



HURST+BROOKS+ESPINOSA

# 1991 and 2011 Realignment Brief

## Base Shortfall FAQ ♦ September 2024

*For only the second time since the inception of 2011 Public Safety Realignment, year-over-year revenues have decreased resulting in a base shortfall. This decline in sales and use tax revenues has also left 1991 Realignment short of reaching full base allocations. This FAQ is intended to (1) provide responses to several questions counties may face in navigating this revenue decline and (2) explain the differences between 1991 Realignment and 2011 Public Safety Realignment revenue procedures in subsequent years.*

## 1991 Realignment

### ***Is the current year “base allocation” guaranteed?***

No. Like 2011 Realignment, generally, each year’s identified base allocation is derived from the prior year’s base plus the growth attributed to the prior fiscal year. The 1991 Realignment agreement was intended to provide resources sufficient to cover the cost of realigned services by earmarking a portion of the state sales and use tax (0.50%) and a portion of Vehicle License Fees (VLF – about 75%) for purposes of funding counties’ increased shares of cost for a list of health, mental health, and social services programs. The revenue generated by the two funding sources is the available funding for that fiscal year, regardless of whether the “base allocation” is met.

### ***What happens when revenues are insufficient to fulfill the current year base?***

Again, like 2011 Realignment, if 1991 Realignment revenue is insufficient to meet the identified base level, each subaccount is reduced proportionally to the share of the overall revenue that it received in the prior year. However, 1991 differs from 2011 in a significant way; because 1991 includes a significant portion of caseload-driven, federal entitlement social services programs, these programs are prioritized for growth funding. As a result, any revenue shortfalls for caseload driven programs are tracked by the state to ensure that any additional funds are first dedicated to unmet prior year costs and year-to-year increases for total social services program costs.

### ***If revenues improve the following year, does the year-over-year increase go toward base or growth?***

Unlike 2011 Realignment, if revenues improve the following year, the year-over-year increase in 1991 Realignment is allocated to counties as follows: (1) to meet unfunded prior year costs (“base restoration”) and caseload growth for social services programs; (2) to fund CMSP growth; (3) to fund

“general growth”, i.e. realigned health and mental health programs, and the Child Poverty Subaccount.

Given the priority established in statute for caseload-driven social services programs, it is likely that the amount of revenue growth needed to meet the shortfall will require more than one year to fully meet their base allocations. This means that health and mental health programs will not have their realignment bases “restored” and may not see general growth revenues for some time after a downturn.

### ***How does the concept of an “unfunded mandate” work in the context of 1991 Realignment?***

1991 Realignment does not enjoy the same kinds of constitutional protections around programs and revenues as 2011 Realignment does via Proposition 30 (2012). However, the original 1991 Realignment legislation contained three “poison pills” provisions: 1) Medically Indigent Adult (MIA) transfer – if the MIA transfer was determined to be a mandate, then the VLF increase would be repealed; 2) Proposition 98 – if new ½ cent sales tax revenues counted toward Prop. 98, then the new sales tax would be repealed; and 3) if any provision of 1991 Realignment was determined to be a reimbursable state mandate, then all of 1991 Realignment would be rendered inoperative. The first two poison pills are no longer operative, but the state mandate poison pill remains. To date, no counties have made that mandate claim against 1991 Realignment.

### ***What is the current “full base” for each subaccount/special account?***

See chart on the following page. Additionally, the chart on page 4 may also be helpful in understanding the flow of funding sources within the 2011 Public Safety Realignment fiscal structure.

### ***Does 1991 Realignment contain a transfer provision?***

Yes, 1991 Realignment allows a certain percentage of funds to be transferred among accounts with counties’ Boards of Supervisors approval. 2011 realignment allows for transfers without this approval requirement.

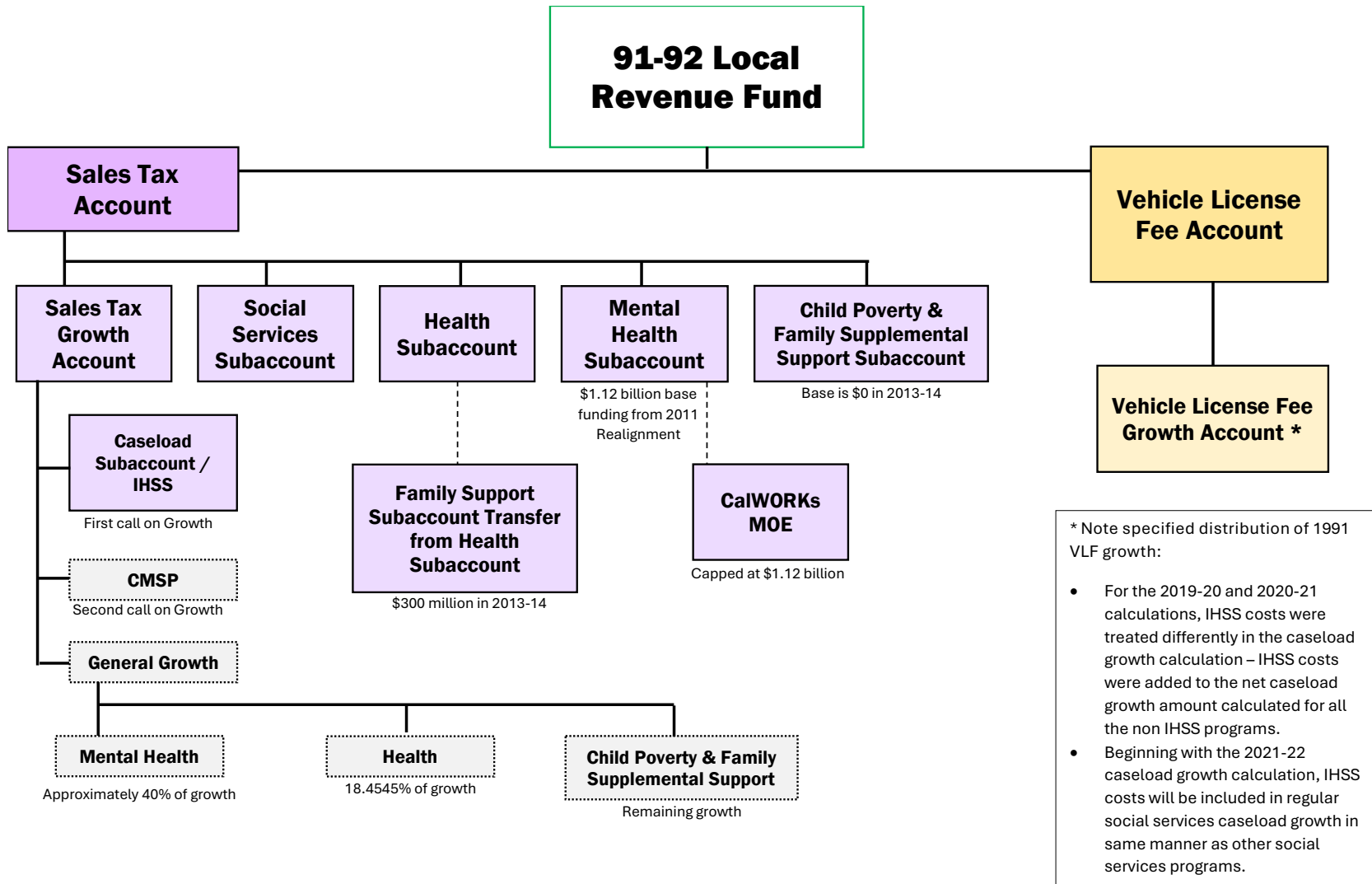
In 1991 Realignment, counties may transfer funds among the Health, Mental Health, and Social Services accounts. Transfers of up to 10% of any account’s revenue to the other two accounts is allowed. An additional 10% may be transferred from the Health Account to the Social Services Account in order to offset caseload increases for mandated programs in excess of revenue growth. An additional 10% may be transferred from the Social Services Account to the other two accounts whenever excess revenues exist in the Social Services Account beyond the amount necessary to fund the mandated programs. Transfer of funds among accounts is in effect for one fiscal year.

# 1991 Realignment Base Funding Through 2023-24

2022-23 State Fiscal Year (Actual)							
Amount	CalWORKs MOE	Health	Social Services	Mental Health	Family Support	Child Poverty	Total
<b>Base Funding</b>							
Sales Tax Account	\$752,888	\$152,266	\$2,480,037	\$337,129	\$462,930	\$512,972	\$4,698,222
Vehicle License Fee Account	367,663	1,071,315	216,223	105,480	185,798	420,228	2,366,708
<b>Subtotal Base</b>	<b>\$1,120,551</b>	<b>\$1,223,582</b>	<b>\$2,696,259</b>	<b>\$442,610</b>	<b>\$648,728</b>	<b>\$933,200</b>	<b>\$7,064,929</b>
<b>Growth Funding</b>							
Sales Tax Growth Account:	\$-	\$6,530	\$65,869	\$13,246	\$-	\$15,609	\$101,253
Caseload Subaccount	-	-	(65,869)	-	-	-	(65,869)
General Growth Subaccount	-	(6,530)	-	(13,246)	-	(15,609)	(35,384)
Vehicle License Fee Growth Account	-	21,888	-	44,399	-	52,320	118,608
<b>Subtotal Growth</b>	<b>\$-</b>	<b>\$28,418</b>	<b>\$65,869</b>	<b>\$57,644</b>	<b>\$-</b>	<b>\$67,929</b>	<b>\$219,861</b>
<b>Total Realignment 2022-23<sup>11</sup></b>	<b>\$1,120,551</b>	<b>\$1,252,000</b>	<b>\$2,762,128</b>	<b>\$500,254</b>	<b>\$648,728</b>	<b>\$1,001,129</b>	<b>\$7,284,790</b>
2023-24 State Fiscal Year (Projected)							
<b>Base Funding</b>							
Sales Tax Account	\$749,929	\$0	\$2,535,901	\$348,998	\$619,283	\$526,503	\$4,780,614
Vehicle License Fee Account	370,622	1,208,812	216,223	146,920	70,189	472,549	2,485,315
<b>Subtotal Base</b>	<b>\$1,120,551</b>	<b>\$1,208,812</b>	<b>\$2,752,123</b>	<b>\$495,918</b>	<b>\$689,473</b>	<b>\$999,052</b>	<b>\$7,265,929</b>

# 1991 Realignment – State Level Account Structure

## New Flow of Funds Post SB 90 (2017)



Dashed, grey-colored boxes represent accounts that continue to exist but are unlikely to receive Realignment funds.

# 2011 Realignment

## ***Is the current year “base allocation” guaranteed?***

No. Generally, each year’s identified base allocation is derived from the prior year’s base plus the growth attributed to the prior fiscal year<sup>1</sup>. The Department of Finance “estimates” whether revenue will be sufficient to meet the base and generate growth. The 2011 Public Safety Realignment statutorily established fiscal structure<sup>2</sup> and Proposition 30 (2012) together guarantee a funding source, but do not guarantee a level of funding. Proposition 30 protects against actions to redirect or eliminate the fund source but does not protect the amount of revenue generated by the fund source which can – and does – fluctuate with the economy.

Constitutional provisions permit a future Legislature to identify a different source of revenue to fund 2011 Public Safety Realignment. Counties would continue to receive, however, the amount that otherwise would have been produced by the initial sources dedicated to support the programs realigned in 2011 (i.e., 1.0625% of the state sales and use tax and a portion of the VLF).

## ***What happens when revenues are insufficient to fulfill the current year base?***

If 2011 Public Safety Realignment revenue is insufficient to meet the identified base level, each subaccount is reduced based on the proportional share of the overall revenue that it received in the prior year. However, two important mechanical aspects of the 2011 Public Safety Realignment fiscal structure must be noted. Each month the transfer of \$93,379,252 to the Mental Health Account is required off the top from sales and use tax revenue. Additionally, the Enhancing Law Enforcement Activities Subaccount (the only account that receives VLF revenue) is guaranteed a minimum base of \$489.9 million each year. If VLF revenue is insufficient to meet this minimum annual base, sales and use tax revenue is transferred to the Enhancing Law Enforcement Activities Subaccount to reach that amount. These two aspects of fund flow are executed irrespective of funding level within a fiscal year.

## ***If revenues improve the following year, does the year-over-year increase go toward base or growth?***

The year-over-year increase would first go toward fulfilling the previously identified base. In other words, a new base is not established during the year(s) of decline.<sup>3</sup>

Using 2023-24 as an example: Since 2023-24 base allocations (2022-23 base plus 2022-23 growth) were not fulfilled due to declining revenue, as 2024-25 revenue is received, the first priority for funding would be the fulfillment of the original 2023-24 base allocations across all subaccounts. Once base amounts are fulfilled, additional revenue would then be attributed to growth.

---

<sup>1</sup> The 2011 Public Safety Realignment fiscal year runs August 16 – August 15. Growth is therefore calculated and distributed after the close of the normal fiscal year (July 1 – June 30) and is attributed back to the previous fiscal year.

<sup>2</sup> Government Code Sections [30025 – 30029.12](#)

<sup>3</sup> This is a key difference between 1991 Realignment and 2011 Realignment (i.e. “base restoration”).

### ***How does the concept of an “unfunded mandate” work in the context of 2011 Public Safety Realignment?***

The 2011 Public Safety Realignment structure was designed to deal with mandates in a different way. In exchange for a constitutionally guaranteed funding source and other protections, counties are prohibited from seeking mandate relief for programs realigned in 2011.

While these programs are exempt from the mandate claim process, under 2011 Public Safety Realignment counties are not required to provide a state-imposed higher level of service for a realigned program unless the state provides annual funding for the cost increase.

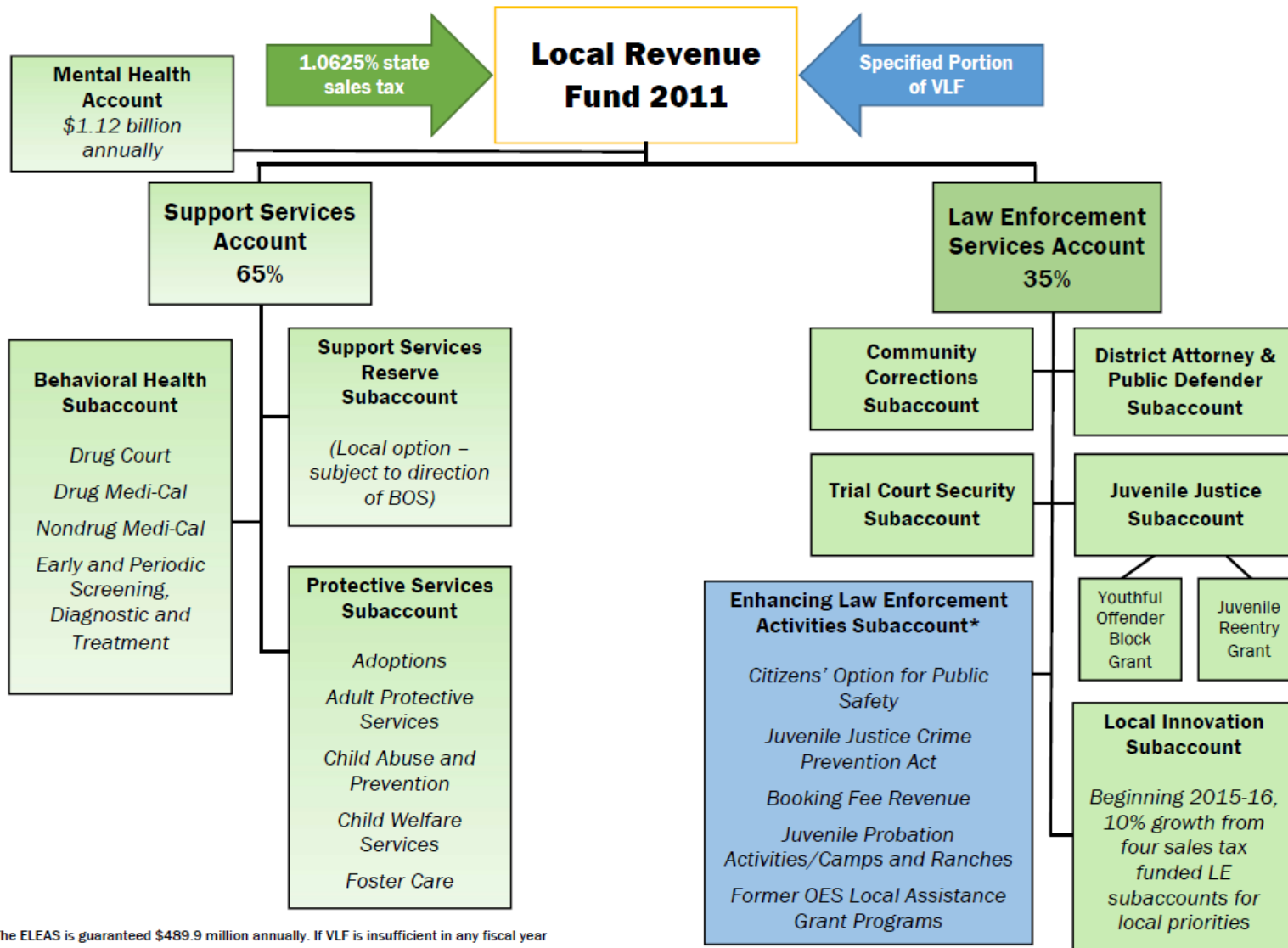
### ***What is the current “full base” for each subaccount/special account?***

On the following page, we display the 2023-24 base amount for all subaccounts and special accounts in 2011 Public Safety Realignment. According to the latest SCO revenue data, 2023-24 revenues are approximately \$10 million short of reaching this base. Additionally, the chart on page 8 may also be helpful in understanding the flow of funding sources within the 2011 Public Safety Realignment fiscal structure.

## 2011 Public Safety Realignment Base Funding Through 2023-24

	2022-23	2022-23 Growth	2023-24
<b>Law Enforcement Services</b>	<b>\$3,336.8</b>		<b>\$3,432.1</b>
Trial Court Security Subaccount	637.3	9.5	646.8
Enhancing Law Enforcement Activities Subaccount <sup>2</sup>	489.9	340.8	489.9
Community Corrections Subaccount	1,893.2	71.4	1,964.7
District Attorney and Public Defender Subaccount	76.7	4.8	81.5
Juvenile Justice Subaccount	239.7	9.5	249.2
<i>Youthful Offender Block Grant Special Account</i>	<i>(226.4)</i>		<i>(235.4)</i>
<i>Juvenile Reentry Grant Special Account</i>	<i>(13.2)</i>		<i>(13.8)</i>
<b>Growth, Law Enforcement Services</b>		<b>436.0</b>	
<b>Mental Health<sup>3</sup></b>	<b>1,120.6</b>	8.8	<b>1,120.6</b>
<b>Support Services</b>	<b>5,125.9</b>		<b>5,293.9</b>
Protective Services Subaccount	2,984.7	79.6	3,064.3
Behavioral Health Subaccount	2,141.1	88.4	2,229.6
<i>Women and Children's Residential Treatment Services</i>	<i>(5.1)</i>		<i>(5.1)</i>
<i>County Intervention Support Services Subaccount<sup>4</sup></i>	<i>(3.7)</i>		-
<b>Growth, Support Services</b>		<b>176.9</b>	
<b>Account Total and Growth</b>	<b>\$10,196.2</b>		<b>\$10,271.6</b>
<b>Revenue</b>			
1.0625% Sales Tax	9,345.5		9,355.6
General Fund Backfill <sup>5</sup>	20.0		40.1
Motor Vehicle License Fee	830.7		875.9
<b>Revenue Total</b>	<b>\$10,196.2</b>		<b>\$10,271.6</b>

# 2011 Realignment – State Level Account Structure



\* The ELEAS is guaranteed \$489.9 million annually. If VLF is insufficient in any fiscal year to reach that minimum, Sales and Use Tax is used to satisfy the guarantee.