reinforce the ways people:
 - Feel isolated from one another and perceive themselves simply as spectators, taxpayers, and consumers of decisions made by others;
 - Use adversarial tactics that dangerously diminish our ability to listen and communicate effectively with one another so we can find common ground and solve the issues facing us.
- Group problem solving skills are not getting developed.

Desired Outcomes

If the County and all its jurisdictions improve their public processes, we anticipate the following outcomes:

- Residents are more informed about issues and the work of local agencies. They have:
 - More appreciation of the range of perspectives and values around issues;
 - Increased understanding of the challenges facing our local governmental agencies;
- Improved governmental decision-making:
 - More effective engagement processes will add new voices and ideas to problem solving and policy development: new voices and ideas will generate better solutions;
 - Residents will communicate more effectively, learn how to work through differences constructively, and find common ground;
 - Contentiousness will decrease and civil deliberation will increase;
 - Residents will learn how to find solutions that balance self-interest with the interests of the county as a whole.
- More community buy-in and support, with less contentiousness, including
 - Less need for costly "do overs"
 - Fewer grounds for litigation

- More effective collaborative problem solving between government agencies and communities.

Deliverables

At the end of the process, the Public Engagement Task Force will provide the following to the Board of Supervisors and other elected boards for their consideration:

- Guiding principles and standards for effective public engagement in Humboldt County;
- A checklist of evaluation criteria for public engagement efforts;¹
- Criteria for determining what level of public engagement is needed for an issue or topic (levels of involvement include inform, consult, involve, collaborate, empower²);
- Tips on how to improve traditional public meetings when participatory processes are not needed;
- Ground rules for all public meetings in Humboldt County for elected and non-elected officials, staff, and participants;
- A handbook that provides guidance and action steps for all public agencies on how to plan and conduct public engagement processes;
- A training and development plan for anyone in public agencies who wants to plan and conduct workshop-style meetings;
- Expanding the capacity of the League of Women Voters to use new approaches to civic engagement;
- An updated Citizen's Handbook (The current handbook was updated in 1982.).

Premises Underlying this Proposal

- People who will be affected by governmental decisions have the right to be meaningfully engaged in the making those decisions.
- Decisions are more sound and sustainable when they incorporate the interests and concerns of affected stakeholders, including the decision-makers.
- Effective participation requires providing participants with unbiased information they need to participate in a meaningful way.
- Public engagement processes are effective when they are designed and conducted to create a safe space (mental and physical) in which residents interact with one another in constructive ways.
- When the public is engaged in meaningful and constructive ways they are more likely to support the results of public engagements processes.
- Elected and non-elected officials as well as members of governmental agency staffs need to increase their ability to convene and lead constructive public engagement processes so that residents are more informed, engaged, and connected with one another and their leaders.

Approach

1. Public Engagement Task Force.

We recommend that the Board of Supervisors create a Public Engagement Task Force made up of 12 members including members of the League, citizens from various parts of Humboldt County, and people from other municipalities and public agencies.

¹ A model survey is available on line from the School of Public Policy at Pepperdine University (<http://publicpolicy.pepperdine.edu/davenport-institute/evaluating-engagement/>)

² Levels are from the International Association of Public Participation.

Members would be selected based on the following criteria:

- experience with and interest in improving public engagement;
- proven ability to work across multiple boundaries (organizational, political, social);
- interest in learning about best practices and connecting with counterparts throughout California.

The Task Force's process would model best practices in public engagement to develop proposals to improve public engagement for the Board of Supervisors and the other decision making bodies to whom they make recommendations. All meetings would be conducted in accordance with the requirements of the Brown Act.

2. Workshop-style Public Meetings.

The Task Force will hold a minimum of three workshop-style meetings spread over three to six months in which participants with various perspectives on public engagement would:

- Research best practices in public engagement (both on-line and face to face);³
- Learn how other communities effectively engage hard to reach populations and those who traditionally do not engage themselves in public processes;
- Investigate how local agencies used public engagement well to produce positive results (e.g., the Humboldt Bay Municipal Water District's Water Resource Planning Process, the Prosperity! 2012 Update⁴ and Humboldt County's Participatory Budgeting Process, and the Redwood Coast Energy Authority's Community Energy Choice program).
- Assess what is and is not working with current processes in the various jurisdictions in Humboldt County.

3. Develop recommendations.

Working with data generated at the workshop-style public meetings and their research, the task force will:

- Summarize the input and feed it back from each meeting and confirm at ensuing meetings that feedback has been accurately summarized (for example, what residents believe is working and not working with public processes currently);
- Draft recommendations to improve public process and vet them at the final public meeting;
- Present their recommendations to decision-making bodies throughout the County starting with the Board of Supervisors.

Roles

We recommend the following:

- Members of the Board of Supervisors, City Councils, and other elected and non-elected officials would:
 - Participate in workshop-style meetings either as participants or "table hosts" in small groups and listen to residents' perspectives on public engagement;
 - Receive periodic reports from the Task Force along with their final recommendations;
 - Act as final decision makers on the recommendations for their jurisdictions.

³ Three sources for information about best practices include International Association for Public Participation (IAP2), Institute for Local Government, and National Coalition for Dialogue and Deliberation.

⁴ The HBMWD WRP Process and the Prosperity 2012 Update won awards from the Davenport Institute for Civic Engagement and Public Leadership at Pepperdine University.

- Members of the Task Force would:
 - Familiarize themselves with best practices in public engagement;
 - Actively participate in Task Force meetings;
 - Encourage people to participate in the workshop-style public meetings;
 - Act as table facilitators and/or workshop facilitators;
 - Develop and present recommendations to decision makers.
- An experienced consultant/facilitator team* would work with the Task Force to
 - Plan and lead Task Force meetings and workshop-style meetings with the public;
 - Provide education about best practices and/or develop a plan for the Task Force to gather information about best practices;
 - Provide coaching and/or training as requested to develop the knowledge and skills of Task Force members to plan and facilitate meetings.
- Graphic recorders* would take visual notes during Task Force and workshop-style meetings
- Members of the public would
 - Participate in meetings;
 - Provide perspectives on what is and is not working in public meetings;
 - Help develop recommendations;
 - Advocate for acceptance and implementation of recommendations.

* Unless outside funding can be secured, the consultant/facilitators and recorders would volunteer their time for this effort. The support that would be sought from the County would be posting and distributing meeting announcements and marketing this effort, transcribing and distributing notes from Advisory Committee and public meetings, providing meeting spaces, and providing a space on the County's website for announcements and notes.



Governor's 2017-18 Proposed Budget

The Rural Rundown

January 10, 2017

**Rural County Representatives of California
1215 K Street, Suite 1650
Sacramento, California 95814**

RCRC'S SUMMARY OF THE GOVERNOR'S 2017-18 PROPOSED BUDGET

Earlier today, the Brown Administration released details of the Governor's 2017-18 proposed Budget. This report, *The Rural Rundown*, is an in-depth look at the Governor's 2017-18 proposed Budget, its implications for member counties, details of RCRC's advocacy efforts on specific issue items, and an insider perspective into the reasoning and rationale behind elements of the proposal. In addition to *The Rural Rundown*, RCRC staff will present further findings and details on various programs of interest to RCRC member counties at the January 18, 2017, Board of Directors Meeting in Sacramento.

Overview

Described as "the most difficult budget that we have faced since 2012," the Governor's 2017-18 proposed Budget eliminates a projected \$2 billion deficit, bolsters the State's Rainy Day Fund, and pulls back on one-time spending proposals from 2016. In total, the Governor's 2017-18 proposed Budget includes \$3.2 billion in actions intended to bring the budget back into line.

The volatility of California's progressive tax structure drives the need for continued fiscal restraint in anticipation of the next economic recession. Furthermore, with recent revenue projections dipping, the Governor believes the State must bolster its Rainy Day Fund.

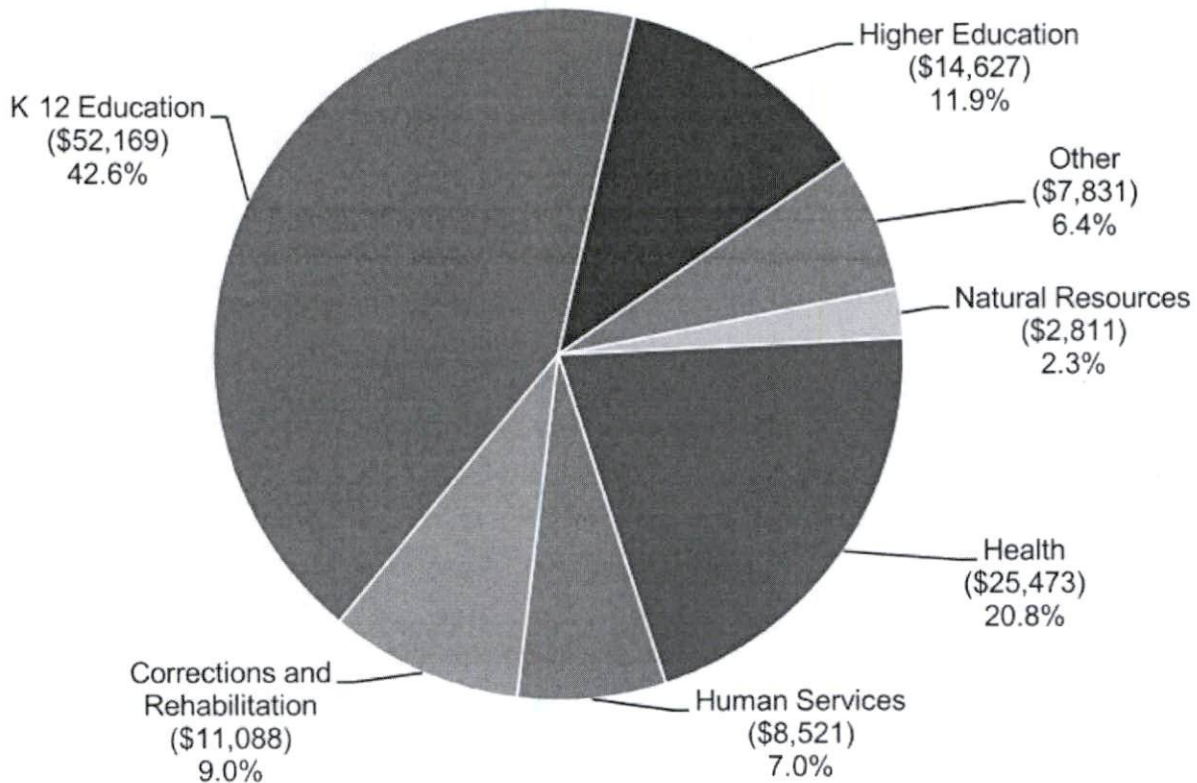
The Governor's 2017-18 proposed \$179.5 billion Budget reflects a spending plan that includes \$122.5 billion General Fund expenditures, \$54.6 billion special fund expenditures, and \$2.4 billion bond expenditures. Of primary importance is the Governor's increasing education funding (even though there is a proposed recalculation of the commitment under Proposition 98/school funding guarantee), continuing health care expansion under the federal Affordable Care Act, counteracting poverty, strengthening transportation infrastructure, and combating climate change.

Key Issues/Changes for RCRC Member Counties

The Governor's 2017-18 proposed Budget:

- Provides \$644,000 for the State's Payment in Lieu of Taxes (PILT) Program for 2017-18;
- Only includes \$1,000 for the Open Space Subvention Program (Williamson Act), the lowest possible dollar figure that allows the program to remain in the Budget;
- Eliminates the Coordinated Care Initiative, triggering higher county costs to the In-Home Support Services program;
- Reiterates a call for the Legislature to provide an additional \$4.2 billion annually to improve the maintenance of highways and local roads, expand public transit, and strengthen critical trade routes; and,
- Maintains the ongoing commitment of \$2.6 million for the support of local fairs.

Figure SUM 03
2017 18
General Fund Expenditures
(Dollars in Millions)



Rainy Day Fund

The Governor’s 2017-18 proposed Budget continues efforts to protect against future economic downturns by maintaining increased revenues in the State’s Rainy Day Fund. Under the terms of Proposition 2, which establishes a constitutional target to set aside 10 percent of General Fund tax revenues, the Budget Stabilization Account (Rainy Day Fund) would grow to a total balance of \$7.9 billion, or 63 percent of its constitutional authority, by the end of 2017-18.

California’s Five Year Infrastructure Plan

Since 1999, California Governors have been required to submit a *Five Year Infrastructure Plan* with the annual Budget. Due to the recession, the 2014 *Five Year Infrastructure Plan* was the first submitted since 2008. The 2014 plan indicated that the amount of statewide deferred maintenance at that time was \$64 billion.

The 2017 *Five Year Infrastructure Plan*, which was released with the Governor’s 2017-18 proposed Budget, indicates that the amount of these deferred maintenance needs has grown to over \$78 billion.

Identified Statewide Deferred Maintenance
(Dollars in Millions)

Department of Transportation	\$57,000
Department of Water Resources	\$13,000
University of California	\$3,170
Judicial Branch	\$1,592
Department of Parks and Recreation	\$1,145
Department of Corrections and Rehabilitation	\$1,067
California Community Colleges	\$290
California Military Department	\$195
Department of Forestry and Fire	\$125
Department of General Services	\$121
California State University	\$110
Department of State Hospitals	\$ 89
Department of Veterans Affairs	\$54
Network of California Fairs	\$50
California Highway Patrol	\$35
State Special Schools	\$22
Department of Motor Vehicles	\$14
Department of Fish and Wildlife	\$14
Department of Developmental Services	\$13
Department of Housing, Community Development	\$ 9
California Science Center	\$8
Employment Development Department	\$6
Department of Food and Agriculture	\$5
California Conservation Corps	\$4
California State Library	\$2
Office of Emergency Services	\$1
Total	\$78,141

The 2017 *Five Year Infrastructure Plan* focuses on capital funding.

Agency	Five Year Capital Funding (in Millions)
Transportation / High Speed Rail Authority	\$39,647
Natural Resources	\$869
California Environmental Protection Agency	\$413
Health and Human Services	\$44
Corrections and Rehabilitation	\$197
Education	\$182
General Government	\$1,534
Total	\$42,886

The 2017 *Five Year Infrastructure Plan* is based on guidelines set forth in Assembly Bill 857 (2002), which established infrastructure planning priorities to promote equity, strengthen the economy, protect the environment, and promote public health and safety.

The 2017 *Five Year Infrastructure Plan* can be accessed [here](#).

Administration of Justice

2011 Realignment of Public Safety Responsibilities to Counties. In 2011, the Governor and the Legislature enacted the realignment of various state programs to counties. Specifically, a realignment of various criminal justice populations occurred under Assembly Bill 109, known as Public Safety Realignment. The 2011 Realignment fiscal structure ensures continued funding for several local public safety subventions (rural sheriff grants, COPS, etc.). Funding for Public Safety Realignment is made primarily via a dedication of 1.065 percent of the state portion of the sales tax rate, and secondarily through a portion of vehicle license fee revenues. These revenue commitments are now constitutionally protected with the passage of Proposition 30 (Temporary Taxes to Fund Education) in 2012.

AB 109 funding is directed to counties from a state-level Community Corrections Subaccount. Annual funding for the Community Corrections Subaccount is dictated by the 2011 Realignment fiscal structure set forth in statute, and the overall funding level produced by the dedicated state sales tax within a given fiscal year. Actual allocations to counties are made according to a permanent formula developed several years ago by a nine-member County Administrative Officer committee with the assistance of the California State Association of Counties. The Governor's 2017-18 proposed Budget estimates \$1.22 billion statewide for counties in base Community Corrections Subaccount (AB 109) funds, representing an overall annual increase of nearly \$60 million. Additionally, the Governor's 2017-18 proposed Budget projects \$59.1 million in 2016-17 growth funds (expected for receipt in Fall 2017), and an estimated \$75.4 million in 2017-18 growth funds (expected for receipt in Fall 2018). Actual growth amounts typically are

not known until just before they are distributed, but the Governor's May Revision will provide an update on revenue estimates.

Additional County Probation Funding. The Governor's 2017-18 proposed Budget includes nearly \$115 million in Senate Bill 678 (Leno; 2009) funding for County Probation Departments. SB 678 was enacted to provide counties with a financial incentive to reduce the number of reoffenders returning to State prison.

Assembly Bill 109 Planning Grants. The Governor's 2017-18 proposed Budget includes another one-time \$7.9 million appropriation for counties to revise and update their Community Corrections Partnership (CCP) plans. Every year since the passage of 2011 Realignment, the State has provided funds to support local implementation of Assembly Bill 109, namely, the work in constructing and reviewing a county's CCP plan. Funds are typically allocated to each county as a fixed-dollar amount (\$100,000, \$150,000, or \$200,000) based on population. The Board of State and Community Corrections requires counties to report on the outcomes adopted by a county's CCP, and the ongoing progress in meeting those outcomes in order to receive the planning grant funds.

Proposition 47. Approved by California voters in 2014, Proposition 47 reduces penalties for a variety of specified offenses, and dedicates the 'savings' from prosecuting and housing these offenders into programs that support K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. Proposition 47 requires the Department of Finance to calculate savings associated with the measure. The Governor's 2017-18 proposed Budget estimates a savings of nearly \$43 million since enactment, and subsequently dedicates those savings.

Proposition 57. The Governor's 2017-18 proposed Budget provides \$11 million to assist county probation departments to supervise the temporary increase in the offender population subject to Post Release Community Supervision. Much of this temporary increase is due to the enactment of Proposition 57 in November 2016, and other prison-reduction efforts ordered by the courts. California voters approved Proposition 57 in November 2016, allowing certain non-violent felons serving a sentence in State prison to seek early parole (much of this population will be subject to county responsibility under Post Release Community Supervision).

Local Public Prosecutors and Public Defenders Training Program. The Governor's 2017-18 proposed Budget recommends the elimination of the Local Public Prosecutors and Public Defenders Training Program, which provides training grants for local public prosecutors and public defenders on the prosecution of crimes against women. Numerous programs rely on funding generated by fines, fees, and penalties assessed on certain court filings and citations. These penalties and forfeitures are collected and deposited into the State Penalty Fund and distributed for various programs.

The State Penalty Fund has experienced a significant decrease in revenue over the past several years and can no longer support all the programs. Currently, the Local Public Prosecutors and Public Defenders Training Program receives funding from both the State Penalty Fund and the federal government. Should State funding be eliminated

completely, the Local Public Prosecutors and Public Defenders Training Program will still receive its share of federal funding – approximately 35 percent of its current total.

Trial Court Operations/Courthouse Construction. The Governor's 2017-18 proposed Budget includes \$3.6 billion in overall judicial branch funding, which supports the Supreme Court, courts of appeal, trial courts, and the Judicial Council (the courts' policy making body). The overwhelming amount of this allocation is dedicated to local trial court operations. Of note, the Governor's 2017-18 proposed Budget allocates \$5 million (\$4.1 million in 2017-18 and \$896,000 in 2018-19) to replace case management systems in nine smaller trial courts in the northern part of the state.

The Governor's 2017-18 proposed Budget does not comment on new courthouse construction projects, nor those projects that are experiencing a pause in the construction process; however, last summer the Judicial Council announced a significant funding shortfall in continuing with a variety of courthouse construction projects. Generally, courthouse construction funding does not originate directly from the General Fund, but relies on a variety of accounts which are funded through portions of fines, penalties, and court filing fees.

Trial Court Security – New Court Facilities. The Governor's 2017-18 proposed Budget includes \$7 million to address increased court security costs from new trial court construction.

In 2011, the Legislature realigned California's trial court security funding scheme so the State would pay counties directly, rather than indirectly through the courts. Similar to other criminal justice realignment programs, a fixed percentage of sales tax revenue is allocated to each county to pay for trial court security. A number of recently-opened, newly-constructed courthouses have resulted in increased court security costs, most notably in Calaveras County and San Benito County. To receive monies, counties must demonstrate to the Department of Finance the need for increased trial court security staff as a result of the recent (prior to October 9, 2011) opening of newer (and oftentimes larger) courthouses.

RCRC has been working with the California State Sheriff's Association and the California State Association of Counties to ensure that counties experiencing deficiencies in their trial court security funding are able to properly staff these recently-opened facilities.

California Environmental Protection Agency

The Governor's 2017-18 proposed Budget includes \$3.4 billion for the Boards, Departments, and Offices of the California Environmental Protection Agency (CalEPA), representing a nearly \$200 million decrease from the 2016-17 State Budget Package, primarily due to a one-time bond allocation to the State Water Resources Control Board.

Air Resources Board. The Governor's 2017-18 proposed Budget includes \$410.1 million for the Air Resources Board (ARB), a nearly \$441 million dollar decrease from the 2016-17 State Budget Package, primarily due to the allocation of the Greenhouse Gas Reduction Fund being withheld pending the outcome of the proposed legislation to extend the Cap-and-Trade auction program, through a two-thirds urgency vote, beyond its

current 2020 sunset date. The ARB funding includes over \$2.3 million for the completion of the Assembly Bill 32 Scoping Plan Update and implementation of the Short-Lived Climate Pollutant Reduction Strategy.

Assembly Bill 32 Cap-and-Trade Proceeds. The Governor's 2017-18 proposed Budget recommends legislation to extend the Cap-and-Trade auction program, through a two-thirds urgency vote, beyond its current 2020 sunset date. The program is currently under legal challenge as an unconstitutional tax, and a two-thirds approval of the program and extension by the Legislature would effectively thwart the ongoing lawsuit. If the extension is approved, the Governor's 2017-18 proposed Budget would provide \$2.2 billion for a number of existing programs that received Cap-and-Trade funds in the 2016-17 State Budget Package, including \$900 million – representing 60 percent of the projected Cap-and-Trade proceeds – in continuously appropriated funds for high-speed rail, affordable housing, sustainable communities, and public transit.

Transportation: The transportation sector is once again the focal point of the Cap-and-Trade Expenditure Plan (Plan), with \$1.46 billion proposed for programs such as the High Speed Rail, Transit and Intercity Rail Capital Program, incentives for low carbon freight and passenger transportation, and low carbon transit operations.

Carbon Sequestration: The proposed Plan allocates \$127.5 million in Cap-and-Trade proceeds to the California Department of Forestry and Fire Protection, California Department of Food and Agriculture, and California Natural Resources Agency for programs that enhance carbon sequestration by promoting the management and restoration of natural and working lands. Such programs include healthy forests, healthy soils, urban forestry, and urban greening.

Short-Lived Climate Pollutants: In order to reduce short-lived climate emissions such as methane and black carbon, the Plan proposes \$95 million to the California Department of Resources, Recycling and Recovery, the California Air Resources Board, and the Department of Food and Agriculture to fund programs promoting waste diversion, black carbon woodsmoke reduction, and purchase and implementation of dairy digesters.

RCRC has consistently advocated for the allocation of more funding to natural resource projects such as fuel treatment and forest restoration projects, as well as dedicated funding for rural infrastructure projects. In 2017-18, it is also vital that the State provides Cap-and-Trade funds for the removal of dead and dying trees due to invasive pests, as well as providing funds for waste diversion infrastructure to implement Assembly Bill 1826 (Chesbro; 2014).

RCRC will encourage the Legislature to support funding these programs during the budget process. RCRC will also continue to pursue a change in the current definition of "disadvantaged communities" for the purpose of disseminating Cap-and-Trade proceeds, as the current definition excludes most rural communities from receiving these earmarked funds. RCRC will also continue seeking targeted rural funds in the various funding programs.

2017-18 Proposed Cap-and-Trade Expenditure Plan
(In Millions)

<i>Investment Category</i>	<i>Department</i>	<i>Program</i>	<i>Amount</i>
<i>Continuous Appropriation</i>	High-Speed Rail Authority	High-Speed Rail Project	\$375
	State Transit Assistance	Low Carbon Transit Operations	\$75
	Transportation Agency	Transit and Intercity Rail Capital Program	\$150
	Strategic Growth Council	Affordable Housing and Sustainable Communities Program	\$300
<i>50 Percent Reduction in Petroleum Use</i>	Transportation Agency	Transit and Intercity Rail Capital Program	\$500
	Caltrans	Active Transportation	
<i>50 Percent Reduction in Petroleum Use</i>	Air Resources Board	Low Carbon Transportation	\$363
<i>Transformational Climate Communities</i>	Strategic Growth Council	Transformational Climate Communities	\$142
		Technical Assistance & Outreach	
<i>Short-Lived Climate Pollutants</i>	Air Resources Board	Black Carbon Woodsmoke	\$95
	Cal Recycle	Waste Diversion	
	Department of Food and Agriculture	Dairy Digesters	
<i>Carbon Sequestration</i>	Department of Food and Agriculture	Climate Smart Agriculture – Healthy Soils	\$127.5
	CALFIRE	Healthy Forests	
		Urban Forestry	
	Natural Resources Agency	Urban Greening	
<i>Energy Efficiency/ Renewable Energy</i>	Department of Community Services and Development	Energy Efficiency Upgrades/ Weatherization	\$27.5
	Department of Food and Agriculture	State Water Efficiency and Enhancement Program	
Total			\$2,155

Beverage Container Recycling Program. The Governor's 2017-18 proposed Budget outlines the Administration's commitment to reforming the Beverage Container Recycling Program (commonly known as the Bottle Bill). The California Department of Resources Recycling and Recovery (CalRecycle) provided a policy framework to outline key components of reform, and the final work product will be developed through the budget process.

Aspects of the framework that could impact rural counties include restructuring processing payments and handling fees to support lower volume and rural sites, restructuring city/county payments, and restructuring the curbside operations/payments. Other key components for consideration include: incorporating wine and distilled beverages into the program beginning July 1, 2018; expanding additional container material types, such as aseptic and cartons; increasing beverage manufacturers' responsibilities; and, enhancing adaptability and sustainability provisions.

RCRC will participate in stakeholder discussions and work to preserve handling fees for certified centers, city/county payments, and programs to increase and improve recycling infrastructure in rural counties.

The Beverage Container Recycling Program has been operating at a structural deficit for quite some time. Now that the beverage container recycling rates are so high (85 percent), the payments to consumers and the myriad of programs (i.e. city/county payments, handling fees, curbside supplemental payments, and state educational program) exceeds unclaimed deposits. CalRecycle currently anticipates that funds will become insufficient for these programs, and will need to impose "proportionate reductions" beginning July 2017. In addition, in the past year, many rural counties have experienced a significant number of closures of Certified Recycling Centers making it difficult for rural consumers to receive their deposit monies.

Department of Resources Recycling and Recovery. The Governor's 2017-18 proposed Budget for the Department of Resources Recycling and Recovery (CalRecycle) is \$1.57 million, approximately \$40 million less than the 2016-17 State Budget Package, due to the previously reported allocation of the Greenhouse Gas Reduction Fund (GGRF) being withheld. Specifically, GGRF monies will provide financial incentives for capital investments that expand waste management infrastructure, predominantly for composting and anaerobic digestion facilities, but also for fiber, plastic, and glass facilities.

Following the passage of Assembly Bill 1826 (Chesbro; 2014), businesses that generate a certain amount of organic waste are required to recycle it. In addition, reducing methane emissions from landfills is targeted as a key component of the Short-Lived Climate Pollutant Strategy. There is currently insufficient infrastructure capacity to process the amount of organic waste generated. Since many RCRC member counties will qualify for a five-year exemption from the AB 1826 requirements, most of these monies are likely to be spent in the more urban areas. However, in their 2016-17 GGRF expenditure guidelines, CalRecycle committed to providing a rural set-aside.

Department of Toxic Substances Control. The Governor's 2017-18 proposed Budget includes \$285 million to the Department of Toxic Substances Control (DTSC), a \$24 million increase from the DTSC 2016-17 allocation. The proposal includes a reduction of \$19 million from various DTSC programs, and a \$43 million dollar increase in the Exide Technologies Facility Contamination Cleanup.

Office of the Secretary for Environmental Protection/Rural Certified Unified Program Agency Assistance. The Governor's 2017-18 proposed Budget includes \$835,000 for the continued reimbursement of qualified Certified Unified Program Agency's (CUPA's) located in low-population counties. Each county CUPA is required to perform a number of hazardous material programs to ensure local environmental health. Under current law, many RCRC member counties receive additional State General Fund monies for the operation of their local CUPA, which is calculated based upon population thresholds and other criteria.

Education

California State Universities and University of California. The Governor's 2017-18 proposed Budget includes \$31.9 billion (\$17.5 billion General Fund and local property tax, and \$14.4 billion other funds) for higher education. The Governor's 2017-18 proposed Budget continues to focus on opportunities that increase access, and acceleration of degree completion.

In September 2016, the California State University System (CSU) Board of Trustees adopted The CSU Graduation Initiative 2025, which outlined a series of objectives, including increasing the graduation rates for first-time freshman and transfer students. This effort is designed to support students from the admissions process through graduation.

It should be noted that while tuition fees have remained flat for the past five years, both the CSU and University of California (UC) have expressed intentions to increase tuition in 2017-18. The UC plans to submit a 2.5 percent increase to the Board of Regents in late January 2017, and the CSU Chancellor's office expects to present a 5 percent tuition increase to the Board of Trustees in March 2017. The Administration has expressed its opposition to any tuition increases.

Career Technical Education. The Governor's 2017-18 proposed Budget includes \$200 million to support the Career Technical Education Incentive Grant Program, which provides matching competitive grants to school districts, county offices of education, and charter schools who face unique barriers, including those located within rural school districts, or who have high dropout or unemployment rates. This allocation represents the final installment of funding for this three-year program, which was enacted as part of the 2015 Budget Act. Beginning in 2018-19, schools will support the full cost of these programs through their Local Control Funding Formula allocations.

Community Colleges. The Governor's 2017-18 proposed Budget provides a number of investments designed to expand current services provided to students, and improve student outcomes and success. Of this funding, \$150 million one-time Proposition 98 General Fund is provided to Community Colleges to support the development and

implementation of a guided pathways program designed to improve student completion rates, increase employment opportunities, and minimize student debt. Additionally, the Governor's 2017-18 proposed Budget provides a one-time allocation of \$6 million to develop an integrated library system which will allow students to access a cloud-based library system.

K-12 Education. The Governor's 2017-2018 proposed Budget continues to provide significant adjustments in K-12 Education, including investments in the Local Control Funding Formula, pay down of the education mandates backlog, and increased per pupil spending. However, the Administration continues to express concerns about the State's school construction funding process. It should be noted that Proposition 51, the Kindergarten through Community College Public Education Facilities Bond Act of 2016, was approved by California voters in November 2016, and authorized \$7 billion in State general obligation bonds for K-12 schools. The Administration is committed to ensuring appropriate usage of these bond funds, and increasing program accountability and oversight. As such, the Administration is recommending legislation to require facility bond expenditures to be included in the Annual K-12 Audit Guide, whereby auditors will verify that local educational agencies receiving bond funds have used those funds appropriately.

Middle Class Scholarship Program. The Governor's 2017-18 proposed Budget contains a phase-out of the Middle Class Scholarship Program. Beginning in 2017-18, awards will only be renewed for the students who received grant awards in the 2016-17 academic year.

The Middle Class Scholarship Program provides undergraduate students with annual family incomes of \$100,000-\$150,000 with scholarship grants covering up to 10 percent of their tuition cost. The Administration projects that by 2020, this phase-out will reduce General Fund costs by \$115.8 million.

Rural and Low-Income School Program. The Governor's 2017-18 proposed Budget includes \$1.4 million for the Rural and Low-Income Schools Grant Program, which provides funds to rural, Local Educational Agencies (LEAs) that serve school districts with a high number of children from low-income households. Funds are allocated on a formula basis, and determined by the U.S. Department of Education.

General Government

Cannabis Regulatory Structure. The Governor's 2017-18 proposed Budget provides funding to continue/commence activities associated with the regulation of both medical and adult-use cannabis in the following manner:

- **Department of Consumer Affairs:** \$22.5 million to further support the Bureau of Medical Cannabis Regulation – the state entity within the Department of Consumer Affairs serving as the lead regulatory agency with specific focus on the transportation, storage, distribution, and sale of cannabis. It is also charged with coordinating with local governments on various enforcement and regulatory activities;

- Department of Public Health: \$1 million for the licensing and regulation of cannabis manufacturers;
- Department of Food and Agriculture: \$23.4 million for a variety of activities, including cultivation, licensing, and the conducting of a statewide Environmental Impact Report. The Department of Food and Agriculture will also be working with the Board of Equalization to implement a “track and trace” program that monitors the movement of medical cannabis throughout the entire distribution chain;
- Board of Equalization: \$5.3 million to address the new tax requirements upon those involved in the cannabis industry, and to update the Board’s information technology systems to register cannabis-related businesses; and,
- Department of Health Care Services: \$5 million for public information programs to address a number of health-related topics pertaining to cannabis.

The Legislature enacted a medical cannabis licensing/regulatory framework at the end of the 2015 Legislative Session. The framework provided the authorization to use General Fund monies for regulatory activities. The Governor’s 2017-18 proposed Budget anticipates that once the regulatory scheme is launched, license fees, fines, and penalties will be redirected to backfill many of the initial General Fund costs. In addition, in November 2016 California voters approved Proposition 64, which sanctions the adult-use of cannabis, and puts forth a similar regulatory scheme. Of note, Proposition 64 outlines a number of tax levies that will take effect once the licensing system is launched. In order to avoid duplicate activities, the Administration is proposing to consolidate and fund both medical and adult-use cannabis activities simultaneously.

County Revenues/Basic Aid Districts. The Governor’s 2017-18 proposed Budget includes \$138,000 to reimburse Alpine County for funding shortfalls associated with their Sales & Use Tax and Vehicle License Fee Adjustment allocations. This shortfall is triggered by Basic Aid school districts having a strong presence within Alpine County. Recent State Budgets have provided monies to Alpine, Amador, and San Mateo Counties, and the cities located within, for shortfalls in their respective allocations to address the full loss occurring in these counties.

Debt Service. The Governor’s 2017-18 proposed Budget provides \$5.5 billion to debt service, which includes \$4.9 billion in General Obligation Bond, and \$598 million in lease revenue bond debt service. This represents an increase over current year of \$104 million for General Obligation Bond debt service, and \$48 million for lease revenue bonds. The General Obligation Bond debt service continues to hover at approximately 6 percent of the proposed State General Fund Budget, which has been noted as an acceptable level of debt by the Legislative Analyst’s Office and the State Treasurer.

General Obligation Bond debt service is constitutionally one of the highest priority General Fund expenditures; however, the debt service associated with general obligation bonds is “continuously appropriated” (payments are made without the Legislature’s approval in the Budget Act), and not a line-item part of the State Budget Package. This reassures investors that principal and interest are paid on time, and not waiting for legislative action.

Department of Food and Agriculture. The Governor's 2017-18 proposed Budget includes \$408 million for the California Department of Food and Agriculture (CDFA), consistent with last year's funding.

The CDFA operates four veterinary laboratories, three of which were constructed more than 40 years ago. The Turlock laboratory faces particularly severe space and bio-containment limitations, aged equipment, deficient electrical and airflow systems, and urban encroachment. The 2017 *Five-Year Infrastructure Plan* proposes \$54.1 million to replace this facility. Of this amount, \$3.1 million from the General Fund is proposed in 2017-18 for the site acquisition phase of the project. In addition, CDFA will conduct studies to assess infrastructure needs at various other facilities it owns.

Fairs. The Governor's 2017-18 proposed Budget maintains the ongoing commitment of \$2.6 million for the support of local fairs, which is consistent with the last two enacted State Budgets. Commencing in the 2015-16 State Budget, \$2.6 million in ongoing monies was to be directed to the Fairs and Expositions Fund for redistribution to improve the financial situation of smaller fairs, as well as provide training for Fair Board members.

The Governor's 2017-18 proposed Budget does not provide any funding in the 2017 *Five Year Infrastructure Plan* for capital improvements to address fire, life and safety, and other deferred maintenance projects for fairs across the network. The 2016-17 State Budget Package provided \$4 million, and the 2015-16 State Budget Package provided \$7 million for similar capital improvement efforts.

Prior to 2009-10, fairs received state support primarily from horse race wagering proceeds. In 2009, the State supplanted horse race wagering with State General Fund support. The 2011-12 State Budget Package eliminated the \$32 million General Fund for the support of fairs. Subsequent State Budgets did not replace the funding for fairs until the 2015-16 State Budget Package.

RCRC will continue to work with the California Department of Food and Agriculture and other stakeholders to address a long-term solution to the viability of fairs in light of the elimination of state funding in prior years. The previous lack of support placed several of the small and medium sized fairs in jeopardy of closure, and the ongoing funding – both in operations and capital improvements – should provide some relief until a long-term solution is realized.

State-County Assessor Partnership Program. The Department of Finance is conducting a review of the State-County Assessor Partnership program. This program is slated to end by July 1, 2017, and is not proposed for renewal in the Governor's proposed 2017-18 Budget.

Enacted as part of the 2014-15 State Budget Package, this pilot program provides \$7.5 million annually for a three-year period to County Assessors' Offices to ensure that Assessors have the resources to fairly and efficiently administer the county property tax rolls. Madera, San Benito, and Tuolumne Counties have participated in this program.

State Mandates. The Governor's 2017-18 proposed Budget maintains suspensions of mandates that are not related to law enforcement or property taxes, consistent with the 2016-17 State Budget Package. The Governor's 2017-18 proposed Budget also provides funding for a variety of mandates funded in previous years, including the \$4 million block grant program for the Interagency Child Abuse and Neglect (ICAN) Investigation Reports mandate, which was established in the 2015-16 State Budget Package.

Suspending mandates has become a regular part of the State Budget as it allows the State to avoid making payments to local agencies by removing their responsibility to perform mandated functions. However, oftentimes a discontinuation of some of these mandates could lead to lawsuits and other county liabilities, making discontinuation of these mandates even less practical.

Williamson Act. The Governor's 2017-18 proposed Budget includes \$1,000 for the Open Space Subvention Program. This is the lowest possible dollar figure that allows the program to remain in the Budget.

The Williamson Act, also known as the California Land Conservation Act of 1965, authorizes cities and counties to enter into agricultural land preservation contracts with landowners who agree to restrict the use of their land for a minimum of 10 years in exchange for lower assessed valuations for property tax purposes.

In the 2003-04 fiscal year, then-Governor Schwarzenegger proposed to save approximately \$39 million by ending the State subventions. The first cuts came in 2008-09 when a Budget trailer bill reduced the State subventions by 10 percent. The Legislature's 2009-10 Budget reduced the subventions to \$27.8 million. However, Governor Schwarzenegger essentially eliminated the subventions by cutting the appropriation to \$1,000.

Given the ongoing reluctance of the Legislature and the Brown Administration to fund Williamson Act subventions, discussions relative to changes to the Williamson Act are appropriate. RCRC will continue to work with agricultural, environmental, and local governmental organizations to explore sources of sustainable funding, as well as potential changes to the program itself.

Veterans Housing. The 2017 *Five Year Infrastructure Plan* includes \$400 million to support a new California Department of Veterans Affairs Skilled Nursing Facility in Yountville (Napa County). In addition, the Governor's 2017-18 proposed Budget extends the timeline to award \$10 million in funding authorized as part of the 2016-17 State Budget Package for the construction or rehabilitation of transitional housing or shelter facilities that provide services for homeless veterans through June 30, 2018.

Workforce Investment and Opportunity Act. The Governor's 2017-18 proposed Budget maintains an estimated \$421 million in federal Workforce Investment and Opportunity Act (WIOA) funding for the California Workforce Development Board (CWDB) and Local Workforce Investment Boards (WIB). Federal WIOA funding supports investments in local and regional education, employment, and job training programs.

In addition to federal WIOA investments, the Governor's 2017-18 proposed Budget contains \$248 million in Proposition 98 General Fund to support the Strong Workforce Program. This funding will provide additional support to build upon federal WIOA policy reforms made in 2014 that encourage alignment and coordination of multiple disparate funding sources and programs across our workforce, economic development, and educational institutions to meet the goals and objectives outlined in the four-year WIOA State Strategic Workforce Plan. Lastly, the Governor's 2017-18 proposed Budget recognizes a nearly \$30 million investment to support economic and workforce investments in California's priority and emerging industries through the Community Colleges' Economic and Workforce Development Program, which works collaboratively with the CWDB and local WIBs.

Health and Human Services

Children's Health Insurance Program Reauthorization. The Governor's 2017-18 proposed Budget provides \$536.1 million to the Children's Health Insurance Program (CHIP), which provides health care coverage to low-income children not otherwise eligible for Medi-Cal. Although provisions in the Affordable Care Act (ACA) allow for increased federal matching funds for this program through 2019, CHIP is only authorized by the federal government through September of 2017. Due to the uncertainty surrounding the continuance of the ACA and other related health care programs, the funding is based on the assumption that the federal match is eliminated in September 2017.

Coordinated Care Initiative/In-Home Support Services. The Governor's 2017-18 proposed Budget includes a finding by the Department of Finance that the Coordinated Care Initiative (CCI) is no longer cost-effective, and therefore, by operation of law, the program will be discontinued in 2017-18. CCI was established to more efficiently deliver care (including In-Home Support Services (IHSS)) to seniors and people with disabilities who are dually eligible for the state Medi-Cal program and the federal Medicare program.

With the passage of CCI in 2012, IHSS benefits were incorporated into the managed care delivery system in seven CCI pilot counties (none of which are RCRC member counties) and a Maintenance of Effort (MOE) capping county IHSS costs was put in place for all 58 counties. With the elimination of CCI, the IHSS MOE provisions are automatically repealed, and the counties' share of the costs for the IHSS program will be reinstated to prior state-county sharing ratios. This increased county share, 35 percent of the non-federal portion of IHSS program cost, will be compounded by the minimum wage increase, the federal overtime requirement, and eventually paid sick leave. The Administration's move to eliminate CCI appears to be an effort to reduce the state's IHSS costs (and have them absorbed by counties), a change estimated to save \$626.2 million in General Fund dollars.

County Medi-Cal Administration Costs. The Governor's 2017-18 proposed Budget maintains the \$655.3 million augmentation to counties to conduct Medi-Cal eligibility case work on behalf of the State. Additionally, the Governor's 2017-18 proposed Budget maintains \$1.5 million in funding for the development of a new budgeting methodology for counties' administration costs.

Hospital Quality Assurance Fee. Proposition 52, approved by voters in November 2016, permanently extended the Hospital Quality Assurance Fee (QAF). The QAF was created in 2009 requiring certain California hospitals to pay a fee to help the State draw-down available federal Medicaid funds. Revenue from the QAF provides funding for children's health care coverage, supplemental payments to public hospitals, and reimburses the Department of Health Care Services for administration costs. The Governor's 2017-18 proposed Budget assumes General Fund savings of over \$1 billion in 2017-18 from the QAF.

Local Emergency Medical Service Agencies. The Governor's 2017-18 proposed Budget includes \$2.1 million to support the seven Local Emergency Medical Service Agencies (LEMSAs), consistent with previous General Fund support in recent years. Most RCRC counties participate in LEMSAs to meet their state obligations for emergency medical care services.

Major Risk Medical Insurance Fund. The Governor's 2017-18 proposed Budget eliminates the Major Risk Medical Insurance Fund and proposes to transfer the remaining \$65 million in the fund to the Health Care Services Plans Fines and Penalties Fund. This transfer will provide coverage support for individuals remaining in the program, and cover expenses related to health care services for children, seniors, disabled persons, and dual eligible within the Medi-Cal program.

Managed Care Organization Tax. In 2016, the Governor and Legislature enacted the Managed Care Organization Tax (MCO tax), which authorized a tax on the operating revenue of Medi-Cal managed care plans based on the State sales tax rate. The MCO tax is used to fund the non-federal share of supplemental payments to Medi-Cal managed care rates for health services provided to children, adults, seniors, persons with disabilities, and persons eligible for both Medi-Cal and Medicare. The remainder of the revenue is used to fund capitation rates for Medi-Cal managed care plans that would otherwise be funded through the General Fund. As a result, the Governor's 2017-18 proposed Budget assumes a General Fund reduction of approximately \$1.1 billion in 2016, and \$1.6 billion in 2017-18.

Medi-Cal. The Governor's 2017-18 proposed Budget continues to fund the Medi-Cal coverage expansion providing \$18.9 billion (\$1.6 billion General Fund) in 2017-18. The cost for the Medi-Cal program assumes a caseload of 14.3 million in 2017-18, a 1.8 percent increase over the 2016-17 caseload, and covering over one-third of the state's population. The increase in General Fund from 2016-17 (\$888 million) is due to the increase in the state's share of the cost for expanded coverage. In 2018, the Federal-State cost-sharing ratio increases to six percent for the state.

State Hospitals. The Governor's 2017-18 proposed Budget includes \$1.6 billion for the Department of State Hospitals (DSH), which provides mental health services to judicially and civilly committed patients in DSH facilities. There have been increased impacts on the DSH system over the last several years, principally with referrals from local courts for Incompetent to Stand Trial Admissions (IST). The Governor's 2017-18 proposed Budget provides \$10.8 million in General Fund to establish a 60-bed Admissions, Evaluation and Stabilization Center for the assessment and treatment of ISTs. This center would be

located in a county jail, and would admit patients from Southern California counties. The Administration continues to work with counties and other stakeholders to address the ongoing IST issue through innovative partnerships to increase bed capacity for this patient population.

Additionally, the Governor's 2017-18 proposed Budget calls for the transfer of a DSH program that operates over 1,100 in-patient, mental-health treatment beds at three California Department of Corrections and Rehabilitation prisons: California Health Care Facility in Stockton, Salinas Valley State Prison in Soledad, and California Medical Facility in Vacaville State Hospitals, to the Department of Corrections and Rehabilitation. This transfer, effective July 1, 2017, redirects \$250.4 million and 1,977.6 positions. The Administration believes this change will improve the outcomes for inmates referred to psychiatric inpatient treatment through this program.

Supplemental Security Income/State Supplementary Payment. The Governor's 2017-18 proposed Budget provides \$2.9 billion for the Supplemental Security Income/State Supplementary Payment program, representing a 2 percent increase over the 2016-17 State Budget Package. Effective January 2018, maximum grant levels for individuals will increase by \$20 per month for individuals, and \$29 per month for couples.

Housing and Land-Use

The Governor's 2017-18 proposed Budget reflects \$3.2 billion in state and federal funding to support existing housing programs, but does not contain any new funding sources or policy proposals to support the development of affordable housing. Instead, the Governor's 2017-18 proposed Budget focuses on the need to address issues that impact the construction of affordable units before any new revenue streams are proposed.

The Governor's 2017-18 proposed Budget contains the following 5 policy principles as a framework to guide development of a housing funding and reform package:

- **Streamline Housing Construction:** Reduce local barriers to limit delays and duplicative reviews, maximize the impact of all public investments, and temper rents through housing supply increases;
- **Lower Per-Unit Costs:** Reduce permit and construction policies that drive up unit costs;
- **Production Incentives:** Those jurisdictions that meet or exceed housing goals, including affordable housing, should be rewarded with funding and other regulatory benefits. Those jurisdictions that do not build enough to increase production should be encouraged by tying housing construction to other infrastructure-related investments;
- **Accountability and Enforcement:** Compliance with existing laws – such as the housing element – should be strengthened; and,
- **No Impact to the General Fund:** No new costs, or cost pressures, can be added to the State's General Fund, if new funding commitments are to be considered. Any permanent source of funding should be connected to these other reforms.

RCRC will actively participate in upcoming discussions on the policy principles to protect local control, and to ensure local jurisdictions are not held accountable for actual housing construction.

In addition to the Governor's policy framework, the California Department of Housing and Community Development recently released their 2025 Statewide Housing Assessment, which highlights the relationship between local land use decision-making and housing development. There have been several reports issued over the last year that have also discussed the impact local land use, zoning, and permitting has had on the development of new housing units, particularly as it relates to affordability. The Legislature stands poised to consider a variety of policy reforms to address rising housing prices over the next several years.

Resources

California Conservation Corps. The Governor's 2017-18 proposed Budget includes \$97.47 million for the California Conservation Corps' (CCC) Training and Work Program, consistent with last year's funding. The Training and Work Program focuses on four areas: natural resource work (such as fire hazard reduction and meadow restoration); emergency response (such as fire and flood support); corpsmember education to advance member academic skills; and, development and training in the areas of teamwork, leadership and firefighting certification.

The Governor's 2017 *Five Year Infrastructure Plan* includes \$67.4 million for infrastructure at CCC residential centers, of which \$3.5 million is allocated in the Governor's 2017-18 proposed Budget. Specifically there is \$1.8 million for the acquisition phase of the Ukiah Residential Center, and \$1.6 million for plans, drawings, and construction phases of the Tahoe Base Center Equipment Storage Relocation project.

The CCC is intended to provide youth work experience in public service responding to fires, floods, and other natural disasters, as well as environmental restoration work, and educational opportunities. In addition to the CCC, there are 14 local Conservation Corps entities operating in all 35 RCRC Member counties.

Delta Protection Commission. The Governor's 2017-18 proposed Budget includes \$1.57 million for the Delta Protection Commission, consistent with last year's funding. The funding is for the Delta Protection Commission to protect, maintain, and restore the overall quality of the Delta environment consistent with the Delta Protection Act, and the Land Use and Resource Management Plan for the Primary Zone.

Delta Stewardship Council. The Governor's 2017-18 proposed Budget includes \$27 million in funding for the Delta Stewardship Council, which is consistent with last year's funding. Consistent with the Governor's California Water Action Plan, the Delta Stewardship Council's charge is to achieve the coequal goals of providing a more reliable water supply for California, and protecting, restoring, and enhancing the Delta ecosystem. In order to achieve the coequal goals required by the 2009 Delta Reform Act, a long-term management plan for the Delta was created.

Department of Fish and Wildlife. The Governor's 2017-18 proposed Budget includes \$522.7 million in funding for the Department of Fish and Wildlife, which is consistent with last year's funding.

The Governor's 2017-18 proposed Budget includes policy proposals to align the non-dedicated Fish and Game Preservation Fund revenues with expenditures. Specifically, this proposal increases commercial fishing landing fees, adding \$12.4 million annually to the commercial fishing program. It also includes a one-time redirection of \$10.6 million from the Lifetime License Account.

The Governor's 2017 *Five Year Infrastructure Plan* includes \$246,000 for the Yolo Bypass Wildlife Area Waterfowl Habitat project.

Department of Parks and Recreation. The Governor's 2017-18 proposed Budget includes \$675 million for the Department of Parks and Recreation (State Parks), consistent with last year's funding. Specifically, this includes \$462.4 million for State Parks, \$29.29 million for the Division of Boating and Waterways, and \$183.8 million for Local Assistance Grants.

The 2015-16 State Budget Package included funding for a Transformation Team that the Administration has established comprised of individuals both inside and outside State Parks to lead in the execution of reforms in a number of areas, including the State Parks Budget, maximizing partnerships, enhancing the marketing program, and identifying innovative revenue generation opportunities. Many of the reforms have come to fruition over the last several years, including the ability of visitors to use credit cards, debit cards, and smartphones for parking fees. In February 2017, the Transformation Team will conclude its term and release a final progress report.

The Governor's 2017-18 proposed Budget includes a one-time increase of \$16.6 million to maintain existing service throughout the park system, although a long term structural shortfall remains.

The Governor's 2017 *Five Year Infrastructure Plan* includes \$93 million over the next five years from a variety of funding sources, including bond funds, special funds, and reimbursement for State Parks. Of this total, \$23.7 million is allocated for 2017-18 to renovate existing facilities and acquire new property. Specifically, there is \$8.5 million for the acquisition of property at the Hollister Hills State Vehicular Recreation Area, and the Ocotillo Wells State Vehicular Recreation Area. There is also \$6.9 million for the construction phase of Fort Ord Dunes State Park campground and beach access project; South Yuba River State Park Historic Covered Bridge; and the McArthur Burney Falls Memorial State Park Group Campground.

Emergency Drought Response. The Governor's 2017-18 proposed Budget includes an additional \$178.7 million one-time commitment to continue immediate response efforts for drought relief.

Some of the following appropriations will also assist small, rural counties in addressing a myriad of issues that have arisen as a result of successive years of drought.

Department of Water Resources

The Governor's 2017-18 proposed Budget includes \$17.5 million for multiple statewide drought response efforts including:

- \$5 million for local assistance to small communities, including the development of private, domestic wells;
- \$7 million for drought management and response;
- \$2 million to fund Save Our Water, the state's public education campaign to help Californians reduce water use; and,
- \$3.5 million to support the delta smelt resiliency strategy.

State Water Resources Control Board

The Governor's 2017-18 proposed Budget includes \$5.3 million to continue enforcement of drought-related water rights and water curtailment actions.

Department of Fish and Wildlife

The Governor's 2017-18 proposed Budget includes \$8.2 million to continue emergency fish rescue and stressor monitoring.

Tree Mortality Mitigation

Due to the dramatically increased risk of high severity wildfire posed by drought-induced tree mortality, the Governor's proposed 2017-18 Budget includes \$88 million General Fund, and \$3 million State Responsibility Area Fund monies for the California Department of Forestry and Fire Protection (CAL FIRE) for expanded fire protection in the 2017 fire season, including continuation of increased firefighter surge capacity, extended fire season, surge helicopter pilots, California Conservation Corps fire suppression crews, increased vehicle maintenance, and exclusive use of the large and very large air tankers. The Governor's proposed 2017-18 Budget also reflects an additional \$90 million from the General Fund in the current fiscal year, supported by the Emergency Fund, to initiate these enhanced fire protection efforts in the spring of 2017.

The Governor's 2017-18 proposed Budget also includes \$52.7 million to the California Office of Emergency Services to provide assistance to counties through the California Disaster Assistance Act (CDAA), consistent with the 2016-17 State Budget Package. While these funds can be accessed by counties for a number of disaster situations, counties that have declared tree mortality emergencies have been utilizing CDAA funds to help with hazardous tree removal efforts.

Emergency Drought Response

<i>Investment Category</i>	<i>Department</i>	<i>Program</i>	<i>Amount (in Millions)</i>
Protecting Water Supplies and Water Conservation	Department of Water Resources	Local Assistance for Small Communities	\$5
	Water Board	Water Rights Management	\$5.3
	Department of Water Resources	Drought Management and Response	\$7
	Department of Water Resources	Save Our Water Campaign	\$2
Emergency Response	Department of Forestry and Fire Protection	Enhanced Fire Protection	\$91
	Office of Emergency Services	California Disaster Assistance Act	\$52.7
	Office of Emergency Services	State Operations Center	\$4
Protecting Fish and Wildlife	Department of Fish and Wildlife	Emergency Fish Rescues and Monitoring	\$8.2
	Department of Water Resources	Delta Smelt Resiliency Strategy	\$3.5
	Department of Community Services and Development	Farmworker Assistance	\$7.5
Total			\$178.7

State Payment in Lieu of Taxes. The Governor's 2017-18 proposed Budget includes \$644,000 in funding to pay State Payment in Lieu of Taxes (State PILT) to local governments, which is consistent with the last two State Budgets.

The 2015-16 State Budget Package included \$1.77 million to Department of Fish and Wildlife (DFW) for the Management of Department Lands and Facilities. This funding included \$644,000 to pay the State PILT obligation to 36 counties. While the initial legislative agreement in the 2015-16 State Budget Package included an additional \$8 million to fund the State's previous annual commitments to State PILT counties, the final State Budget Package eliminated the \$8 million intended for arrearages.

Additionally, the 2015-16 State Budget Package included language making State PILT payments permissive by changing Fish & Game Code Section 1504 from "shall" to "may." Last year, RCRC sponsored Senate Bill 1188 (McGuire), which would have changed the language back to "shall". However, despite full support throughout the legislative process, the Governor vetoed the legislation, arguably on the premise that he will continue to appropriate the annual payments during his tenure.

California's State PILT was established in 1949 to offset adverse impacts to county property tax revenues that result when the State acquires private property for wildlife

management areas. However, the DFW, prior to last year, had not made annual State PILT payments in more than a decade, resulting in arrearages of approximately \$8 million to 36 counties.

RCRC will continue to advocate in both the legislative and budget processes for the arrears in State PILT funding owed to counties, as well as reversing the language that makes State PILT payments permissive.

Sacramento-San Joaquin Delta Conservancy. The Governor's 2017-18 proposed Budget includes \$12.5 million in funding for the Sacramento-San Joaquin Delta Conservancy to implement ecosystem restoration in the Delta, and to support efforts that advance environmental protection, and the economic well-being of the Delta residents.

Proposition 1 allocates a total of \$50 million to the Sacramento-San Joaquin Delta Conservancy for multi-benefit water quality, water supply, and watershed protection and restoration projects.

San Joaquin River Conservancy. The Governor's 2017-18 proposed Budget includes \$687,000 in funding for the San Joaquin River Conservancy to acquire, preserve, manage, and promote access to lands within the flood plain on both sides of the San Joaquin River from Friant Dam to Highway 99.

Proposition 1 allocates a total of \$10 million to the San Joaquin River Conservancy for multi-benefit water quality, water supply, and watershed protection and restoration projects.

Sierra Nevada Conservancy. The Governor's 2017-18 proposed Budget includes \$13.245 million in funding for the Sierra Nevada Conservancy.

Proposition 1 allocates a total of \$25 million to the Sierra Nevada Conservancy for multi-benefit water quality, water supply, and watershed protection and restoration projects.

Tahoe Conservancy. The Governor's 2017-18 proposed Budget includes \$10.66 million in funding for the Tahoe Conservancy to protect and sustain the natural resources and recreational opportunities in the Lake Tahoe Basin.

The Governor's 2017 *Five Year Infrastructure Plan* includes \$15.5 for restoration, planning and land acquisition. Of this total, \$3 million is proposed in 2017-18. Specifically, there is \$1.3 million for the Upper Truckee River and Marsh Restoration Project and minor capital outlay projects.

Transportation

The Governor's 2017-18 proposed Budget continues to support raising new revenues for the state and local transportation systems. Specifically, the Governor's transportation proposal contains roughly \$4.3 billion annually over the next ten years in new transportation revenues through various increases in taxes and fees associated with funding State and local transportation infrastructure. Additional investments will stem

from the State's Cap-and-Trade auction proceeds. The vast majority of these new revenues would be split evenly between state and local transportation priorities.

The following details the new funding mechanisms:

- Road Improvement Charge: Generates roughly \$2.1 billion annually by assessing a new \$65 fee on all vehicles;
- Gas Excise Tax: Generates approximately \$1.1 billion annually by setting the price-based excise tax at \$0.215, and replacing the Board of Equalization's annual excise tax adjustment with an annual adjustment to the broader gas tax based on inflation;
- Diesel Excise Tax: Generates an estimated \$425 million annually through an \$0.11 increase to the diesel excise tax, and includes an annual adjustment tied to inflation;
- Cap-and-Trade: Directs \$500 million in Cap-and-Trade auction proceeds to transportation; and,
- Caltrans Reforms: Generates \$100 million through various cost-saving reforms.

The Governor's proposal would also accelerate early repayment of approximately \$706 million in loans over the next three years to support additional investments in the Transit and Intercity Rail Capital Program, trade corridor improvements, and broader repairs to the state highway system.

The Governor's 2017-18 proposed Budget highlights a Ten-Year Investment Plan for transportation using a combination of existing revenues and new levies (as outlined above). The proceeds would be dedicated to a variety of existing and new transportation efforts, including:

State Transportation Improvement Program. The Governor's 2017-18 proposed Budget includes an immediate one-time commitment of \$750 million to restore annual funding reductions made in 2016 through the Board of Equalization's gas excise tax rate adjustments, and an additional \$800 million in new capacity to support the 2018 State Transportation Improvement Program.

Active Transportation Program. The Governor's 2017-18 proposed Budget provides \$100 million annually from Cap-and-Trade auction proceeds to expand the Active Transportation Program investments in alternative transportation projects, and requires a minimum of 50 percent of the funds to be expended in disadvantaged communities.

Local Streets and Roads. The Governor's 2017-18 proposed Budget provides an annual increase of \$1.1 billion for cities and counties for local road maintenance allocated through existing transportation formulas. Additionally, the proposal contains roughly \$220 million annually to support State-Local Partnership grants.

Sustainable Transportation Grants. The Governor's 2017-18 proposed Budget contains an increase of \$25 million annually to implement the Sustainable Communities and Climate Protection Act of 2008. While this money primarily supports meeting the SB

375 requirements for Metropolitan Planning Organizations (MPO), non-MPO counties can also qualify for these integrated planning projects.

Corridor Mobility Improvements. The Governor's 2017-18 proposed Budget includes roughly \$270 million annually to support investments in multi-modal transportation projects along commute corridors to relieve congestion.

Transit and Intercity Rail Program. The Governor's 2017-18 proposed Budget includes an annual increase of \$400 million in Cap-and-Trade auction proceeds, and roughly \$25 million annually from loan repayments to investment in transit and intercity rail projects. The proposal also includes a requirement that at least 50 percent of the funds benefit disadvantaged communities.

Highway Repairs and Maintenance. The Governor's 2017-18 proposed Budget includes \$1.1 billion annually for state highway repairs and maintenance; however, \$100 million of this funding is contingent upon efficiencies at the California Department of Transportation on an annual basis.

Trade Corridor Improvements. The Governor's 2017-18 proposed Budget provides a \$280 million annual increase – partially funding with \$250 million from new transportation revenues, and \$32 million from loan repayments – to support investments in California's major trade corridors.

The Governor's 2017-18 proposed Budget also contains various reforms and efficiency measures to expedite and streamline project delivery.

In addition to the Governor's transportation funding and reform package, Senate Transportation and Housing Committee Chairman Jim Beall (D-San Jose) and Assembly Member Jim Frazier (D-Oakley) have introduced comprehensive proposals that would generate roughly \$6 billion in new revenues for the state and local transportation systems. In each of these transportation funding and reform proposals, new revenues are proposed to be split evenly between State and local governments. It is important to note that a two-thirds vote in both houses of the Legislature is required as a variety of new revenues are proposed to be increased/levied.

Water

California Water Action Plan. The California Water Action Plan (Plan) continues to serve as the Administration's blueprint to address California's water and ecosystem needs. The Governor's 2017-18 proposed Budget includes the following appropriations to fund implementation of the 10-action Plan:

Bay-Delta Water Quality Plan: While no additional funding is provided, the Governor's 2017-18 proposed Budget acknowledges that the State Water Resources Control Board has undertaken an update of the Bay-Delta Water Quality Plan, last updated in 2006. As directed by the Governor, the California Natural Resources Agency is leading the effort to achieve voluntary settlements to meet the flow criteria to achieve the co-equal goals for the Delta, which include improved water quality, and water supply reliability.

Central Valley Flood Protection Board Permitting and Enforcement: An additional \$2.2 million from the General Fund is proposed for the Central Valley Flood Protection Board to support the permitting process and enforcement of encroachments on State Plan of Flood Control and related facilities.

Conservation: While no funding is proposed, the Governor's 2017-18 proposed Budget calls out implementation of the Governor's Executive Order B-37-16, which directs several agencies to develop a permanent conservation framework for urban and agricultural water agencies. The proposal anticipates that implementation of the Executive Order will require legislation, additional regulation, and data collection. In the meantime, the State Water Resources Control Board (State Water Board) will continue the existing conservation reporting website, including information technology solutions to improve user access. In addition, the State Water Board will initiate rulemaking to permanently prohibit wasteful water uses.

Integrated Regional Water Management Program: The Governor's 2017-18 proposed Budget includes an increase of \$248 million in Proposition 1 funding for the Department of Water Resources for integrated regional water management projects. This funding for multi-benefit projects is part of meeting the long-term water needs of the state, adapting the system to climate change, and supporting regional self-reliance.

Irrigated Lands Regulatory Program: The Governor's 2017-18 proposed Budget includes an additional \$1 million for the State Water Resources Control Board, in coordination with the California Department of Food and Agriculture, from the Waste Discharge Permit Fund to address contamination of groundwater basins from agricultural practices.

Salton Sea Restoration: The Governor's 2017-18 proposed Budget includes no additional funding; however, implementation of the Salton Sea Management Program is called out as a priority action item under the California Water Action Plan.

Sustainable Groundwater Management Act: The Governor's 2017-18 proposed Budget includes an increase of \$15 million from the General Fund to the Department of Water Resources (DWR) for statewide assistance and data collection. This should allow DWR to continue to assist small and/or rural counties in addressing a number of topics that might come up in implementing the Sustainable Groundwater Management Act.

In addition, the State Water Resources Control Board will receive an increase of \$2.3 million from the Water Rights Fund, plus \$1.5 million in contract funds to enforce reporting requirements and protect local groundwater basins in high or medium priority basins that fail to form local governance structures.

Water Storage Investment Program: The Governor's 2017-18 proposed Budget includes an increase of \$1.9 million to support the Department of Fish and Wildlife's outreach, as well as its review of the ecosystems benefits of water storage projects submitted to, and under consideration by, the California Water Commission. This funding is part of the \$2.7 billion water storage program authorized by Proposition 1.

2017-18 Proposed Funded Mandates

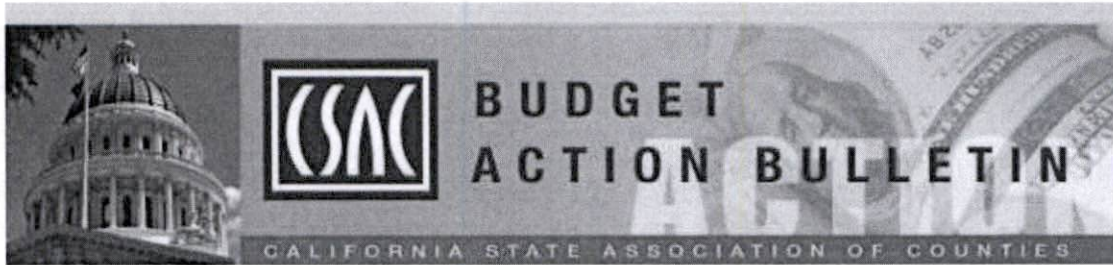
Accounting for Local Revenue Realignment (Ch. 162, Stats. 2003; Ch. 211, Stats. 2004; Ch. 610, Stats. 2004) (05-TC-01)
Allocation of Property Tax Revenues (Ch. 697, Stats. 1992) (CSM-4448)
California Public Records Act (Ch. 463, Stats. 1992; Ch. 982, Stats. 2000; Ch. 355, Stats. 2001) (02-TC-10 and 02-TC-51)
Crime Victims' Domestic Violence Incident Reports (Ch. 1022, Stats. 1999) (99-TC-08)
Custody of Minors-Child Abduction and Recovery (Ch. 1399, Stats. 1976; Ch. 162, Stats. 1992; and Ch. 988, Stats. 1996) (CSM-4237)
Domestic Violence Arrest Policies (Ch. 246, Stats. 1995) (CSM-96-362-02)
Domestic Violence Arrests and Victims Assistance (Chs. 698 and 702, Stats. 1998) (98-TC-14)
Domestic Violence Treatment Services (Ch. 183, Stats. 1992) (CSM-96-281-01)
Health Benefits for Survivors of Peace Officers and Firefighters (Ch. 1120, Stats. 1996) (97-TC-25)
Local Agency Ethics (Ch. 700, Stats. 2005) (07-TC-04)
Medi-Cal Beneficiary Death Notices (Chs. 102 and 1163, Stats. 1981) (CSM- 4032)
Medi-Cal Eligibility of Juvenile Offenders (Ch. 657, Stats. 2006) (08-TC-04)
Peace Officer Personnel Records: Unfounded Complaints and Discovery (Ch. 630, Stats. 1978; Ch. 741, Stats. 1994) (00-TC-24)
Post Election Manual Tally (2 Cal. Code Regs., 20120 to 20127, incl.) (10-TC-08)
Rape Victim Counseling (Ch. 999, Stats. 1991) (CSM-4426)
Sexually Violent Predators (Chs. 762 and 763)
State Authorized Risk Assessment Tool for Sex Offenders (Chs. 336, 337, 886, Stats. 2006; Ch. 579, Stats. 2007) (08-TC-03)
Threats Against Peace Officers (Ch. 1249, Stats. 1992; Ch. 666, Stats. 1995) (CSM-96-365-02)
Tuberculosis Control (Ch. 676, Stats. 1993; Ch. 685, Stats. 1994; Ch. 116, Stats. 1997; and Ch. 763, Stats. 2002) (03-TC-14)
Unitary Countywide Tax Rates (Ch. 921, Stats. 1987) (CSM-4317 and CSM-4355)

2017-18 Proposed Suspended Mandates

Absentee Ballots (Ch. 77, Stats. 1978) (CSM-3713)
Absentee Ballots-Tabulation by Precinct (Ch. 697, Stats. 1999) (00-TC-08)
Adult Felony Restitution (Ch. 1123, Stats. 1977) (04-LM-08)
AIDS/Search Warrant (Ch. 1088, Stats. 1988) (CSM-4392)
Airport Land Use Commission/Plans (Ch. 644, Stats. 1994) (CSM-4507)
Animal Adoption (Ch. 752, Stats. 1998) (04-PGA-01, 98-TC-11)
Brendon Maguire Act (Ch. 391, Stats. 1988) (CSM-4357)
Conservatorship: Developmentally Disabled Adults (Ch. 1304, Stats. 1980) (04-LM-13)
Coroners' Costs (Ch. 498, Stats. 1977) (04-LM-07)
Crime Statistics Reports for the Department of Justice (Ch. 1172, Stats. 1989, Ch. 1338, Stats. 1992, Ch. 1230, Stats. 1993, Ch. 933, Stats. 1998, Ch. 571, Stats. 1999, Ch. 626, Stats. 2000) (02-TC-04 and, 02- TC-11) and Crime Statistics Reports for the Department of Justice Amended (Ch. 700, Stats. 2004) (07-TC-10)
Crime Victims' Domestic Violence Incident Reports II (Ch. 901, Stats. 1984) (02-TC-18)
Deaf Teletype Equipment (Ch. 502, Stats. 1980) (04-LM-11)
Developmentally Disabled Attorneys' Services (Ch. 694, Stats. 1975) (04-LM-03)
DNA Database & Amendments to Postmortem Examinations: Unidentified Bodies (Ch. 822, Stats. 2000; Ch. 467, Stats. 2001) (00-TC-27, 02-TC-39)
Domestic Violence Background Checks (Ch. 713, Stats. 2001) (01-TC-29)
Domestic Violence Information (Ch. 1609, Stats. 1984) (CSM-4222)
Elder Abuse, Law Enforcement Training (Ch. 444, Stats. 1997) (98-TC-12)
Extended Commitment, Youth Authority (Ch. 267, Stats. 1998) (98-TC-13)
False Reports of Police Misconduct (Ch. 590, Stats. 1995) (00-TC-26)
Fifteen-Day Close of Voter Registration (Ch. 899, Stats. 2000) (01-TC-15)
Firearm Hearings for Discharged Inpatients (Chs. 9 and 177, Stats. 1990) (99-TC-11)

Grand Jury Proceedings (Ch. 1170, Stats. 1996) (98-TC-27)
Handicapped Voter Access Information (Ch. 494, Stats. 1979) (CSM-4363)
Identity Theft (Ch. 956, Stats. 2000) (03-TC-08)
In-Home Supportive Services II (Ch. 445, Stats. 2000; Ch. 90, Stats. 1999) (00-TC-23)
Inmate AIDS Testing (Ch. 1579, Stats. 1988; Ch. 768, Stats. 1991) (CSM-4369 and CSM-4429)
Interagency Child Abuse and Neglect Investigation Reports Mandate (Ch. 958, Stats. 1977) (00-TC-22)
Judiciary Proceedings (Ch. 644, Stats. 1980) (CSM-4366)
Law Enforcement Sexual Harassment Training (Ch. 126, Stats. 1993) (97-TC-07)
Local Coastal Plans (Ch. 1330, Stats. 1976) (CSM-4431)
Mandate Reimbursement Process (Ch. 486, Stats. 1975) (CSM-4204 and CSM-4485)
Mandate Reimbursement Process II (Ch. 890, Stats. 2004) (05-TC-05)
Mentally Disordered Offenders' Extended Commitments Proceedings (Ch. 435, Stats. 1991) (98-TC-09)
Mentally Disordered Offenders: Treatment as a Condition of Parole (Ch. 228, Stats. 1989; Ch. 706, Stats. 1994) (00-TC-28, 05-TC-06)
Mentally Disordered Sex Offenders' Recommitments (Ch. 1036, Stats. 1978) (04-LM-09)
Mentally Retarded Defendants Representation (Ch. 1253, Stats. 1980) (04-LM-12)
Missing Persons Report (Ch. 1456, Stats. 1988; Ch. 59, Stats. 1993) (CSM-4255, CSM-4368, and CSM-4484)
Modified Primary Election (Ch. 898, Stats. 2000) (01-TC-13)
Not Guilty by Reason of Insanity (Ch. 1114, Stats. 1979) (CSM-2753)
Open Meetings Act/Brown Act Reform (Ch. 641, Stats. 1986) (CSM-4257 and CSM-4469)
Pacific Beach Safety: Water Quality and Closures (Ch. 961, Stats. 1992) (CSM-4432)

Perinatal Services (Ch. 1603, Stats. 1990) (CSM-4397)
Permanent Absent Voters II (Ch. 922, Stats. 2001, Ch. 664, Stats. 2002, and Ch. 347, Stats. 2003) (03-TC-11)
Personal Safety Alarm Devices (8 Cal. Code Regs. 3401 (c)) (CSM-4087)
Photographic Record of Evidence (Ch. 875, Stats. 1985) (98-TC-07)
Pocket Masks (Ch. 1334, Stats. 1987) (CSM-4291)
Post Conviction: DNA Court Proceedings (Ch. 943, Stats. 2001) (00-TC-21, 01-TC-08)
Postmortem Examinations : Unidentified Bodies, Human Remains (Ch. 284, Stats. 2000) (00-TC-18)
Prisoner Parental Rights (Ch. 820, Stats. 1991) (CSM-4427)
Senior Citizens Property Tax Postponement (Ch. 1242, Stats. 1977; Ch. 43, Stats. 197 8) (CSM-4359)
Sex Crime Confidentiality (Ch. 502, Stats. 1992; Ch. 36, 1993-94 1st Ex. Sess.) (98-TC-21)
Sex Offenders: Disclosure by Law Enforcement Officers (Chs. 908 and 909, Stats. 1996) (97-TC-15)
SIDS Autopsies (Ch. 955, Stats. 1989) (CSM-4393)
SIDS Contacts by Local Health Officers (Ch. 268, Stats. 1991) (CSM-4424)
SIDS Training for Firefighters (Ch. 1111, Stats. 1989) (CSM-4412)
Stolen Vehicle Notification (Ch. 337, Stats. 1990) (CSM-4403)
Structural and Wildland Firefighter Safety Clothing and Equipment (8 Cal. Code Regs., 3401 to 3410, incl.) (CSM-4261-4281)
Very High Fire Hazard Severity Zones (Ch. 1188, Stats. 1992) (97-TC-13)
Victims' Statements-Minors (Ch. 332, Stats. 1981) (04-LM-14)
Voter Identification Procedures (Ch. 260, Stats. 2000) (03-TC-23)
Voter Registration Procedures (Ch. 704, Stats. 1975) (04-LM-04)



**GOVERNOR'S PROPOSED BUDGET FOR 2017-18
JANUARY 10, 2017**

January 10, 2017

TO: CSAC Board of Directors
County Administrative Officers
CSAC Corporate Partners

FROM: Matt Cate, CSAC Executive Director
DeAnn Baker, CSAC Deputy Executive Director of Legislative Affairs

RE: **Governor's January Budget Proposal for 2017-18**

Governor Jerry Brown echoed familiar themes in the release of his proposed 2017-18 budget with emphasis on prudence and caution due to reduced revenue expectations and a long list of unknowns facing California's fiscal outlook. The proposed budget totals \$122 billion in state General Fund expenditures, with just a 0.2% decrease from the last year's January budget.

The Department of Finance (DOF) has reported revenues below forecast from the adopted 2016-17 budget with all of the "big three" general fund sources – income, sales and corporation taxes – showing weakness as part of an economic slowdown. The proposed budget seeks to cover what would be a \$1.6 billion dollar deficit in the current budget and future deficits of \$1-\$2 billion annually. State revenues are still expected to grow by 3% in 2017-18 but this is inadequate to cover spending levels established in last year's adopted budget.

The list of unknowns influencing spending reductions and freezing planned expenditures includes the ever-volatile source of major state funding from personal income taxes and capital gains; the impending sluggish economy following unprecedented growth over the last eight years; and a new Administration in Washington, D.C. that could make significant changes to federal programs and state funding levels.

Many of the questions surrounding possible changes under President-Elect Trump, including those related to repeal of the Affordable Care Act, will not be addressed by

DOF until greater certainty and next steps are known. This could be reflected in the Governor's May Revision along with improved revenue returns and revised estimates.

However, a significant program concern for counties is already reflected in the 2017-18 proposal. This includes the unwinding of the Coordinated Care Initiative (CCI) and elimination of the In-Home Supportive Service (IHSS) maintenance of effort (MOE) resulting in approximately \$625 million in new county costs statewide for 2017-18 alone and at least \$4.4 billion over the next six years. The cost is a result of shifting 35 percent of all costs related to the IHSS program to counties, including newly added costs due to state action to increase in minimum wage and pay sick leave to IHSS workers, as well as, additional cost due to federal action to require overtime pay.

The Governor's January Budget also includes a slightly modified version of the Administration's transportation funding proposal originally released in September 2015. While the \$4.3 billion per year proposal is a starting point for efforts to secure robust and sustainable new funding for local streets and roads in 2017, the Governor's plan by itself will not be enough to stop the continued deterioration of the local network. Transportation funding remains a top priority for CSAC in 2017 as work continues with a broad coalition of partners to find consensus points among the various parties to see a comprehensive and robust package come to fruition.

The following pages provide statewide revenue and expenditure summary charts and specific budget proposals by policy area. For more detail on these and other items of importance, see the following policy sections below or contact [CSAC legislative staff](mailto:ayang@counties.org).

If you would like to receive the Budget Action Bulletin electronically, please e-mail Amanda Yang, CSAC Senior Legislative Assistant at ayang@counties.org.

2017-18 Governor's Budget
General fund Budget Summary
(\$ in millions)

	2016-17	2017-18
Prior Year Balance	\$5,023	\$1,027
Revenues and Transfers	\$118,765	124,027
Total Resources Available	\$123,788	\$125,054
Non-Proposition 98 Expenditures	\$72,431	\$71,169
Proposition 98 Expenditures	\$50,330	\$51,351
Total Expenditures	\$122,761	\$122,520
Fund Balance	\$1,027	\$2,534
Reserve For Liquidation of Encumbrances	\$980	\$980
Special Fund for Economic Uncertainties	\$47	\$1,554
Budget Stabilization Account/Rainy Day Fund	\$6,713	\$7,869

General fund Revenue Sources
(\$ in millions)

	2016-17	2017-18	\$ Change	% Change
Personal Income Tax	\$83,136	\$85,866	\$2,730	3.3%
Sales and Use Tax	24,994	25,179	185	0.7%
Corporation Tax	10,389	10,878	489	4.7%
Insurance Tax	2,309	2,368	59	2.6%
Alcoholic Beverage Taxes and Fees	370	372	2	0.5%
Cigarette Tax	79	65	-14	17.7%
Motor Vehicle Fees	24	24	0	0.0%
Other	648	431	-217	33.5%
Subtotal	\$121,949	\$125,183	\$3,234	2.7%
Transfer to the Budget Stabilization / Rainy Day Fund	-3,184	-1,156	2,028	63.7%
Total	\$118,765	\$124,027	\$5,262	4.4%

Long-Term Revenue Forecast – Three Largest Sources
(General fund Revenue - \$ in billions)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Average Yearly Growth
Personal Income Tax	\$78.6	\$83.1	\$85.9	\$89.1	\$93.2	\$97.5	4.2%
Sales and Use Tax	24.9	25.0	25.2	26.2	27.2	28.1	2.9%
Corporation Tax	9.9	10.4	10.9	11.3	11.9	12.5	4.8%
Total	\$113.7	\$118.5	\$121.9	\$126.7	\$132.3	\$138.1	4.0%
Growth	4.1%	4.2%	2.9%	3.9%	4.4%	4.4%	

General Fund Expenditures by Agency
(\$ in millions)

	2016-17	2017-18	\$ Change	% Change
Legislative, Judicial, Executive	\$3,500	\$3,322	-\$178	-5.1%
Business, Consumer Services & Housing	493	388	-105	-21.3%
Transportation	225	243	18	8.0%
Natural Resources	3,110	2,811	-299	-9.6%
Environmental Protection	90	89	-1	-1.1%
Health and Human Services	35,263	33,994	-1,269	-3.6%
Corrections and Rehabilitation	10,889	11,088	199	1.8%
K-12 Education	50,589	52,169	1,580	3.1%
Higher Education	14,527	14,627	100	0.7%
Labor and Workforce Development	177	122	-55	-31.1%
Government Operations	1,772	741	-1,031	-58.2%
General Government:				
Non-Agency Departments	787	691	-96	-12.2%
Tax Relief/Local Government	459	435	-24	-5.2%
Statewide Expenditures	880	1,800	920	104.5%
Total	\$122,761	\$122,520	-\$241	-0.2%

Administration of Justice

2011 Realignment

The Governor's budget updates revenue assumptions for 2011 Realignment programs. For the Community Corrections Subaccount (AB 109) the 2016-17 statewide base remains \$161.6 billion, however the estimate for growth funds has fallen to \$59.1 million. When the 2016-17 budget passed, the growth amount was estimated to be \$102 million. The 2011 Realignment estimates will be revisited and revised in this spring's May Revision, then finalized in the fall.

Counties should also note that the Enhancing Law Enforcement Activities Subaccount—which funds a variety of local assistance programs including Citizens' Option for Public Safety, the Juvenile Justice Crime Prevention Act, and the rural and small county sheriffs program (does this need capital letters? is it the name of a program?), among others—should achieve its guaranteed funding level of \$489.9 million with VLF alone, with growth available in 2016-17 (an estimated \$154.7 million) and 2017-18 (an estimated \$153.8 million).

CCP Training Grants

The budget continues with another round of planning grants totaling \$7.9 million for Community Corrections Partnerships (CCPs) to support work associated with ongoing AB 109 implementation efforts. Counties will recall that the planning grants are disbursed in fixed amounts, depending on the county's size. As in past years, it is expected that receipt of the grants will be conditioned upon reporting to the Board of State and Community Corrections regarding AB 109 implementation plans.

SB 678 Funding

The budget assumes sustained SB 678 funding, reflecting counties' ongoing success under the 2009 performance-based probation funding program. Based on the revised formula established in 2015-16, the Budget proposes \$114.9 million to continue the Community Corrections Performance Incentive Grant Program. The budget recognizes the significance of this funding stream in supporting probation's important evidence-based prevention and intervention efforts.

Post Release Community Supervision

The budget includes \$11 million for county probation departments to supervise the temporary increase in the average daily population of offenders on Post Release

Community Supervision as a result of the implementation of court-ordered measures and Proposition 57.

Proposition 47

Proposition 47 was passed by the voters in November 2014, which requires misdemeanor rather than felony sentencing for certain property and drug crimes and permitted inmates previously sentenced for these reclassified crimes to petition for resentencing. Based on fall projections, Proposition 47 is expected to reduce the 2016-17 adult inmate average daily population by 4,425, compared to 5,247 in 2015-16. The DOF currently estimates net savings of \$42.9 million, an increase of \$3.5 million over the estimated savings in 2015-16. Ongoing savings are currently estimated to be approximately \$69 million.

Community Infrastructure Grants

The current year budget includes \$67.5 million for community infrastructure grants to cities and/or counties to promote public safety diversion programs and services by increasing the number of treatment facilities for mental health, substance use disorder, and trauma-related services. The proposed budget eliminates this funding.

Fines, Fees and Assessment Review

The proposed budget recognizes the courts reliance on funding generated by fines, fees, and penalties assessed on court filings and citations. These funds, which have been declining over the last decade, are distributed based on a statutory formula into eight special funds for various programs. The Administration is proposing to amend the process for which the state portion of the assessment is distributed including eliminating the state funding to the Internet Crimes Against Children Task Forces, Local Public Prosecutors and Public Defenders Training Program, and the California Gang Reduction, Intervention and Prevention Program which is solely funded by the State Penalty Fund.

In addition, the budget proposes to eliminate the statutory provisions related to suspending drivers' licenses for failure to pay fines and penalties.

Corrections – Proposition 57

The budget document provides an extensive update on the state's efforts to comply with the three-judge panel orders relative to prison overcrowding. As counties will recall, the federal court granted the state in a February 2014 order, an additional two years to meet the previously imposed population cap. As of December 14, 2016 the

prison population was at 134.0 percent of design capacity, which is below the court-ordered population cap of 137.5 percent of design capacity.

The California Department of Corrections and Rehabilitation (CDCR) has implemented many solutions to meet the court order including expanding reentry programs throughout the state. Proposition 57, the most recent effort to comply with the Three Judge Panel and establish a durable solution, is estimated to reduce the average daily adult inmate population by approximately 2,000 in 2017-18, growing to an inmate reduction of approximately 9,500 in 2020-21. These figures are preliminary and subject to considerable uncertainty.

Overall, the budget estimates that Proposition 57 will result in net savings of \$22.4 million in 2017-18, growing to net savings of approximately \$140 million in 2020-21.

Proposition 57 also requires that all juvenile offenders who committed their crimes prior to age 18 have a hearing in juvenile court before being transferred to adult court. The anticipated effect is that fewer juvenile offenders will be tried in adult court, which is estimated to reduce the state prison population by 81 in 2017-18. The budget notes that these changes will likely result in some local government costs, since probation departments will assist in more juvenile court proceedings where a judge determines whether a juvenile offender should be tried in adult or juvenile court. If more wards are committed to the state Division of Juvenile Justice, county probation departments will be required to pay the state \$24,000 per year for certain juvenile court commitments.

State Hospitals

In an effort to address the growing state hospital Incompetent to Stand Trial (IST) population, the Administration has contracted with several counties to open 138 jail-based competency restoration beds, with an additional 10 beds expected to be available in early 2017. Despite all of these efforts, the State Hospital IST population continues to grow with a waitlist of approximately 600 individuals as of December 2016. The budget proposes a new approach to addressing IST referrals from counties. The budget includes \$10.8 million in to establish a 60-bed Admission, Evaluation, and Stabilization Center for the assessment and treatment of ISTs. The proposed Center would be located in a county jail (unspecified at this time) and would admit patients from Southern California counties. Patients would receive a full evaluation upon admission to determine the degree of competency restoration required. Evaluated patients who do not meet the criteria for IST, after the initial admission assessment, will be considered

short-term patients to be treated and discharged back to the referring county directly from the Center.

The Administration continues to work with counties and other partners to look for solutions including exploring opportunities for joint-use facilities that would provide services to both State Hospital patients and appropriate jail populations.

Judicial Branch

The Judiciary's proposed budget provides \$3.6 billion for the judicial branch which includes \$35.4 million in new funding that would be used to address general cost increases and support technology initiatives. The proposal also continues to backfill the Trial Court Trust Fund revenue shortfall.

In addition, the budget proposes amending the statute for judicial officer salaries so that Judicial Officers receive the proportional equivalent of the salary increases that have been provided retroactively to July 1st state workers. The budget also reallocates four vacant superior court judgeships to areas where the workload is highest without increasing the total number of judges.

Agriculture, Environment and Natural Resources

Cap and Trade Funding

The Governor emphasized that the cap and trade program is an important element in the state's climate change strategy. The Governor's 2017-18 budget proposes to appropriate \$2.155 billion in cap and trade revenues as illustrated in the table on the following page. Allocation amounts are general and additional programmatic details will be available in the coming months. However, this cap and trade expenditure plan will only be allocated upon a two-thirds vote of the legislature to authorize the program beyond 2020. Pending litigation challenging the program's authorization under a majority vote bill (AB 32) has precipitated this call for a super majority vote.

Investment Category	Department	Program	Amount (millions)
Continuous Appropriation	High Speed Rail Authority	High Speed Rail Project	\$375
	Transportation Agency	Transit and Intercity Rail Capital Program	\$150
	State Transit Assistance	Low Carbon Transit Operations Program	\$75
	Strategic Growth Council	Affordable Housing & Sustainable Communities	\$300
Transportation Package	Transportation Agency	Transit and Intercity Rail Capital Program	\$500
	Caltrans	Active Transportation	
50 percent in reduction in Petroleum Use	Air Resources Board	Low Carbon Transportation & Fuels	\$363
Local Climate Action	Strategic Growth Council	Transformational Climate Communities Program, including technical assistance and outreach	\$142
Short-Lived Climate Pollutants	Air Resources Board	Black Carbon Woodsmoke	\$95
	Cal Recycle	Waste Diversion	
	Dept. of Food & Agriculture	Dairy Digesters	
Carbon Sequestration	CAL Fire	Healthy Forests	\$127.5
		Urban Forestry	
	Dept. of Food & Agriculture	Climate Smart Agriculture	
	Natural Resources Agency	Urban Greening	
Energy Efficiency/ Renewable Energy	Dept. of Community Services & Development	Energy Efficiency Upgrades/Weatherization	\$27.5
	Dept. of Food & Agriculture	State Water Efficiency and Enhancement Program	
TOTAL			\$2,155

*The cap and trade plan includes \$500 million for transportation programs (included in the table above). For more information on this category, please see the Housing, Land Use and Transportation section of this document.

Transformational Climate Communities Program

The Governor's cap and trade spending plan dedicates \$142 million to the cross-cutting Climate Communities Program. The goal of this program is to make investments in the state's top five percent of disadvantaged communities for energy, transportation, water, waste reduction, and other greenhouse gas (GHG) reducing projects. This is a relatively new program, first funded in last year's budget, and largely reflects advocacy work to create a dedicated, cross-sector local climate funding program. The City of Fresno received \$70 million through the Transformational Climate Communities Program.

Short-Lived Climate Pollutants/Waste Reduction

The cap and trade funding plan includes funding for the reduction of short-lived climate pollutants, which include black carbon and methane. The plan also increases funding to Cal Recycle for waste diversion. Reducing waste will result in an overall reduction in methane emissions from our landfills.

Tree Mortality

The Governor's cap and trade plan includes a total of \$127.5 million for the category of carbon sequestration, which includes programs like Healthy Forests and Urban Forestry at Cal Fire as well as Climate Smart Agriculture – Healthy Soils and Urban Greening. Details are not yet available, but it is possible that some of this funding could be used to support tree mortality work.

Beverage Container Recycling Program Reform

The Governor has included placeholder language for a reform proposal for the Beverage Container Recycling Program, or Bottle Bill. This program administers the California Redemption Value (CRV) for recycling bottles and cans, which is 5 cents for containers less than 24 ounces, 10 cents for containers 24 ounces or larger. As recycling rates have increased, this fund, and the programs it supports, has decreased necessitating reform. Relevant to local governments are the city/ county payments, which provide \$10 million to eligible cities and counties for beverage container recycling and litter cleanup activities, and the \$15 million in curbside supplemental payments. Additional details on the reform proposal are forthcoming.

Emergency Drought Response

Despite improved drought conditions with recent winter storms across the state, the overall snow pack is still below normal and the need for additional drought funding is reflected in the Governor's budget. The proposed budget includes \$178.7 million in emergency drought funding for a variety of different program areas, including local

assistance for small water systems, tree mortality and enhanced fire protection and funding to implement the Governor's Executive Order on water conservation, among other things.

Investment Category	Department	Program	Amount (millions)
Protecting Water Supplies & Water Conservation	Department of Water Resources	Local Assistance for Small Communities	\$5
	Water Board	Water Rights Management	\$5.3
	Department of Water Resources	Drought Management and Response	\$7
	Department of Water Resources	Save Our Water Campaign	\$2
Emergency Response	Department of Forestry and Fire Protection	Enhanced Fire Protection	\$91
	Office of Emergency Services	California Disaster Assistance Act	\$52.7
		State Operations Center	\$4
Protecting Fish and Wildlife	Department of Fish and Wildlife	Emergency Fish Rescues and Monitoring	\$8.2
		Delta Smelt Resiliency Strategy	\$3.5
TOTAL			\$178.7

Tree Mortality

The drought and subsequent bark beetle infestation of our forests has resulted in an estimated 102 million dead and dying trees through the Sierra. As counties are well aware, the Governor issued an Executive Order in October 2015 directing state and local entities as well as utilities to remove dead and dying trees that threaten critical infrastructure and pose a health and safety risk. The Governor's Tree Mortality Task Force has been working diligently to implement the Executive Order, and many of our counties are active participants. To assist with the effort and the increased fire risk posed by the state of our forests, the Governor's proposed budget includes \$88 million in general fund and \$3 million in State Responsibility Area (SRA) funds for expanded fire protection in 2017. Specific to local governments, the budget includes \$52.7 million in general fund monies to the Office of Emergency Services to provide assistance to counties through the California Disaster Assistance Act (CDAA). These funds will be

available to aid local agencies in the removal of dead or dying trees that are a direct threat to public safety.

Local Assistance to Small Communities

The Governor's proposed budget includes \$5 million in general fund for the Department of Water Resources to provide emergency drinking water support for small communities by working to develop additional water supplies.

Implementing California's Water Action Plan

The state's Water Action Plan, released in January 2014, provides a blueprint for water investments and policy priorities to build a more sustainable and resilient water system for the state. The budget prioritizes the top ten actions identified in the Water Action Plan and includes policy direction and budget adjustments to reflect these priorities. With respect to water conservation, the budget highlights the Governor's Executive Order on water conservation, Making Water Conservation a Way of Life, and states that implementation will require new legislation and regulatory processes.

With respect to groundwater, the proposed budget includes an increase of \$15 million in general fund to the Department of Water Resources for additional staff to provide statewide technical assistance to help implement the Sustainable Groundwater Management Act (SGMA), a priority identified in the Water Action Plan. In addition, the budget includes \$2.3 million to the State Water Board for new positions to help enforce reporting requirements in high and medium priority basins that fail to form local governance structures as required by SGMA.

Finally, the proposed budget draws down the Water Commission's allotment of \$2.7 billion from Proposition 1 water bond funding for storage for the Department of Fish and Wildlife to support outreach and technical review of water storage project proposals submitted to the Water Commission.

Cannabis Regulation

With the passage of Proposition 64 and the Medical Cannabis and Regulatory Safety Act (MCRSA), California will be regulating and taxing cannabis for medical and recreational purposes. The budget includes \$52.2 million for the regulation of cannabis in 2017-18 to fund state regulatory activities, processing of licenses, and enforcement. Proposition 64 requires the state to start issuing licenses for recreational cannabis beginning January 1, 2018. Since cannabis license fees will not be collected until then, the General Fund provided loans to the Marijuana Control Fund to cover the initial implementation and

regulatory costs for cannabis-related activities. It is anticipated that these loans will be repaid in 2018-19.

Specific proposals include:

- Department of Consumer Affairs—\$22.5 million to enhance the Bureau of Medical Cannabis Regulation within the Department of Consumer Affairs. The Bureau will regulate the transportation, storage, distribution, and sale of cannabis within the state and will also be responsible for licensing, investigation, enforcement, and coordination with local governments.
- Department of Public Health—\$1 million for the licensing and regulation of medical cannabis product manufacturers.
- Department of Food and Agriculture—\$23.4 million to provide Cannabis Cultivation Program administrative oversight, promulgate regulations, issue cannabis cultivation licenses, and perform an Environmental Impact Report. In addition, the Department of Food and Agriculture is responsible, with assistance from the California Department of Technology and the Board of Equalization, for establishing a track and trace program to report the movement of medical cannabis products throughout the distribution chain using unique identifiers.
- Board of Equalization—\$5.3 million in 2017-18 to notify businesses of the new tax requirements and update its information technology systems to register businesses and process tax returns from retail sales. Proposition 64 requires the Board of Equalization to administer an excise tax on cannabis sales and a cultivation tax on all harvested cannabis that enters the commercial market.
- Department of Health Care Services—\$5 million in 2016-17 for the public information program specified in Proposition 64. The program, to be established and implemented no later than September 1, 2017, will cover a number of health-related topics pertaining to cannabis and cannabis products.

Payment in Lieu of Taxes (PILT)

The Governor's proposed budget includes \$644,000 in Payment in Lieu of Taxes (PILT) funding to local governments, which reflects the county share of on-going PILT. The Department of Fish and Wildlife (DFW) operates wildlife management areas throughout the state. Existing law (Fish and Game Code Section 1504) requires DFW to compensate counties for loss property taxes and assessments as a result of the establishment of a

wildlife management area. These “payments in-lieu of taxes” are equal to the county taxes levied upon the property at the time the state acquired the property plus any assessments levied upon the property by any irrigation, drainage, or reclamation district. Counties received a one-year allocation of PILT funds in the FY 16-17 budget, and this allocation is consistent with that appropriation.

Government Finance and Administration

EMPLOYEE RELATIONS AND ADMINISTRATIVE SERVICES

In-Home Supportive Services.

The Governor, citing a lack of cost-effectiveness of the Coordinate Care Initiative (CCI), proposes ceasing the CCI program in 2017-18. Counties will recall that the CCI, created in 2012, permits Californians eligible for Medicare and Medi-Cal to receive certain benefits and services that are coordinated through a single health plan. A fundamental aspect of the CCI is a transfer of IHSS bargaining responsibilities from counties to the State. Ending the CCI would include the elimination of the IHSS Statewide Authority and reinstate the state-county share of costs that were in place prior to the establishment of the CCI. (Please refer to the Health and Human Service policy section on page 16 of this document for a full summary of the proposal and county impacts.)

Minimum Wage Increases

The Governor’s budget proposal sets aside \$217 million to cover costs associated with the minimum wage increase signed into law last summer, which incrementally raises the state minimum wage to \$15 per hour by 2022. Counties should note that changes to the state minimum wage fall within the “compensation” purview of the State Constitution home rule provisions granted to all counties under Article 11, Section 1(b) and, therefore, the minimum wage requirement is not applicable to county employees.

CalPERS

The proposed budget includes \$2.8 billion for state contributions to the California Public Employees’ Retirement System (CalPERS) for state employees’ pension costs. This figure includes the implementation of the recent reduction in the CalPERS discount rate from 7.5 percent to 7 percent by fiscal year 2020-21. The state will experience the first phase of the implementation of this reduction in 2017-18, while contracting cities, counties and special districts will incur the increased costs associated with the reduction beginning with fiscal year 2018-19.

FINANCE AND OPERATIONS

Redevelopment Dissolution Work Continues

The dissolution of redevelopment agencies continues and the Administration stated their committed to ensuring the proper return of tax money to local governments. The budget proposal anticipates that in 2016-17 and 2017-18, counties will receive an additional \$869 million in general-purpose revenues.

The proposed budget anticipates Proposition 98 General fund savings resulting from the dissolution of RDAS will be \$1.3 billion in 2016-17. For 2017-18 and on an ongoing basis, Proposition 98 General fund savings are expected to be \$1.4 billion.

The Governor's budget notes that recent laws creating new economic development tools, which also rely on property tax increment financing, have been underutilized and could be helpful in efforts to increase affordable housing supply in the state.

State Mandates

The proposed budget mirrors the 2015-16 Budget Act and last year's adopted budget with 23 mandates funded for a total of \$34.5 million. There are 56 mandates that continued to be suspended, and therefore are not eligible for reimbursement if they are carried out optionally by local agencies.

Other Local Finance Provisions

- The budget proposes to fund the state's insufficient ERAF backfill, totaling \$138,000 (for Alpine County).
- To prevent an undercount of the state's population in the 2020 Census, the proposed budget appropriates \$7 million to cities and counties for a grant program, with individual grants ranging from \$7,5000 to \$125,000, to encourage local jurisdictions to partner with the Census Bureau and assist in developing their Master List of Addresses. As noted in the proposal, grant amounts will be based on the volume of housing transactions within an agencies jurisdiction between 201 and 2016.

Sales and Use Tax Revenue Projections

Sales and Use Tax, the state's second largest revenue source, is of particular importance to counties as the primary source of funding for realignment, Proposition 172 funds for public safety, transportation, and other local programs. Wholesale trade, motor vehicle

and parts dealer sales, and food service sales are significant contributors to the sales tax base.

The Governor's budget estimates that the sales tax will generate \$25 billion in General fund revenues in 2016-17 and \$25.2 billion in 2017-18. However, these figures fall \$1.7 billion short from 2016 Budget Act projections. The downgrade in the revenue forecast reflects slower growth in consumer spending and business investment as well as the sunset of the 0.25-cent Proposition 30 sales tax increase.

Property Tax Revenue Projections

Property taxes are primarily a source of local revenue, but estimates are included in the state budget because of the complex interactions with school funding. The Governor's budget estimates a 5.9 percent increase in 2016-17 and 5.3 percent increase in 2017-18 for statewide property tax revenues.

Health and Human Services

Governor Dismantles the County IHSS MOE and Returns Collective Bargaining to Counties

Governor Brown's Director of Finance will discontinue the Coordinated Care Initiative (CCI) and dismantle the In-Home Supportive Services (IHSS) Maintenance of Effort (MOE) deal in the 2017-18 budget. Following current statute, Director Cohen has the authority to do so without legislative action. The county IHSS MOE for all counties will expire on June 30 of this year, health plans will lose their enhanced capitation rates for IHSS benefits, and the CCI would end on December 1, 2018. CSAC will oppose the state's efforts to shift new IHSS program costs to counties.

Cost: According to estimates developed by the County Welfare Directors Association, the demise of the county MOE for all 58 counties will result in \$625 million in increased county costs for the IHSS program in 2017-18 if statutory sharing ratios for the nonfederal share of the current program costs are used: 65 percent state and 35 percent county. This estimate is based on normal program growth costs and includes new costs recently enacted by the state – the minimum wage increase up to \$15 per hour and three paid sick leave days for IHSS workers – and the new federal overtime regulations. The IHSS MOE deal had limited county IHSS costs to a base year calculation of 2011-12 costs plus an annual 3.5 percent inflator.

Collective Bargaining: The January Budget proposal means that IHSS Collective Bargaining from counties participating in the CCI will transfer from the Statewide Public Authority back to the counties. This also means that any future transfer of collective bargaining in the other 51 counties will not occur. To date, only the 7 current CCI counties (Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo and Santa Clara) had transferred IHSS Collective Bargaining to the state.

Timeline:

- Jan 10, 2017 - Deadline for Director of Finance to announce that CCI will not generate net General Fund savings and will become inoperative
- July 1, 2017 - County IHSS MOE (WIC §12306.15), including 3.5 percent inflator and state responsibility for collective bargaining, becomes inoperative.
- Jan 1, 2018 - CCI becomes inoperative.

Coordinated Care Initiative: While Director Cohen has decided to repeal the CCI, including the elimination of the enhanced rates for health plans, the eradication of the Statewide Public Authority, and a return to pre-MOE state-county costs sharing (65/35), he does indicate that the budget proposes to continue the Cal Medi-Connect program, continue mandatory enrollment for dual eligibles, and include long-term services and supports – but not IHSS – into managed care. The budget also encourages continued cooperation between plans and counties, but without funding for these activities, it is unclear how the policy directives would be carried out.

Health Care Reform – Affordable Care Act

Governor Brown has steadfastly maintained that the state will operate under the current Affordable Care Act (ACA) statutes and continue to budget accordingly despite the potential for Congress to repeal the Act. He has included language in the budget indicating his willingness to build on what has worked and “play a constructive role” on the issue, but only “within the fiscal constraints facing the state.”

MEDI-CAL

Overall

Medi-Cal caseload continues to increase from 7.9 million beneficiaries in 2012-13 to an estimated 14.3 million beneficiaries in 2017-18 for total costs of \$20 billion. The state will also assume a 5 percent share of cost for the nearly 4 million ACA Medi-Cal Expansion cases in 2017, contributing \$888 million State General Fund in 2017-18 for this population alone.

County Medi-Cal Administration Costs

As part of a budget deal in 2016, the 2017-18 budget maintains the state's commitment to fund county Medi-Cal administration activities with \$217.1 million State General Fund (\$655.3 all funds). The budget also includes \$731,000 (\$1.5 million all funds) for the development of a new Medi-Cal Administration budgeting methodology.

MCO Revenues for Medi-Cal

The Managed Care Organization tax passed in 2016 and provides \$1.1 billion for Medi-Cal in the current year and is estimated to provide \$1.6 billion in 2017-18. This funding is used for the nonfederal portion of managed care rates for services provided to children, adults, seniors, persons with disabilities, and those who are dually eligible for both Medicare and Medicaid. CSAC supported the MCO Fix to assist the state with Medi-Cal and Coordinated Care Initiative costs.

Medi-Cal Error

The State is using \$1.8 billion in 2017-18 to repay federal drug rebates and correct a calculation error made in the reimbursement rates for the Coordinated Care Initiative.

Children's Health Insurance Program

Due to the uncertainty in the future of the Children's Health Insurance Program (CHIP) at the federal level – it needs to be reauthorized by Congress by September of this year – the Governor's budget takes a cautious approach and assumes it will be reauthorized, but with a lower federal matching rate (65 percent instead of the enhanced 88 percent) for a total State General Fund cost of \$536.1 million in 2017-18.

Medi-Cal Benefits for Undocumented Children and Adults

The Governor's budget proposal maintains state funding for the recent expansion of Medi-Cal benefits to undocumented children (SB 75, Chapter 18, Statutes of 2015) for \$279.5 million in 2017-18. It also books \$48 million in Medi-Cal savings from the new policy to allow undocumented persons to purchase private insurance from Covered California (SBX1 1m Chapter 4, Statutes of 2016, First Extraordinary Session).

Hospital Quality Assurance Fee (Proposition 52)

Proposition 52 passed in November 2016 and the 2017-18 budget assumes General Fund savings of more than \$1 billion due to the fee, which is indefinite. CSAC supported Proposition 52 to assist the state with Medi-Cal costs.

Medicaid Managed Care Regulation

The Governor is dedicating an additional \$4.5 million to implement the new federal Medicaid managed care regulations, which require more oversight by the Department of Health Care Services (DHCS). DHCS will oversee the implementation of the regulation for the state, and it is not yet known how much this new regulation package will cost California and counties.

2011 AND 1991 REALIGNMENT FUNDING

Please refer to the Appendices for more details on the Governor's 2017-18 estimates for 2011 and 1991 Realignment.

Base Set for 2011 Realignment Behavioral Health Subaccount

CSAC and the County Behavioral Health Directors Association worked with the Administration for nearly two years to develop and set a base allocation for the 2011 Realignment Behavioral Health Subaccount. While the base formula was implemented in the current year, beginning with the 2017-18 allocation, the ongoing base allocations will consist of the 2016-17 base allocation plus subsequent growth allocations. This will then serve as a rolling base mechanism for future allocations to the Behavioral Health Subaccount.

PUBLIC HEALTH

AB 85 Health Realignment Redirections

The Governor's budget estimates \$585.9 million in county 1991 Realignment Health Subaccount savings for the current year, and \$546.2 in 2017-8 – if the Affordable Care Act is still in place. Additionally, the state will complete the "True Up" for the 2014-15 fiscal year, which preliminarily indicates additional county savings of \$245.6 million in that fiscal year. Please keep in mind that the True Up is a county-by-county calculation and only those counties that have experienced additional savings in 2014-15 above what was redirected under AB 85 will owe these funds. We also anticipate that some counties will receive reimbursements due to reduced savings under AB 85. These estimates will be updated with audited results in the May Revision Budget. Attached as an appendix to this document are the 2017-18 AB 85 redirections.

PROPOSITION 56: TOBACCO TAX INCREASE

In November 2016, voters passed Proposition 56, the California Healthcare, Research and Prevention Tobacco Tax Act of 2016, which increases the excise tax rate on cigarettes and tobacco products, effective April 1, 2017. This tax is now also applicable

to electronic cigarettes. The excise tax, which is paid by distributors selling cigarettes in California, increased by \$2 – from 87 cents to \$2.87 per pack of 20 cigarettes. Proposition 56 requires backfills to Proposition 99, Proposition 10, the Breast Cancer Fund, and to state and local governments to address revenues declines resulting from the additional tax. The specific allocation of Proposition 56 funding in 2017-18 is reflected in the chart on the following page. Because of the April 1, 2017, effective date of the increased excise tax, the budget includes five quarters of tax revenues for expenditure in 2017-18.

Proposition 56 Allocations
(\$ in millions)

<i>Investment Category</i>	<i>Department</i>	<i>Program</i>	<i>2017-18 Amount^{1/}</i>
Enforcement	Dept. of Justice	Local Law Enforcement Grants	\$37.5
		Distribution and Retail Sale Enforcement ^{2/}	\$7.5
	Board of Equalization	Distribution and Retail Sales Tax Enforcement ^{2/}	\$5.8
	Dept. of Public Health	Law Enforcement ^{2/}	\$7.5
Education, Prevention, and Research	University of California	Cigarette and Tobacco Products Surtax Medical Research Program	\$80.7
		Graduate Medical Education ^{2/}	\$50.0
	Dept. of Public Health	State Dental Program ^{2/}	\$37.5
		Tobacco Prevention and Control	\$178.5
	State Dept. of Education	School Programs	\$31.5
Health Care	Dept. of Health Care Services	Health Care Treatment	\$1,237.4
Administration and Oversight	State Auditor	Financial Audits	\$0.4
	Board of Equalization	Sales and Use Tax	\$1.1
Revenue Backfills	Proposition 99, Breast Cancer Research Fund, and Proposition 10		\$37.1
Total			\$1,712.5

1/ "2017-18 Amount" includes one quarter of 2016-17 revenue and four quarters of 2017-18 revenue.

2/ Annual amount specified in statute.

BEHAVIORAL HEALTH

Drug Medi-Cal

The budget includes \$3.1 million General Fund (\$19.9 million total funds) in 2017-18 for the rollout of the new Drug Medi-Cal Organized Delivery System Waiver, and \$141.6 million General Fund in 2018-19. Six counties will participate in 2016-17, and 10 more are expected onboard in the following year.

2011 Behavioral Health Subaccount Base

Please see the Realignment section above for information about the new 2011 Realignment Behavioral Health Subaccount base.

Children's Mental Health Crisis Service Grants

The Budget revokes the \$17 million General Fund from the 2016-17 Budget intended for grants to local governments to increase the number of facilities providing mental health crisis services for children and youth under the age of 21. This language was initially included in last year's SB 833 (Committee on Budget and Fiscal Review, Statutes of 2016).

HUMAN SERVICES

Continuum of Care Reform

The Continuum of Care Reform (CCR) of the state's foster and probation youth group homes went live on January 1. The Budget includes \$163.2 million General Fund (\$217.3 million total funds) to continue the implementation of the Continuum of Care Reform (AB 403, Statutes of 2015). Counties, including Child Welfare Services, Behavioral Health services, and probation services, continue to grapple with implementing CCR. The Budget states that while progress has been made in implementing CCR, assumptions on caseload movement were revised to more accurately reflect the pace of implementation.

CalWORKs

Repeal of the CalWORKs Maximum Family Grant

The 2017-18 proposal includes \$224.5 million (\$198.2 General Fund) to reflect a full year of increased grant costs that are due to the repeal of the Maximum Family Grant (MFG) rule, effective January 1, 2017. The rule prohibited cash aid for any child born into a CalWORKs household ten or months after initially receiving aid for the purposes of calculating a household's maximum aid payment. It was repealed last year thanks to the work of Senator Holly Mitchell.

Child Welfare Digital Services

The proposed budget includes \$88 million General Fund (\$175.9 total funds) to support an increase in project activity, including increased funding for county engagement as individual digital services are designed, developed and implemented. The Child Welfare Services New System case management project continues to make progress since adoption in November 2015. The system is a suite of services being developed and integrated to deliver continually improving assistance to state and county workers.

Continue Consolidation of Statewide Automated Welfare Systems

The proposed budget includes \$38.5 million (\$7.5 million General Fund) for 39 counties using the Consortium IV system to migrate to the LEADER Replacement System. The first year of funding for these migration activities will be available after the county consortia negotiations are complete and both the Department of Finance and the Department of Technology have reviewed and approved detailed project documents.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT

As of January 2017, the maximum SSI/SSP grant levels are \$895.72 per month for individuals and \$1,510.14 per month for couples. For 2017, the current Consumer Price Index growth factor is 0.3 percent, and it is projected to be 2.6 percent for 2018. Additionally, maximum SSI/SSP monthly grant levels will increase by \$20 for individuals and \$29 for couples as of January 2018.

STATE HOSPITALS

Incompetent to Stand Trial Admissions

Please see the Administration of Justice Section of the Budget Action Bulletin for more details on Incompetent to Stand Trial Admissions.

PUBLIC HEALTH

Licensing and Certification

The proposed budget includes \$1.1 million in Licensing and Certification Program Fund in 2017-18 for the Los Angeles County contract to account for several salary increases. Los Angeles County salaries for burse surveyors and other contracted staff are higher than state salaries. These Los Angeles County salaries have increased in each of the past two years and will continue to increase in 2017 and 2018. Because of these ongoing cost pressures, the Department of Public Health is evaluating the most effective way to provide ongoing regulatory oversight of health care facilities in Los Angeles County. The Budget states that any continuation of the current relationship with Los Angeles County will require:

- Regulatory actions be completed in a timely manner and consistent with other areas of the state,
- Consistency in the quality of evaluations ,
- Cost Maintenance and within budgeted amounts.

Elimination of the Health Care Workforce Augmentation

The proposed budget includes the reversion of \$33.4 million General Fund from 2016-17 that were intended to fund health care workforce initiatives at the Office of Statewide Health Planning and Development. The Budget does not include additional funding for this purpose in the future.

Housing, Land Use and Transportation

HOUSING

The Governor's January Budget highlights California's continued housing affordability crisis, noting that the state has consistently produced fewer than 100,000 units per year over the last decade, while estimating that 180,000 units of new housing per year would be required to meet projected demand. As a result of the existing shortage, the proposal notes that over half of California households spend more than 30 percent of their income on housing costs, and nearly one-third spend more than 50 percent. This shortage contributes to California's high rates of homelessness: while the state has 12 percent of the nation's population, it has 22 percent of its homeless residents.

Despite acknowledging the tremendous scope of California's housing affordability crisis, the Administration insists that "no new costs, or cost pressures" should be added to the state's General Fund. Moreover, the Governor argues that "any permanent source of funding" should be linked to other policy reforms. The Department of Finance noted that this policy discussion will take place as part of a legislative package from the Administration outside of the budget process and shall be consistent with the following general principles:

- Housing construction should be streamlined through the reduction of "local barriers" in order to "limit delays and duplicative reviews, maximize the impact of public investments, and temper rent increases through housing supply increases."
- Per unit costs should be reduced by addressing "permit and construction policies that drive up unit costs."

- Compliance with existing laws, including the Housing Element, should be increased through additional accountability and enforcement measures.
- Leveraging “other infrastructure-related” investments to provide incentives for local governments to “meet or exceed housing goals” and to punish those jurisdictions that “do not build enough to increase production.”

CSAC is particularly concerned with the last principle, which seems to conflate the responsibility of cities and counties to plan and zone for adequate housing development with a responsibility to actually produce new housing units. While the proposal recognizes some of the factors beyond local government control, including high construction and land costs, that tend to limit housing production, it largely ignores the limited availability of state and federal subsidies that are necessary to construct housing units that can be sold or rented at below-market rates. For instance, the proposed budget highlights that there were 15 counties in California in which there was not a single unit constructed with tax credits from the Tax Credit Allocation Committee between 2011 and 2015.

For its part, CSAC will continue to review opportunities for additional streamlining of housing production, while also supporting new funding for affordable homes through a dedicated permanent source outside of the General Fund, as well through additional statewide affordable housing bonds. While proposing to link a permanent source with policy reforms, the Governor clearly signaled his opposition to further General Obligation bonds, stating that they would be an “inefficient and ineffective use of General Fund resources.”

Transportation Funding

The Governor’s January Budget includes a slightly-updated version of the Administration’s transportation funding proposal originally released in September 2015. While the \$4.3 billion per year proposal continues to be a positive starting point for CSAC’s continued efforts to secure robust and sustainable new funding for local streets and roads in 2017, the Governor’s plan by itself will not be enough to stop the continued deterioration of the local network.

The Governor noted in his press conference that he was “very committed” to securing a funding solution for state and local transportation infrastructure, but stressed that a deal would require bipartisan cooperation and coordination with interest groups. According to the summary document, the Governor’s plan reflects six key principles:

- A “fix-it-first” approach to repairing state highways and bridges and local streets and roads;
- Investing in key trade corridors to support economic growth and implementing a sustainable freight strategy;
- Providing funds to match locally generated funds for high-priority projects;
- Improving performance, accountability and efficiency at Caltrans;
- Investing in passenger rail and public transit modernization and improvement; and
- Avoiding an impact on the General Fund.

While consistent with the Administration’s earlier position, the last priority is particularly interesting, as Republican members have consistently pushed for transportation funding to be prioritized as part of the state’s overall spending, including the General Fund. Moreover, both [AB 1 \(Frazier\)](#) and [SB 1 \(Beall\)](#) include partial return of truck weight fees to current-year transportation projects, which would result in additional General Fund expenditures on transportation bond debt service of approximately \$500 million per year at full implementation. CSAC’s analysis of those proposals is available online [here](#).

Transportation funding remains a top priority for CSAC in 2017 work will continue with a broad coalition of partners to find consensus points among the various parties to see a comprehensive and robust package come to fruition.

Governor Brown Reintroduces 2015 Transportation Funding and Reform Package

As noted, the budget proposal included a reintroduction of the [Governor’s September 2015 transportation funding and reform package](#). Counties may recall that the proposal would spend an additional \$3.6 billion annually for ten-years on maintenance and rehabilitation of state and local transportation systems and investments in transit.

The proposal also includes a number of reforms and accountability measures including project delivery and environmental streamlining, enhanced oversight of state project delivery by the California Transportation Commission, and innovative procurement methods. Notably, this year’s plan includes a limited-term, focused pilot program for routine highway projects using the job order contracting method. Reform measures in the plan aren’t limited to state projects: the Governor proposes a limited California Environmental Quality Act (CEQA) exemption for projects on existing rights-of-way with previously completed CEQA approval, as well as removing the sunset for the existing NEPA delegation program that allows Caltrans, rather than the Federal Highways

Administration, to review and approve NEPA documents for transportation projects that include federal funds.

The updated plan stabilizes the gas excise tax by eliminating the complicated adjustment process from the fuel tax swap, raising the price-based rate from 11.7 cents in the 2017-18 budget to 21.5 cents and indexing the gas tax to inflation. The proposal spends \$500 million a year from cap and trade funds, including \$100 million for active transportation grants and \$400 million for transit and intercity rail capital projects. Other revenues consists of an 11-cent increase to the diesel excise tax, a \$65 per year "road improvement charge" imposed on California's 32.9 million registered vehicles, and \$100 million in cost-savings from Caltrans efficiencies.

In addition to supporting local street and road maintenance and rehabilitation through approximately \$1.16 billion in new annual subventions allocated to jurisdictions by formula—a slight increase over the previous plan's \$1.05 billion in local formula funds—the plan would provide \$250 million annually for state-local partnership grants. This is in contrast to the two leading legislative funding plans, which would provide approximately \$2.2 billion in new funding for local streets and roads in addition to \$200 million annually for a state-local partnership program.

Finally, the Governor proposes additional investments in transportation from the Greenhouse Gas Reduction Fund. Specifically, his plan would provide \$100 million for local complete streets projects and an additional \$400 million for transit capital projects. For more information on the Governor's comprehensive cap and trade proposal, please see the Agriculture, Environmental and Natural Resources section of this document.

The Governor's plan serves as a solid baseline from which to continue discussions on how much additional funding the state should raise, and how best we can invest it in statewide transportation infrastructure. CSAC will continue to push for more robust funding for local streets and roads, as the most recent needs assessment illustrates that at least \$3 billion in new funding for cities and counties would be necessary to see a reduction in the deferred maintenance backlog and an improvement in local pavement conditions over the next decade.

Gas Tax Trends and Anticipated FY 2017-18 Funding for Counties

Due to slight increases in fuel prices, the Department of Finance estimates that the gasoline excise tax will be increased by 1.9 cents in July to maintain revenue neutrality with the former sales tax on gasoline. The overall state excise rate would increase from 27.8 cents to 29.7 cents, even without the approval of a state transportation funding

package. (Note that the Governor's transportation plan would increase to total gasoline excise tax rate back to its 2013-14 high of 39.5 cents per gallon.)

Despite an estimate increase in fuel consumption of 2.7 percent in 2015-16, which was driven largely by low fuel prices, the Department of Finance expects fuel consumption to decrease by 0.7 percent in 2016-17 and 0.1 percent in 2017-18. The resulting slight decreases in revenue from the fixed 18-cent gas tax rate will partially offset new revenues from the increase in the price-based excise tax rate.

CSAC staff has requested detailed budget information to create county-by-county fuel tax revenue estimates and will share this information with public works departments as soon as it is available.

Appendices

The following charts show the estimated revenues, expenses, and redirections under 1991 Realignment, 2011 Realignment, and AB 85 redirections, respectively. The 2011 Realignment is funded through two sources: a state special fund sales tax rates of 1.0625 percent, totaling \$6.9 billion, and \$643.7 million in Vehicles License Fees.

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1991 Realignment Estimated Revenues and Expenditures - 2017-18 Governor's Budget
(Dollars in Thousands)

2015-16 State Fiscal Year							
Amount	CalWORKs MOE	Health	Social Services	Mental Health	Family Support	Child Poverty	Totals
Base Funding							
Sales Tax Account	\$752,888	\$-	\$1,856,413	\$33,967	\$443,909	\$88,224	\$3,175,401
Vehicle License Fee Account	367,663	820,971	58,142	48,754	301,813	104,384	1,701,727
Total Base	\$1,120,551	\$820,971	\$1,914,555	\$82,721	\$745,722	\$192,608	\$4,877,128
General Growth Carryover from 2014-15 ¹						69,480	69,480
Growth Funding							
Sales Tax Growth Account:	-	-	57,388	-	-	-	57,388
Caseload Subaccount	-	-	(57,388)	-	-	-	(57,388)
County Medical Services Subaccount	-	-	-	-	-	-	-
General Growth Subaccount	-	-	-	-	-	-	-
Vehicle License Fee Growth Account	-	42,243	-	46,116	-	56,080	144,439
Total Growth	\$-	\$42,243	\$57,388	\$46,116	\$-	\$56,080	\$201,827
General Growth Carryover to 2016-17 ¹						(37,255)	(37,255)
Total Realignment 2015-16²	\$1,120,551	\$863,214	\$1,971,943	\$128,837	\$745,722	\$280,913	\$5,111,180
2016-17 State Fiscal Year							
Base Funding							
Sales Tax Account	\$752,888	\$-	\$1,913,802	\$33,967	\$443,908	\$88,224	\$3,232,789
Vehicle License Fee Account	367,663	1,023,048	58,142	94,870	141,979	160,465	1,846,167
Total Base	\$1,120,551	\$1,023,048	\$1,971,944	\$128,837	\$585,887	\$248,689	\$5,078,956
General Growth Carryover from 2015-16 ³	-	-	-	-	-	37,255	37,255
Growth Funding							
Sales Tax Growth Account:	-	5,516	67,743	4,494	-	5,132	82,885
Caseload Subaccount	-	-	(67,743)	-	-	-	(67,743)
County Medical Services Growth Subaccount	-	(3,338)	-	-	-	-	(3,338)
General Growth Subaccount	-	(2,178)	-	(4,494)	-	(5,132)	(11,804)
Vehicle License Fee Growth Account	-	29,840	-	24,312	-	27,760	81,912
Total Growth	\$-	\$35,356	\$67,743	\$28,806	\$-	\$32,892	\$164,797
Total Realignment 2016-17²	\$1,120,551	\$1,058,404	\$2,039,687	\$167,643	\$585,887	\$318,836	\$5,281,008
2017-18 State Fiscal Year							
Base Funding							
Sales Tax Account	\$752,888	\$-	\$1,981,545	\$38,461	\$449,425	\$93,355	\$3,315,674
Vehicle License Fee Account	367,663	1,098,075	58,142	119,182	96,793	188,225	1,928,080
Total Base	\$1,120,551	\$1,098,075	\$2,039,687	\$167,643	\$546,218	\$281,580	\$5,243,754
Growth Funding							
Sales Tax Growth Account:	-	18,073	72,100	25,294	-	28,882	144,349
Caseload Subaccount	-	-	(72,100)	-	-	-	(72,100)
County Medical Services Growth Subaccount	-	(5,813)	-	-	-	-	(5,813)
General Growth Subaccount	-	(12,260)	-	(25,294)	-	(28,882)	(66,436)
Vehicle License Fee Growth Account	-	12,593	-	17,624	-	20,124	50,341
Total Growth	\$-	\$30,666	\$72,100	\$42,918	\$-	\$49,006	\$194,690
Total Realignment 2017-18²	\$1,120,551	\$1,128,741	\$2,111,787	\$200,561	\$546,218	\$330,586	\$5,438,444

¹ Reflects general growth carryover to fund the 5-percent increase to CalWORKs Maximum Aid Payment levels effective April 1, 2015, pursuant to Welfare and Institutions Code section 17601.50.

² Excludes \$14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources.

³ Reflects general growth carryover to fund a 1.4-percent increase to CalWORKs Maximum Aid Payment levels effective October 1, 2016, and repeal of the maximum family grant rule effective January 1, 2017, pursuant to Welfare and Institutions Code section 17601.50.

2011 Realignment Estimate¹ - at 2017-18 Governor's Budget

	2015-16	2015-16 Growth	2016-17	2016-17 Growth	2017-18	2017-18 Growth
Law Enforcement Services	\$2,289.1		\$2,361.2		\$2,440.1	
Trial Court Security Subaccount	532.5	7.2	539.7	7.9	547.6	10.0
Enhancing Law Enforcement Activities Subaccount ¹	489.9	116.0	489.9	154.7	489.9	153.8
Community Corrections Subaccount	1,107.5	54.1	1,161.6	59.1	1,220.7	75.4
District Attorney and Public Defender Subaccount	24.3	3.6	27.9	3.9	31.9	5.0
Juvenile Justice Subaccount	134.9	7.2	142.1	7.9	150.0	10.0
<i>Youthful Offender Block Grant Special Account</i>	(127.5)	(6.8)	(134.3)	(7.5)	(141.7)	(9.4)
<i>Juvenile Reentry Grant Special Account</i>	(7.4)	(0.4)	(7.8)	(0.4)	(8.3)	(0.6)
Growth, Law Enforcement Services		188.1		233.5		254.2
Mental Health²	1,120.6	6.7	1,120.6	7.3	1,120.6	9.3
Support Services	3,277.6		3,404.9		3,543.8	
Protective Services Subaccount	2,109.2	60.3	2,169.5	65.8	2,235.3	83.9
Behavioral Health Subaccount	1,168.4	67.0	1,235.4	73.1	1,308.5	93.3
<i>Women and Children's Residential Treatment Services</i>	(5.1)	-	(5.1)	-	(5.1)	-
Growth, Support Services		134.0		146.2		186.5
Account Total and Growth	\$7,009.4		\$7,266.4		\$7,545.2	
Revenue						
1.0625% Sales Tax	6,403.5		6,621.8		6,901.5	
Motor Vehicle License Fee	605.9		644.6		643.7	
Revenue Total	\$7,009.4		\$7,266.4		\$7,545.2	

This chart reflects estimates of the 2011 Realignment subaccount and growth allocations based on current revenue forecasts and in accordance with the formulas outlined in Chapter 40, Statutes of 2012 (SB 1020).

¹ Dollars in millions.

² Base Allocation is capped at \$489.9 million. Growth does not add to the base.

³ Base Allocation is capped at \$1,120.6 million. Growth does not add to the base.

⁴ The Early and Periodic Screening, Diagnosis, and Treatment and Drug Medi-Cal programs within the Behavioral Health Subaccount do not yet have a permanent base.

FY17/18 Interim Redirection

Redirection Summary

CMSP	FY 2016-17	FY 2017-18 (DHCS Preliminary Review)
Alpine	\$ 13,150.00	\$ 13,150.00
Amador	\$ 620,264.00	\$ 620,264.00
Butte	\$ 5,950,593.00	\$ 5,950,593.00
Calaveras	\$ 913,959.00	\$ 913,959.00
Colusa	\$ 799,988.00	\$ 799,988.00
Del Norte	\$ 781,358.00	\$ 781,358.00
El Dorado	\$ 3,535,288.00	\$ 3,535,288.00
Glenn	\$ 787,933.00	\$ 787,933.00
Humboldt	\$ 6,883,182.00	\$ 6,883,182.00
Imperial	\$ 6,394,422.00	\$ 6,394,422.00
Inyo	\$ 1,100,257.00	\$ 1,100,257.00
Kings	\$ 2,832,833.00	\$ 2,832,833.00
Lake	\$ 1,022,963.00	\$ 1,022,963.00
Lassen	\$ 687,113.00	\$ 687,113.00
Madera	\$ 2,882,147.00	\$ 2,882,147.00
Marin	\$ 7,725,909.00	\$ 7,725,909.00
Mariposa	\$ 435,062.00	\$ 435,062.00
Mendocino	\$ 1,654,999.00	\$ 1,654,999.00
Modoc	\$ 469,034.00	\$ 469,034.00
Mono	\$ 369,309.00	\$ 369,309.00
Napa	\$ 3,062,967.00	\$ 3,062,967.00
Nevada	\$ 1,860,793.00	\$ 1,860,793.00
Plumas	\$ 905,192.00	\$ 905,192.00
San Benito	\$ 1,086,011.00	\$ 1,086,011.00
Shasta	\$ 5,361,013.00	\$ 5,361,013.00
Sierra	\$ 135,888.00	\$ 135,888.00
Siskiyou	\$ 1,372,034.00	\$ 1,372,034.00
Solano	\$ 6,871,127.00	\$ 6,871,127.00
Sonoma	\$ 13,183,359.00	\$ 13,183,359.00
Sutter	\$ 2,996,118.00	\$ 2,996,118.00
Tehama	\$ 1,912,299.00	\$ 1,912,299.00
Trinity	\$ 611,497.00	\$ 611,497.00
Tuolumne	\$ 1,455,320.00	\$ 1,455,320.00
Yuba	\$ 2,395,580.00	\$ 2,395,580.00
CMSP Board	\$ 176,611,068.82	\$ 176,611,068.82
SUBTOTAL	\$ 265,680,029.82	\$ 265,680,029.82
Article 13 60/40	FY 2016-17	FY 2017-18 (DHCS Preliminary Review)
Placer	\$ 3,323,053.00	\$ 3,323,053.00
Sacramento	\$ 32,522,858.85	\$ 32,522,858.85
Santa Barbara	\$ 8,295,256.74	\$ 8,295,256.74
Stanislaus	\$ 11,129,388.26	\$ 11,129,388.26
Yolo	\$ 3,591,586.22	\$ 3,591,586.22
SUBTOTAL	\$ 58,862,143.08	\$ 58,862,143.08
Article 13 Formula	FY 2016-17	FY 2017-18 (DHCS Preliminary Review)
Fresno	\$ 12,894,560.64	\$ 9,764,977.87
Merced	\$ 2,702,456.82	\$ 2,204,598.68
Orange	\$ 42,501,912.41	\$ 42,501,912.41
San Diego	\$ 45,970,030.58	\$ 45,970,030.58
San Luis Obispo	\$ 2,949,615.07	\$ 2,949,615.07
Santa Cruz	\$ 3,837,236.45	\$ 2,908,579.97
Tulare	\$ 6,632,208.81	\$ 6,503,694.64
SUBTOTAL	\$ 117,488,020.78	\$ 112,803,409.21
DPH	FY 2016-17	FY 2017-18 (DHCS Preliminary Review)
Alameda	\$ 19,149,261.36	\$ 5,653,555.97
Contra Costa	\$ 23,564,812.05	\$ 23,564,812.05
Kern	\$ 14,904,296.34	\$ 4,350,555.38
Los Angeles	\$ 5,606,688.47	\$ -
Monterey	\$ -	\$ -
Riverside	\$ 26,854,117.61	\$ 17,130,393.27
San Bernardino	\$ 21,836,302.33	\$ 30,699,017.20
San Francisco	\$ -	\$ -
San Joaquin	\$ -	\$ 10,481,330.77
San Mateo	\$ 16,493,158.03	\$ 8,148,969.09
Santa Clara	\$ -	\$ 8,355,112.48
Ventura	\$ 15,448,472.52	\$ 488,106.34
SUBTOTAL	\$ 143,857,108.71	\$ 108,871,852.55
DHCS Total	\$ 261,345,129.49	\$ 221,675,261.76
Grand Total	\$ 585,887,302.38	\$ 546,217,434.66