



**Legislature Approves 2014-15 Budget
June 16, 2014**

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

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

RE: **The 2014-15 Budget, Passed by the Legislature**

Overview

The Legislature approved a \$108 billion spending plan last night, meeting its constitutional deadline to send a budget to the Governor for the fourth year in a row. The plan was not without controversy and, as of this writing, there still remain a few trailer bills to pass before the budget package is completed, including a fireworks tax measure and seismic assessments for rental property insurance policies. This Bulletin wraps up the issues of county interest in the budget package sent to the Governor yesterday. We will do another Budget Action Bulletin after the Governor takes action on the budget later this month.

Government Finance and Operations

Mandate Payments. The Budget Conference Committee approved a \$100 million payment to local agencies for pre-2004 mandate claims, which total about \$900 million. The county share of this payment is about \$73 million. Furthermore, they approved budget language that would direct up to an additional \$800 million if state revenues come in above the Administration's revenue estimates. That determination will be made in next year's May Revision.

Governor Brown had previously planned to pay all of the \$900 million debt in 2015-16 and 2016-17, but after CSAC requested at least a small down payment in the budget year, the Governor included \$100 million his May Revision. While the Legislature at first seemed reluctant to include any money for mandate repayment in the budget, the conference committee agreement approved last night goes even further by promising additional funds if revenues beat expectations.

Our estimated county-by-county breakdown of the \$73 million is as follows:

County	Net Balance	Proportion	Share of \$73 Million
Alameda	\$21,980,392	3.99%	\$2,910,663
Amador	1,025,428	0.19%	135,788
Butte	3,382,769	0.61%	447,949
Calaveras	371,917	0.07%	49,250
Colusa	84,133	0.02%	11,141
Contra Costa	12,236,901	2.22%	1,620,421
Del Norte	318,037	0.06%	42,115
El Dorado	3,349,724	0.61%	443,573
Fresno	11,066,800	2.01%	1,465,475
Glenn	310,134	0.06%	41,068
Humboldt	1,325,134	0.24%	175,475
Imperial	1,468,902	0.27%	194,513
Inyo	442,951	0.08%	58,656
Kern	9,188,125	1.67%	1,216,700
Kings	1,514,652	0.27%	200,572
Lake	719,138	0.13%	95,229
Lassen	263,404	0.05%	34,880
Los Angeles	125,904,793	22.84%	16,672,423
Madera	781,654	0.14%	103,507
Marin	10,851,935	1.97%	1,437,023
Mariposa	398,742	0.07%	52,802
Mendocino	2,645,612	0.48%	350,334
Merced	1,836,573	0.33%	243,201
Modoc	132,811	0.02%	17,587
Mono	258,317	0.05%	34,207
Monterey	12,566,130	2.28%	1,664,018
Napa	4,530,206	0.82%	599,894
Nevada	1,474,596	0.27%	195,267
Orange	56,046,182	10.17%	7,421,684
Placer	9,784,555	1.77%	1,295,679
Plumas	269,192	0.05%	35,647
Riverside	38,123,346	6.92%	5,048,327
Sacramento	20,853,119	3.78%	2,761,388
San Benito	649,504	0.12%	86,008
San Bernardino	20,853,119	3.78%	2,761,388



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San Diego	34,084,880	6.18%	4,513,550
San Francisco	24,282,381	4.40%	3,215,494
San Joaquin	5,602,900	1.02%	741,941
San Luis Obispo	4,913,591	0.89%	650,662
San Mateo	12,845,062	2.33%	1,700,954
Santa Barbara	7,401,403	1.34%	980,100
Santa Clara	30,410,457	5.52%	4,026,979
Santa Cruz	5,046,649	0.92%	668,282
Shasta	2,177,876	0.40%	288,396
Sierra	27,128	0.00%	3,592
Siskiyou	1,861,555	0.34%	246,509
Solano	7,918,877	1.44%	1,048,625
Sonoma	6,926,845	1.26%	917,259
Stanislaus	6,160,458	1.12%	815,773
Sutter	1,720,988	0.31%	227,895
Tehama	1,598,861	0.29%	211,723
Trinity	152,984	0.03%	20,258
Tulare	2,147,182	0.39%	284,332
Tuolumne	1,049,811	0.19%	139,017
Ventura	16,969,905	3.08%	2,247,170
Yolo	3,222,163	0.58%	426,682
Yuba	657,057	0.12%	87,008
Total	\$551,272,600	100.00%	\$73,000,000

Please note that these are just **estimates**. We anticipate additional information on allocations from the Department of Finance in the coming weeks.

Mandate Suspensions. The approved budget includes suspension of election mandates in the budget year. This means that certain aspects of elections, such as maintaining a permanent vote-by-mail list and checking signatures on provisional ballots before counting them, are optional and therefore not reimbursable.

Funding the mandates would have required the state to pay counties between \$60 million and \$90 million for actions already performed but not reimbursed. Only the Legislature, acting through the Budget Bill, has the power to fund or suspend state mandates. The agreement requires a study on other ways to pay for mandated programs.

The budget also continues to suspend all mandates suspended in the current year.

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The Conference Committee rejected the Governor's proposal to suspend the Local Agency Ethics Mandate, which requires ethics training for local officials, so those actions will continue to be required and funded.

Extension of the Property Tax Exemption for Solar Projects. As part of the budget deal, the Legislature approved an eight-year extension of a property tax exemption for commercial and residential solar energy systems in SB 871. The current exemption is not set to expire until 2017.

While the state should feel free to provide tax incentives for renewable energy goals, counties think they ought to do so with state revenue, not local revenue, unless the state provides a reimbursement. Counties support the state's renewable energy goals, but property taxes are the primary source of funding for local programs and for many state programs that counties are required to provide.

A proposal to extend this tax break, which, when voters approved it, was only intended to provide a tax benefit to homeowners and not for-profit, utility-scale energy projects, should be considered through the legislative process, allowing stakeholders to debate the policy.

Stranded Supplemental Property Tax Revenues. SB 854, the state and local government trailer bill, authorizes county auditors, in the circumstance where all K-12 school districts are basic aid districts, to allocate the schools' share of supplemental property tax revenue to all other taxing entities in a proportionate manner. This would be the case for both positive and negative supplemental property taxes. Counties will recall that some counties were not able to allocate these supplemental property tax revenues and had accumulated funds in a county trust account.

Insufficient ERAF. The budget includes funding for three counties (Alpine, Amador, and San Mateo) and the cities therein that currently find themselves with insufficient ERAF revenues to offset their costs associated with the Triple Flip and VLF Swap. The total amount appropriated for this purpose is \$12.7 million.

State-County Assessors' Partnership Agreement Program. SB 854, the general government trailer bill, includes \$7.5 million for a pilot program to provide nine county assessors' offices with grant funds to enhance local property assessment efforts. Counties should note that while the program continues to contain a maintenance of effort requirement and a dollar-for-dollar match requirement, language is also included to authorize counties to include the cost of the match and the grant in their property tax administrative fee calculation.

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Administration of Justice

The 2014-15 state budget enacts a comprehensive package of investments and expanded authority that will strengthen counties' ability to carry out new public safety responsibilities transferred in 2011, among other local priorities. CSAC, in collaboration with our public safety partners, took an active leadership role in advocating on issues of significance to counties. With one exception, the budget enacts CSAC's identified public safety priorities.

Jail Construction Program. The public safety trailer bill (AB 1468) authorizes an additional \$500 million in state lease revenue bond capacity to be dedicated to local jail construction, with an emphasis on expanded programming and treatment space. The relevant provisions – beginning with new Government Code Section 15820.93 – make a number of additional specifications regarding the process that will govern the construction project application process, which contemplates the development a new Request for Proposal. A ten percent match – with a waiver process available for those counties with a population of less than 200,000 – would be required, as has been the case in previous construction programs. Further, the Board of State and Community Corrections (BSCC) is vested with the authority to develop funding and scoring criteria, with the following key provisions:

- AB 900 and SB 1022 award history may be considered;
- Applicant counties must document the percentage of pre-trial jail inmates between January and December 2013 and describe their risk-assessment based pretrial release program;
- Preference will be granted to counties that can demonstrate readiness to proceed by (1) providing proof of available matching funds and (2) documenting compliance with CEQA, as specified; and,
- Consideration also shall be given to counties seeking to replace outdated or unsafe housing capacity.

Finally, the provisions set forth a number of legislative findings and declarations that, among other things, cite the need for a long-term statewide strategy for managing jail population. For technical reasons only, the provisions related to the jail construction program will be taken up and re-enacted in a separate bill later this week due to the fact that bond requirements necessitate that the legislative authority be contained within a stand-alone measure.

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Split Sentence Presumption. The public safety trailer bill (AB 1468) also contains language amending Penal Code Section 1170(h) to establish the presumption of a split sentence, unless the court finds that in the interests of justice such a sentence is not appropriate. The changes would be effective beginning January 1, 2015. The Judicial Council is required to adopt rules of court by January 2015 outlining the intent of the split sentencing presumption.

SB 678 Funding. The budget provides for \$125 million in SB 678 funding in 2014-15, using the new distribution methodology as revised in SB 105 of 2013.

Cap on Long-Term Jail Sentences. Despite the inclusion of a proposal in the Governor's January budget to establish a bright-line cap of ten years on felony jail sentences authorized under AB 109 (2011), the Legislature did not act on the proposal, and the language is not part of the budget agreement. It is our understanding that there will be additional discussion on this important issue over the legislative break this summer. CSAC continues to advocate for this change and will participate actively in future work on this issue.

Trial Court Security in New Facilities. The budget includes a \$1 million appropriation and a mechanism by which counties may seek funding to address increased levels of service following activation of a new court facility. Proposition 30 requires the state to provide annual funding for newly required activities (after October 9, 2011) that have the overall effect of increasing county costs in a realigned program. Recognizing that new court facilities built by the state and occupied on or after October 9, 2011 may impose additional court security responsibilities, the main budget bill (SB 852) appropriates \$1 million and establishes a process (contained in the public safety trailer bill (AB 1468) for evaluating changed service requirements in new facilities.

As outlined in new Government Code Section 69927, counties seeking funding to cover costs associated with the activation of a new courthouse must submit information to permit the Department of Finance to evaluate a variety of relevant factors including, among others, changes in court security associated with facility consolidation, square footage accessible to the public, types of cases being heard, the number of holding cells, and other design considerations. The section also specifies that any funds authorized for this purpose shall be used exclusively for sheriff-provided court security services and excludes payment of any general county administrative costs. Approved requests will be funded on an ongoing basis, subject to an annual budget appropriation, and would be adjusted annually by the same rate applicable to the 2011 Realignment court security subaccount.

In addition to the language outlining the process in the public safety trailer bill, the main budget bill contains a number of provisions that further define the use and purpose of the supplemental trial court security funds. It specifically calls out the counties of Calaveras and San Benito for the 2014-15 allocation; provides for application from other qualifying counties; establishes a per-

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staff reimbursement cap of \$100,000; and sets a March 1, 2015 deadline for 2014-15 applications.

CCP Planning Grants. The budget (SB 852) contains an additional one-year appropriation to fund grants that support the work of local Community Corrections Partnerships (CCP) in their AB 109 implementation efforts. As in previous years, counties receive a fixed amount (\$100,000; \$150,000; or \$200,000 – depending on county size), for a statewide amount of \$7.9 million. Receipt of the planning grants is conditioned upon a county’s submission of report to the state by December 15, 2014, regarding local implementation efforts, as specified.

Federal Court Order Impact. Consistent with the Governor’s May Revision proposal, the budget addresses activities associated with the federal court’s final order of February 10, 2014, which dictates the means and timing by which the state must meet the 137.5 percent prison population threshold. A key element of the state’s plan to reduce prison population is the application of enhanced credit earning for non-violent, non-sexual second strikers (increasing from 20 to 30 percent). Many of these prison inmates, under the provisions of 2011 public safety realignment, would be released onto Post Release Community Supervision (PRCS), a responsibility of county probation departments. The federal court order does not change who is eligible for PRCS; it only changes when the population a county would otherwise be supervising arrives in its jurisdiction. The budget provides for \$11.3 million to be allocated directly to probation departments to mitigate the increment of workload associated with the PRCS offenders benefiting from the accelerated credit earning. Statewide, the average daily population impact is projected to be 216 in 2013-14 and 819 in 2014-15.

Recidivism Reduction Fund. In September 2013, the Governor and the Legislature arrived at a negotiated agreement on how to manage the state’s compliance with the federal court order regarding prison overcrowding. SB 105 codified the elements of that agreement, which included a specification that any unexpended portion of the \$315 million authorized for in- and out-of-state beds would be dedicated to a Recidivism Reduction Fund, if certain conditions were met. The total amount available for Recidivism Reduction Fund Investment in 2014-15 is just over \$90 million. The budget compromise would dedicate those resources to a wide array of priorities, reflecting a blend of Administration, Senate and Assembly ideas, as detailed below.

Local Recidivism Reduction Grants - Board of State and Community Corrections

- **Mentally Ill Offenders Crime Reduction Grants** – \$18 million in one-time competitive grant program with funding allocated to counties in the first year and available for expenditure for three years. Program details are set forth in section 32 of the public safety trailer bill.

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- **Community Recidivism Reduction Grants** – \$8 million in one-time funding for each county to provide small grants to nongovernmental entities engaged in a broad-scope of recidivism reduction efforts in the community. *(See additional details below.)*
- **Grants to Cities with the highest rates of Serious Crimes** – \$2 million funding to provide three grants of equal amounts to the cities with the highest rates of murder, rape, and robbery.

State Recidivism Reduction Efforts - Department of Corrections and Rehabilitation (CDCR)

- **Community Reentry Facilities** – \$20 million to house inmates prior to release in community facilities, which could also serve as transitional housing and intermediate sanctions for probationers. Additional details on the structure of these programs will follow in the coming weeks.
- **Substance Use Disorder Treatment Expansion in Prisons** – \$12 million to expand treatment to all non-reentry hub prisons over a two-year period.
- **Cognitive Behavioral Treatment at Contracted Facilities** – \$4 million for rehabilitative programming at in-state contract facilities, similar to programming at reentry hubs.
- **Case Managers at Parolee Outpatient Clinics** – \$2.5 million to fund a three-year pilot program will include case management social workers assisting parolee participants in managing basic needs, including housing, job training, medical and mental health care.
- **Grants to Community Colleges for Inmate Education** – \$2 million to provide coursework geared toward improving inmates' ability to find employment upon release.
- **California Leadership Academy Planning Grant** – \$865,000 to develop a plan for a facility with specialized programming aimed at reducing recidivism for 18 to 25 year old male inmates.
- **Independent Evaluation of Integrated Services for Mentally Ill Parolees Program** – One-time funding of \$0.5 million to contract with an independent entity to do an evaluation of the program's effectiveness in reducing recidivism.

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- **Innovative Programming Grants** – One-time funding of \$2.5 million to expand non-profit programs that have demonstrated success and focus on offender responsibility and restorative justice principles to prisons with fewer volunteer programs available. (\$0.5 million in General Fund and \$2 million in CDCR Inmate Welfare Fund)
- **Cal-ID Expansion** – Expands the current ID program at the reentry hubs to all prisons to prepare inmates for release. (\$2.175 million in CDCR Inmate Welfare Fund).

Other Initiatives

- **Court Programs** – **\$15 million** in one-time competitive grants for operation of programs known to reduce recidivism and enhance public safety, such as collaborative courts, and pretrial and risk assessment programs. (*See additional details below.*)
- **Social Innovation Bonds** – Subject to future legislation, **\$5 million** dedicated to facilitate the use of social innovation financing for recidivism reduction programs, such as housing for former felons.
- **Workforce Investment Boards** – **\$1 million** in one-time competitive grant program for workforce training and job development to serve the reentry population.

Community Recidivism Reduction Grants. Counties should review in particular the provisions enacted in Section 21 of the public safety trailer bill (AB 1468), which outline local responsibilities associated with the Community Recidivism Reduction Grants. Boards of supervisors, in collaboration with the local Community Corrections Partnership, will be required to administer a competitive grant program for local nongovernmental entities that provide community recidivism and crime reduction services, as described.

Counties are being asked to review grant applications and pass through funds to successful applicants; counties would be permitted to retain five percent of the funds allocated to a county to cover administrative costs. Awards to service providers are capped on a per-entity basis depending on county size: \$100,000 maximum grant in a county with a population over 4 million; \$50,000 maximum grant in a county with a population between 700,000 and 3,999,999; \$25,000 maximum grant in a county with a population between 400,000 and 699,999; and \$10,000 maximum grant in a county with a population of less than 400,000. The State Controller's Office will apportion the \$8 million to counties as follows:

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County	Amount of Total Pass-Through Grant
Alameda	\$250,000
Alpine	\$10,000
Amador	\$10,000
Butte	\$50,000
Calaveras	\$10,000
Colusa	\$10,000
Contra Costa	\$250,000
Del Norte	\$10,000
El Dorado	\$50,000
Fresno	\$250,000
Glenn	\$10,000
Humboldt	\$50,000
Imperial	\$50,000
Inyo	\$10,000
Kern	\$250,000
Kings	\$50,000
Lake	\$25,000
Lassen	\$10,000
Los Angeles	\$1,600,000
Madera	\$50,000
Marin	\$50,000
Mariposa	\$10,000
Mendocino	\$25,000
Merced	\$50,000
Modoc	\$10,000
Mono	\$10,000
Monterey	\$100,000
Napa	\$50,000
Nevada	\$25,000
Orange	\$500,000
Placer	\$50,000
Plumas	\$10,000
Riverside	\$500,000
Sacramento	\$250,000
San Benito	\$25,000
San Bernardino	\$500,000

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County	Amount of Total Pass-Through Grant
San Diego	\$500,000
San Francisco	\$250,000
San Joaquin	\$250,000
San Luis Obispo	\$50,000
San Mateo	\$250,000
Santa Barbara	\$100,000
Santa Clara	\$500,000
Santa Cruz	\$50,000
Shasta	\$50,000
Sierra	\$10,000
Siskiyou	\$10,000
Solano	\$100,000
Sonoma	\$100,000
Stanislaus	\$100,000
Sutter	\$25,000
Tehama	\$25,000
Trinity	\$10,000
Tulare	\$100,000
Tuolumne	\$25,000
Ventura	\$250,000
Yolo	\$50,000
Yuba	\$25,000

There are a variety of potential uses for the funds, but qualifying nongovernmental entities must have a demonstrated history of providing recidivism and crime reduction services, as specified. Boards of supervisors must establish minimum requirements and funding criteria and must transmit to BSCC data collected by the service providers as required in the bill. Funds for these programs will be available for four years and any unencumbered after that period will revert to the General Fund. Further, any funds not granted to a service provider one year after allocation to a county also are subject to immediate General Fund reversion.

Collaborative Courts/Pre-Trial Programs/Risk and Needs Assessments. The main budget bill appropriates \$15 million in new General Fund resources through the judicial branch budget to a variety of allowable uses. These include “the establishment or ongoing operation and staffing of programs known to reduce recidivism and enhance public safety, including collaborative courts that serve moderate and high-risk adult criminal offenders, pretrial programs, and the use of risk and needs assessment instruments at sentencing of felony offenders subject to local



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supervision.” The Judicial Council will administer the competitive grant program, and participating courts must submit a joint application on behalf of the county and other participating partners. A focus on practices and programs that address the needs of the mentally ill and drug addicted populations. Details on reporting requirements also are outlined.

Other Realignment Clean-up and Public Safety Provisions. The public safety trailer bill (AB 1468) contains a range of other provisions of interest to counties, summarized below:

- For consistency purposes, previous supplantation references within specified law enforcement programs funded under 2011 Realignment (e.g., COPS, JJCPA, rural and small county sheriffs, Juvenile Reentry Fund) are amended to mirror the supplantation language in Proposition 30.
- Modeled after SB 1266 (Liu, 2010), which created an alternative custody program for female state prison inmates, the public safety trailer bill enacts language to grant counties the authority to run local alternative custody programs for men and women.
- To coordinate and modernize juvenile justice data collection, the trailer bill establishes a Juvenile Justice Data Workgroup within the Board of State and Community Corrections, with specified representatives, charged with developing a comprehensive plan for data collection and reporting by county agencies.
- Other technical and/or corrective provisions to the 2011 Realignment fiscal structure, including (1) Clarification that the per-juvenile minimum allocation for Juvenile Reentry Grants no longer applies; (2) A change to the specific data reporting from the Department of Justice regarding juvenile felony court dispositions to those of the previous calendar year for purposes of calculating counties’ Youthful Offender Block Grant allocations; and (3) A correction to the specified county shares of the High Technology Theft Apprehension and Prosecution Program distribution to ensure the formula allocates exactly 100 percent.

Judicial Branch Funding. The budget augments the judicial branch budget by \$223 million, which includes the following elements:

- \$86.3 million for trial court operations
- \$42.8 million to cover increases in trial court employee health and retirement expenses

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- \$2.24 to cover rent increases for the state-level entities
- \$5 million for state-level employee costs
- \$30.9 million towards the projected fee revenue shortfall
- \$40 million from the General Fund (one-time) to offset the Immediate and Critical Needs Account (ICNA) ongoing transfer of \$50 million. (This one-time funding will not automatically be included in the FY 2015-16 budget, and is earmarked for court construction, not for court operations.)

Municipal Law Enforcement Grants. The budget increases the 2014-15 investment in municipal law enforcement services by \$12.5 million, bringing the grant program for local law enforcement activities to \$40 million. The increment of new funding in is to be dedicated to targeted police training. As in previous years, the Board of State and Community Corrections will have an administrative role in allocating the funds to identified municipalities that will serve as the fiduciary agent within each county.

Agriculture, Environment and Natural Resources

The final 2014-15 state budget passed by the Legislature includes a number of proposals for the funding of environmental protection and natural resources programs. However, traditional funding sources to counties, such as Williamson Act Subvention payments, Fish and Wildlife Payment in Lieu of Taxes and funding for the State and County Fairs Network remain unfunded.

California Beverage Container Recycling and Litter Reduction Act (Bottle Bill). The final budget bill, SB 852 does not include any reforms to the Beverage Container Recycling and Litter Reduction Act (Bottle Bill) as proposed in the Governor's January Budget. Of particular concern to counties was the restructuring of the city/county payment and the elimination of the curbside supplemental payment. Currently counties receive a minimum of \$10,000 per year for programs associated with the Bottle Bill. CSAC expects that the Legislature will attempt to address the Bottle Bill's solvency issues before the end of the legislative session.

State Water Resources Control Board (State Water Board). The Budget Bill allocates \$1.8 million from the Waste Discharge Permit Fund (WDPF) for a coordinated effort with the Department of Fish and Wildlife (DFW) to improve enforcement, and mitigate the impacts of marijuana cultivation on water quality. Consistent with the Governor's January proposed budget, SB 852 also transfers the state Drinking Water Program from the Department of Public Health to the State Water Resources Control Board (State Water Board) as of July 1, 2014.

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The Resources Budget Trailer Bill, SB 861, provides statutory cleanup related to hydraulic fracturing regulations at the State Water Board including specifying that regulations finalized on or before January 1, 2015, become effective July 1, 2015, and makes technical changes to the authority of the Board related to area-specific ground water monitoring programs.

Delta Protection Commission/Delta Stewardship Council. Consistent with the Governor's January proposed budget, the Budget Bill includes \$1.4 million in funding for the Delta Protection Commission and \$17 million for the Delta Stewardship Council.

Department of Fish and Wildlife. The Budget Bill authorizes \$500,000 annually through July 1, 2017 from the Waste Discharge Permit Fund (WDPF), \$500,000 from the General Fund, and \$500,000 from the Timber Regulation and Forest Restoration Fund (TRFRF) for a program to address the environmental issues and resource impacts associated with marijuana cultivation.

SB 861, the Resources Budget Trailer Bill, authorizes the imposition of various civil penalties for a violation of specified provisions of the Fish and Game Code in connection with the production or cultivation of a controlled substance on land that the person owns, leases, or otherwise uses or occupies with the consent of the landowner.

Department of Forestry and Fire Protection (CAL FIRE). The Final Budget Bill includes \$607 million in General Fund revenue, principally used for baseline fire suppression activities. Regarding the State Responsibility Areas (SRA) fee, the Budget Bill includes a one-year, \$10 million local grant program funded from the fee proceeds.

Health Budget Issues

There are two trailer bills pertaining to health budget items – SB 857 and SB 870.

Medi-Cal. The budget provides \$437 million GF for costs related to implementation of the Affordable Care Act.

The budget increases Medi-Cal eligibility to 138 percent of FPL for pregnant women and establishes a wrap program for women between 139 and 213 percent FPL that allows women to choose to have both Covered California coverage and Medi-Cal as a wrap to pay their premiums and co-pays and to cover services not covered by the Covered California Plan. The proposal saves \$16.5 million GF.

Medi-Cal Provider Reimbursement Rates. The budget includes forgiveness of certain retroactive payment reductions. Exemptions include physicians/clinics, certain drugs that are



typically high-cost and used to treat serious conditions, dental, intermediate care facilities for the developmentally disabled and medical transportation. The budget does not grant prospective fee-for-service rate increases. SB 870 includes language to ensure DHCS monitors access and utilization of Medi-Cal services and to use this information to evaluate current reimbursement levels and make changes as the department finds appropriate.

The budget includes a rate adjustment for Programs for All-Inclusive Care for the Elderly (PACE), which has a cost of \$3.6 million in total, \$1.8 million General Fund and would increase the rates from 90 to 95 percent. The details are included in SB 870.

The budget includes the diversion \$724.9 million from county health realignment funds for CalWORKs costs, per AB 85 (Chapter 24, Statutes of 2013). In January, this estimate was \$900 million.

SB 857 includes trailer bill language that establishes a new payment structure for the Martin Luther King, Jr. Community Hospital to allow it to reopen in 2015.

The budget includes \$2 million (\$1 million General Fund) for county administrative costs associated with semi-annual progress reports that are new requirements under the *Katie A. v. Bonta* settlement agreement. The settlement agreement was entered into by the state in 2012 to improve mental health and supportive services for children and youth in, or at imminent risk of placement in, foster care in California.

The budget eliminates the Managed Risk Medical Insurance Board (MRMIB) and transfers its programs to the Department of Health Care Services (DHCS) effective January 1, 2015.

SB 857 suspends the Cost of Living Adjustment for the county administration of Medi-Cal eligibility for 2014-15.

SB 857 provides the Department of Managed Health Care with authority to enforce federal mental health parity rules and conforms to federal rules to impose these requirements on large group products.

SB 857 also specifies that funds allocated as part of the Department of Public Health's tuberculosis control subvention grant to local jurisdictions be used to support certain tuberculosis control activities.

Public Health. The budget includes \$4 million GF for the Black Infant Health program and \$3 million GF for HIV demonstration projects. SB 870 establishes public health demonstration projects for innovative, evidence-based approaches to provide outreach, HIV and Hepatitis C

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screenings and linkages to, and retention in, quality health care for underserved individuals at high-risk for HIV infection.

Department of State Hospitals. The Public Safety Budget Trailer Bill (AB 1468) contains several changes in policy for the Department of State Hospitals (DSH), including:

- Adds public or private community-based locked residential treatment facilities with secure perimeters as an option for placing mentally incompetent defendants and requires that DSH pay for these placements;
- Establishes a Patient Management Unit (PMU) to provide centralized oversight and management of patient admissions;
- Allows DSH to evaluate each patient before placement in the DSH system and requires medical records to follow the patient.

The budget includes an increase of 100 Incompetent to Stand Trial beds in state hospitals and up to 55 restoration of competency beds in county jails.

Mental Health. The budget reestablishes the Mentally Ill Offender Crime Reduction (MIOCR) program to provide grants to local communities to support investments in intervention, assessment and treatment of mentally ill individuals. The specific provisions are included in AB 1468 and include requiring MIOCR grants to be disbursed on a competitive basis to counties that expand or establish a continuum of timely and effective responses to reduce crime and criminal justice costs related to mentally ill offenders. The measure also establishes minimum requirements for funding criteria and procedures for awarding grants.

Human Services Budget Issues

SB 855 contains the main trailer bill provisions for human services programs.

CalWORKs Grant Payments. Increases the maximum aid grant amounts to be provided under the CalWORKs program by 5 percent as of April 1, 2015.

Housing and Homeless Support. This bill specifies that families receiving CalWORKs benefits when homelessness or housing instability is a barrier to self-sufficiency or child well-being, are eligible for specified housing supports, including financial assistance and housing stabilization and relocation, in counties that opt to participate in providing these supports, and to the extent that funding for this purpose is provided in the annual Budget Act. The bill requires the State Department of Social Services (DSS), in consultation with the County Welfare Directors Association of California, to develop criteria by which counties may opt to participate in

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providing housing supports to eligible recipients. The budget provides \$20 million for this purpose.

Temporary Assistance Program. The bill delays the commencement date of the Temporary Assistance Program (TAP) from October 1, 2014, to October 1, 2016.

CalWORKs and CalFresh Benefits for Former Drug Felons. Counties are pleased to see a long-sought policy change to allow a small population who has been convicted of a drug-related felony after 1997 and who meet all current eligibility requirements – including compliance with local probation or state parole requirements – to be eligible for CalWORKs and CalFresh nutrition assistance services. The budget provides \$10.6 million GF for this policy change. CSAC strongly supported Senator Loni Hancock’s SB 1029, which would have enacted this change through the legislative process.

Child Welfare Services

Commercially Sexually Exploited Children. SB 855 establishes the Commercially Sexually Exploited Children Program to be administered by the State Department of Social Services in order to adequately serve children who have been sexually exploited and would require the Department, in consultation with the County Welfare Directors Association of California, to develop an allocation methodology to distribute funding. The budget provides \$5 million in 2014-15, growing to \$14 million in 2015-16.

SB 855 authorizes the use of these funds by counties electing to participate in the program for prevention and intervention activities and services to children who are victims, or at risk of becoming victims, of commercial sexual exploitation. The measure requires DSS to contract for training for county children's services workers to identify, intervene, and provide case management services to children who are victims of commercial sexual exploitation, and for the training of foster caregivers for the prevention and identification of potential victims. SB 855 also require each county that elects to receive funds, to develop an interagency protocol to be utilized in serving sexually exploited children who have been adjudged to be a dependent child of the juvenile court.

Foster Care Payments to Relative Care Givers. SB 855 provides \$30 million to establish the Approved Relative Caregiver Funding Option Program. The Approved Relative Caregiver Funding Option Program allows counties to opt-in by October 2014. The program will start January 1, 2015 and would pay an approved relative caregiver a per child, per month rate, equal to the base rate paid to foster care providers for an federally eligible AFDC-FC child. Counties have the ability opt-out of the program, and must provide 120-day notice to the Department of Social Services and must provide at least 90 days' prior written notice to the approved relative

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caregiver or caregivers, informing them that his or her payment will be reduced and the starting date of the reeducation.

In addition, the bill would appropriate \$30 million General Fund for the 2015 calendar year and for each calendar year thereafter for these purposes. The base appropriation is adjusted by California Necessities Index annually. If this appropriation is insufficient to fully fund the base caseload of approved relative caregivers, the bill provides for the appropriation of additional funds necessary to fully fund that base caseload, and requires the calendar year appropriation amount beginning with the 2016 calendar year to be increased by the same amount of additional funds and along with the total calendar year appropriation, and be adjusted by the CNI.

CalFresh County Administration Match Waiver. SB 855 extends counties' eligibility to receive the full allocation for CalFresh administration without paying the county's share of the nonfederal costs above the 1996-1997 expenditure requirement to the budget year. The bill would also reduce the amount of the waiver throughout subsequent fiscal years and would eliminate the waiver by the 2018-19 fiscal year.

State Utility Assistance Subsidy. The budget includes \$10.5 million General Fund in 2014-15 to continue providing an energy assistance subsidy to CalFresh recipients. This proposal comes in response to recent changes in federal law that reduced eligibility levels for up to 320,000 households in California. SB 855, effective July 1, 2014, creates the State Utility Assistance Subsidy (SUAS), a state-funded energy assistance program, and requires the Department of Community Services and Development to delegate authority over the program to the State Department of Social Services.

Modified Categorical Eligibility. SB 855 raises the federal poverty level to the federally allowable maximum amount of 200 percent FPL for CalFresh, and also requires DSS to establish, design, and implement a program of categorical eligibility for CalFresh recipients. The bill provides that the Director of DSS can only establish the program of categorical eligibility with appropriate federal authorization, and if implementation would not result in the loss of federal financial participation.

Drought. Drought Emergency and State Emergency Food Assistance Programs. The budget authorizes up to \$20 million GF to provide emergency food relief to drought impacted communities.

In-Home Supportive Services (IHSS). The budget allows for the payment of overtime to IHSS providers, pursuant to new federal overtime rules. The budget provides for \$66 million GF in 2014-15 and \$237 million GF in 2015-16 to provide for the Fair Labor Standards Act final rule,

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set to implement January 1, 2015. SB 855 provides guidance regarding the oversight of the overtime. The measure defines a workweek and provides that a single provider cannot work more than 66 hours in a workweek – reduced by the seven percent across the board cut to 61 hours. Currently, the maximum amount of hours a consumer can receive per month is 264.

The budget leaves in place the seven percent across-the-board reductions to IHSS approved hours.

Adult Protective Services (APS). The budget includes \$150,000 GF for 1 position at DSS to provide leadership on statewide APS policy, support county APS programs and serve as a liaison with the federal government.

Housing, Land Use and Transportation

Early Repayment of the HUTA Loan to Counties. The Legislature adopted the budget conference committee’s compromise on the early repayment of the Highway User Tax Account (HUTA) loan. CSAC supported the proposal, in recognition of the important role that the local street and road system plays in statewide mobility. Recall that the Governor proposed to allocate \$100 million of the \$337 million loan repayment to counties and cities. After months of budget subcommittee hearings, meetings with members and staff and of course direct contact to legislators from county supervisors and staff, the budget directs \$242 million in addition to next year’s gas tax revenues to counties and cities for road maintenance. The additional funds come from a combination of the HUTA loan repayment and State Highway Account funds.

CSAC also advocated for the use of the fuel tax swap formula (Streets and Highways Code §2103), which allocates funds to counties based 75% on maintained miles and 25% on registered vehicles. CSAC has confirmed that the \$100 million in HUTA loan repayment funds will be apportioned via the base gas tax formulas (Streets and Highways Code §2104 - §2107) while the \$142 million in State Highway Account funds will be apportioned via the fuel tax swap formula. Overall, counties will receive approximately \$71 million in additional local streets and roads funding in FY 14-15 over the Governor’s proposed budget—\$121 million more than gas tax revenues alone would have provided. The chart below represents a county-by-county estimate of the total \$121 million.

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COUNTY	Governor's January Budget \$50 M to Counties	Budget Conference Compromise Additional \$71 M to Counties	FY 2014-15 Budget Total Allocation \$121 M to Counties
Alameda	\$ 1,874,534	\$ 2,256,016	\$ 4,130,551
Alpine	\$ 12,406	\$ 41,695	\$ 54,102
Amador	\$ 108,546	\$ 201,485	\$ 310,031
Butte	\$ 421,555	\$ 728,222	\$ 1,149,777
Calaveras	\$ 154,482	\$ 306,595	\$ 461,076
Colusa	\$ 65,786	\$ 240,322	\$ 306,108
Contra Costa	\$ 1,481,498	\$ 1,755,789	\$ 3,237,287
Del Norte	\$ 43,559	\$ 125,747	\$ 169,306
El Dorado	\$ 430,088	\$ 651,200	\$ 1,081,289
Fresno	\$ 1,347,785	\$ 2,191,989	\$ 3,539,774
Glenn	\$ 79,603	\$ 291,961	\$ 371,564
Humboldt	\$ 304,603	\$ 573,288	\$ 877,891
Imperial	\$ 282,742	\$ 975,437	\$ 1,258,179
Inyo	\$ 87,980	\$ 351,629	\$ 439,609
Kern	\$ 1,400,891	\$ 2,083,458	\$ 3,484,349
Kings	\$ 225,801	\$ 435,405	\$ 661,207
Lake	\$ 172,848	\$ 309,162	\$ 482,010
Lassen	\$ 82,997	\$ 298,880	\$ 381,877
Los Angeles	\$ 11,221,429	\$ 13,521,465	\$ 24,742,894
Madera	\$ 214,139	\$ 628,577	\$ 842,716
Marin	\$ 383,632	\$ 513,660	\$ 897,292
Mariposa	\$ 56,613	\$ 198,170	\$ 254,783
Mendocino	\$ 257,450	\$ 459,630	\$ 717,080
Merced	\$ 444,178	\$ 823,620	\$ 1,267,797
Modoc	\$ 67,478	\$ 288,138	\$ 355,616
Mono	\$ 51,037	\$ 213,370	\$ 264,408
Monterey	\$ 650,442	\$ 935,956	\$ 1,586,398
Napa	\$ 246,030	\$ 355,259	\$ 601,289
Nevada	\$ 226,503	\$ 363,115	\$ 589,618

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Orange	\$ 3,766,791	\$ 4,419,854	\$ 8,186,645
Placer	\$ 690,710	\$ 940,036	\$ 1,630,746
Plumas	\$ 66,765	\$ 238,205	\$ 304,970
Riverside	\$ 2,733,861	\$ 3,631,188	\$ 6,365,049
Sacramento	\$ 2,066,922	\$ 2,649,266	\$ 4,716,189
San Benito	\$ 113,414	\$ 200,416	\$ 313,829
San Bernardino	\$ 2,633,672	\$ 3,550,421	\$ 6,184,092
San Diego	\$ 4,185,459	\$ 5,085,418	\$ 9,270,877
San Francisco*	\$ 1,482,444	\$ 1,066,977	\$ 2,549,420
SF (city share)*	(see note*)	\$ 1,855,230	(see note*)
San Joaquin	\$ 988,431	\$ 1,438,411	\$ 2,426,842
San Luis Obispo	\$ 530,787	\$ 847,980	\$ 1,378,767
San Mateo	\$ 1,034,567	\$ 1,240,101	\$ 2,274,668
Santa Barbara	\$ 659,560	\$ 865,988	\$ 1,525,548
Santa Clara	\$ 2,259,136	\$ 2,777,933	\$ 5,037,069
Santa Cruz	\$ 445,013	\$ 575,115	\$ 1,020,128
Shasta	\$ 392,227	\$ 678,985	\$ 1,071,211
Sierra	\$ 27,291	\$ 114,728	\$ 142,019
Siskiyou	\$ 129,934	\$ 475,934	\$ 605,868
Solano	\$ 569,643	\$ 792,244	\$ 1,361,887
Sonoma	\$ 842,133	\$ 1,204,705	\$ 2,046,838
Stanislaus	\$ 772,695	\$ 1,166,842	\$ 1,939,537
Sutter	\$ 189,416	\$ 363,308	\$ 552,725
Tehama	\$ 124,875	\$ 411,007	\$ 535,882
Trinity	\$ 57,522	\$ 221,238	\$ 278,759
Tulare	\$ 742,419	\$ 1,422,498	\$ 2,164,917
Tuolumne	\$ 157,663	\$ 288,905	\$ 446,568
Ventura	\$ 1,173,993	\$ 1,414,138	\$ 2,588,131
Yolo	\$ 309,529	\$ 510,520	\$ 820,049
Yuba	\$ 154,135	\$ 288,399	\$ 442,534
TOTAL**	\$ 51,278,992	\$ 72,855,230	\$ 122,697,646

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** Governor's proposal column excludes Section 2107 loan repayment; \$71 million allocation column is separated into city and county shares.*

*** Totals exceed estimates for counties due to city shares to San Francisco and minor formula factors.*

Funding for Supportive Housing. The final FY 2014-15 state budget included \$100 million in General Fund revenue for supportive housing programs. Specifically, the final budget provides \$50 million for the existing Multi-Family Housing Program and \$50 million for the Multi-Family Housing Program's supportive housing projects. The purpose of these programs is to assist in the new construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households. Counties and other local public entities are among those eligible to apply for the deferred payment loans offered by the program. Applicants are invited to apply through a notice of funding available (NOFA). CSAC staff will share the NOFA with counties when it is released in the future.

Cap and Trade. With respect to cap and trade, the Legislature adopted the budget conference compromise we alerted counties about last week. The final budget includes a three pronged approach to the investment of cap and trade auction revenues, including an FY 2014-15 appropriation, a long-term appropriation plan for FY 2015-16 and beyond, and accountability measures. From the county perspective, there are a number of wins in the overall package though much work remains to ensure the investment of cap and trade auction revenues provide for the maximum cost-effective greenhouse gas emissions reductions. The FY 2014-15 appropriation of \$872 million is outlined below. Further, the FY 2014-15 state budget commits the remaining \$400 million from the FY 2013-14 cap and trade loan to the High Speed Rail project.

Program	2014-15 Allocation
High Speed Rail	\$ 250.0
Transit and Intercity Rail Capital Program	\$ 25.0
Low Carbon Transit Operations (STA)	\$ 25.0
Affordable Housing and Sustainable Communities	\$ 130.0
Low Carbon Transportation	\$ 200.0
Weatherization	\$ 75.0

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Agricultural Energy and Operational Efficiency	\$ 15.0
Energy Conservation Assistance Act for public buildings	\$ 20.0
Water Action Plan - Water-Energy Efficiency (SB 103- has been appropriated)	\$ 40.0
Water Action Plan - Wetlands and Watershed Restoration	\$ 25.0
Sustainable Forests	\$ 25.0
Sustainable Forests/Urban Forestry	\$ 17.0
Waste Diversion	\$ 25.0
Total	\$ 872.0

The deal also proposes to allocate future auction revenues, beginning in FY 2015-16, as follows:

- 35% continuously appropriated for transportation, affordable housing and sustainable communities
 - 15% for transit including intercity rail and low carbon transit operations
 - 20% for affordable housing and sustainable communities
- 25% continuously appropriated for High Speed Rail
- 40% annually appropriated in the budget or through legislation for low carbon transportation, natural resources programs, energy programs, and other GHG reducing programs

In terms of investment in sustainable communities, recall that CSAC was advocating for three main modifications to the Governor’s January Budget, including more funding for sustainable communities infrastructure, local street and road maintenance and rehabilitation as an eligible use within any sustainable communities program, and a regional governance structure that would require regional transportation agencies to develop competitive grant programs for counties, cities, and transit agencies. The \$140 million in FY 2014-15 and the 10% of total auction revenues in FY 2015-16 and beyond that will be continuously appropriated, include active transportation projects including bicycle and pedestrian facilities and capital projects that implement complete streets as an eligible use. Also, at full implementation, the cap and trade auctions could generate up to \$5 billion annually meaning counties could compete for a share of up to \$500 million in sustainable communities funds each year. Regarding the governance structure, the Strategic Growth Council (SGC) is required to develop implementation guidelines and selection criteria for the program, which does not prohibit the SGC from delegating competitive grant programs at the regional level with strict state guidance. CSAC will continue to work on this aspect, and others, of cap and trade implementation.



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Lastly, while the FY 2014-15 allocation does not include the local government program for non-transportation projects that CSAC has been advocating for, it is our understanding that local governments are eligible under several of the programs listed above, particularly within the waste diversion, water efficiency and energy efficiency programs. In addition, for the on-going funding plan, the 40% dedicated to natural resources funding will be annually appropriated in the budget and through legislation. CSAC will continue to work to secure a portion of this funding for programs that fund local projects within the energy and natural resources sector.

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