



County of San Diego

HELEN N. ROBBINS-MEYER
CHIEF ADMINISTRATIVE OFFICER
(619) 531-6226
FAX: (619) 557-4060

CHIEF ADMINISTRATIVE OFFICE

1600 PACIFIC HIGHWAY, STE. 209, SAN DIEGO, CA 92101-2472

DONALD F. STEUER
ASST. CHIEF ADMINISTRATIVE OFFICER/
CHIEF OPERATING OFFICER
(619) 531-4940
FAX: (619) 557-4060

January 22, 2015

TO: Supervisor Bill Horn, Chairman
Supervisor Dave Roberts, Vice Chairman
Supervisor Greg Cox
Supervisor Dianne Jacob
Supervisor Ron Roberts

FROM: Helen Robbins-Meyer
Chief Administrative Officer

HIGHLIGHTS OF THE GOVERNOR'S PROPOSED FY 2015-16 STATE BUDGET AND POTENTIAL COUNTY IMPACTS

On January 9th, Governor Jerry Brown unveiled his Proposed FY 2015-16 State Budget. The Governor's proposed \$113.3 billion spending plan for FY 2015-16 has been designed to fund the government for the upcoming fiscal year and to continue to address the State's remaining debt and financial liabilities.

During his State Capitol press conference the Governor echoed a similar message of caution as he did when he released last year's budget. He said that while California's economic situation continues to improve, the success could be short lived and warned that the State's unfunded liabilities would continue to constrain state finances in the future unless action is taken to address them. He also said that the temporary taxes approved by voters in 2012 to help the State address some of their fiscal challenges would not be extended when they sunset in 2018.

In his Proposed FY 2015-16 State Budget, the Governor continues to focus on paying of the State's long standing debt. In positive news for counties, the Governor has suggested \$533 million for local governments to pay for pre-2004 mandate debt. To date, the County of San Diego is owed approximately \$57 million for performing programs and activities mandated by the state with nearly \$30 million of that total pre-2004 debt. The California State Association of Counties (CSAC) has estimated that should the Governor's proposed allocation to local governments be finalized, the County of San Diego would receive approximately \$23 million in FY 2015-16.

This is the first budget proposal introduced after voters approved Proposition 1 and 2 last year which direct investment into water infrastructure and funding the state's Rainy Day Fund to protect the State against future economic slowdowns. By the end of FY 2015-16 the constitutionally protected Rainy Day Fund would stand at \$2.8 billion.

The Governor's Proposed State Budget maintains its commitment to 2011 Public Safety Realignment, which shifted lower level offenders from the state to local jurisdictions. It also continues funding for implementation of the Affordable Care Act (ACA). The Governor estimated that 3.3 million additional people will enroll in Medi-Cal and an additional 2 million will enroll in Covered California by the end of FY 2015-16.

Historically the Governor's January Proposed Budget is the starting point for budget discussions with the State Legislature. In May, the Governor will release a Revised State Budget as the Legislature prepares for budget deliberations. The State Legislature has until June 15th to pass a State Budget in advance of the end of the fiscal year on June 30th.

The attached document includes highlights of the Governor's Proposed FY 2015-16 State Budget and potential impacts to the County of San Diego.

Respectfully,

A handwritten signature in black ink, appearing to read "Helen N. Robbins-Meyer", written in a cursive style.

HELEN N. ROBBINS-MEYER
Chief Administrative Officer

Attachment

cc: ACAO, CSG, FGCG, HHSA, LUEG, PSG, CNL, CLK, OSIA

GOVERNOR'S PROPOSED FISCAL YEAR 2015-16 STATE BUDGET POTENTIAL IMPACTS ON THE COUNTY OF SAN DIEGO



MISCELLANEOUS BUDGET

State Budget Progress (*Governor's Proposed Budget Summary, Pages 1-3, 14-15*)

- The Governor's Proposed Budget plans for \$113.3 billion in spending from the General Fund.
- The FY 2015-16 Proposed Budget continues to provide more funding for education and health care coverage.
- While economic conditions are improving, according to the Governor, there remain a number of major risks that threaten the State's fiscal stability, including the remaining budgetary debt and long term liabilities.

Rainy Day Fund (*Governor's Proposed Budget Summary, Pages 1, 3, 9, 14*)

- Proposition 2, passed in November 2014, requires a percentage of general fund revenues and spikes in capital gains revenues to be set aside in a constitutionally protected Rainy Day Fund/Budget Stabilization Account when times are good in order to avoid repeating the boom-and-bust cycle of the past two decades.
- The Governor's Proposed Budget projects a \$2.8 billion reserve in the constitutionally protected Rainy Day Fund/Budget Stabilization Account, including a \$1.2 billion projected deposit for FY 2015-16 and \$1.6 billion in funds deposited in the Budget Stabilization Account prior to the passage of Proposition 2.

Long-Term Costs and Debts (*Governor's Proposed Budget Summary, Pages 3, 6, 132; Legislative Analyst's Office 2015-16 Budget: Overview of the Governor's Budget, Page 4*)

- For the next 15 years, Proposition 2 will provide a dedicated source of funding to help address the State's long term liabilities. For FY 2015-16 the Governor's Proposed Budget projects \$1.2 billion in additional Proposition 2 funds to pay down existing state debts.
 - The Administration proposes to use the additional \$1.2 billion in funds to pay down \$965 million in special fund loans and \$256 million in prior-year Proposition 98 costs, and the Administration's multiyear forecast proposes to dedicate Proposition 2 debt payments exclusively for these two purposes through FY 2018-19.
- The State is facing \$227 billion in long term costs, debts and liabilities, and an additional \$66 billion in deferred maintenance costs on its infrastructure. \$222 billion of the \$227 billion derives from retirement costs of state and University of California employees.

State's Cash Flow (*California State Controller's Office, Press Release: Controller Yee Releases December Cash Update, January 9, 2015*)

- State revenues for the month of December 2014 totaled \$13.1 billion, surpassing budget estimates by \$1.9 billion, or 17.2 percent.
- Total revenues of \$47.4 billion for the first six months of the fiscal year were \$3.0 billion, or 6.7 percent, ahead of budget estimates.
- The State's top three revenue sources all exceeded monthly estimates:
 - Sales tax receipts were \$193.4 million above estimates (9.3 percent)
 - Corporate tax receipts were \$483.8 million above estimates (38.1 percent)
 - Personal income taxes came in \$1.3 billion above estimates (17.7 percent)

State Mandate Reimbursement (*Governor's Proposed Budget Summary, Pages 124-125*)

- The Governor's Proposed Budget continues to reimburse counties, cities and special districts for mandate costs incurred prior to 2004 which must be repaid by 2020-21.
- A trigger mechanism was included in the 2014 Budget Act to take effect should the FY 2015-16 May Revision revenues exceed the 2014 May Revision estimates. The trigger dictates that, after satisfying the Proposition 98 guarantee, any additional revenues up to \$800 million will be utilized to pay down the remainder of the State's pre-2004 mandate debt.

- The Governor's Proposed Budget projects that the trigger mechanism will result in a \$533 million payment toward this mandate debt. If revenues improve between now and the May Revision, this payment could potentially increase.

County Impact

- The California State Association of Counties estimates that the County of San Diego will receive approximately \$23.8 million of the projected \$533 million in pre-2004 mandate reimbursements resulting from the trigger mechanism.
- The Proposed Budget includes a one-time payment of \$9.6 million to local agencies for costs accrued due to performing activities under the Public Records Act mandate between 2001 and 2013. With the approval of Proposition 42 in June, 2014, the Public Records Act was placed into the Constitution and will no longer be reimbursable as a mandate in future years.

County Impact

- The County is owed \$82,084 for the Public Records Act mandate that will be reimbursable out of the \$9.6 million proposed in the Governor's Proposed Budget.
- The Proposed Budget plans to eliminate the Interagency Child Abuse and Neglect Investigation Reports (ICAN) Mandate and instead provide \$4 million to support an optional grant program for counties to report instances of suspected child abuse or neglect to local law enforcement agencies.

County Impact

- There is an unknown impact regarding the suspension of the Interagency Child Abuse and Neglect Investigation Reports Mandate and whether the County would opt-in the optional grant program.

COMMUNITY SERVICES

Dissolution of Redevelopment Agencies (*Governor's Proposed Budget Summary, Pages 121-124*)

- As redevelopment agencies continue the dissolution process, the Proposed Budget anticipates that in FY 2014-15 and FY 2015-16 combined, cities will receive an additional \$580 million, counties \$660 million and special districts \$200 million that is to be used for core public services.
- The State plans to gradually transition away from its current role in the dissolution process by proposing legislation that will transition all successor agencies from a biannual Recognized Obligation Payment Schedule (ROPS) to an annual ROPS process, and transition from multiple oversight boards to a single countywide oversight board for all successor agencies in each county. A "Last and Final" ROPS process will begin September 2015 and will be available only to successor agencies that have a Finding of Completion. The Last and Final ROPS will be binding on all parties and the successor agency will no longer submit a ROPS to the Department of Finance or the oversight board. The county auditor-controller will remit the authorized funds to the successor agency in accordance with the approved Last and Final ROPS until each remaining enforceable obligation has been fully paid.

County Impact

- The amount of residual distribution redirected to the County General Fund and Library Fund is unknown at this time.
- The simplification of the dissolution process will impose an unknown workload on the County's Auditor and Controller for assuming the role of the countywide oversight board.

FINANCE AND GENERAL GOVERNMENT

Senior Citizens and Disabled Citizens Property Tax Postponement Fund (*Governor's Proposed Budget Detail, State Controller Three-Year Expenditures and Positions, Fund Code 3268*)

- The Senior Citizens and Disabled Citizens Property Tax Postponement program allows eligible homeowners to defer payment of residential property tax, with the state paying the deferred taxes to local governments on behalf of the participants. The State then places a lien on the participant's property to assure repayment when the property is sold or transferred. The Property Tax Postponement program was reestablished in 2014 by Assembly Bill 2231, and the Governor's Proposed Budget includes about \$2.2 million in FY 2015-16 expenditures for the program's fund.

Unknown County Impact

State Payment In Lieu of Taxes (PILT) Funding (*Governor's Proposed Budget Summary, Page 125*)

- The Governor's Proposed Budget includes \$644,000 in funding for the State Department of Fish and Wildlife Payment In Lieu of Taxes (PILT) program for payments to counties for FY 2015-16. The Proposal does not include funding for past overdue PILT payments.

County Impact

- The County portion of the FY 2015-16 payment is currently unknown.
- The State owes the County nearly \$800,000 in overdue PILT payments dating back to FY 1999-2000.

HEALTH AND HUMAN SERVICES**Coordinated Care Initiative CCI and In Home Supportive Services (IHSS) MOE** (*Governor's Proposed Budget Summary, Pages 58-59*)

- Under the Coordinated Care Initiative (CCI), persons eligible for both Medicare and Medi-Cal (dual eligible) receive medical, behavioral health, long-term supports and services, and home and community-based services coordinated through a single health plan. San Diego County is one of seven counties in the demonstration project which began in April 2014.
- The CCI established a Maintenance of Effort (MOE) funding formula for the IHSS program which caps county costs at an established base amount plus an annual inflation factor of 3.5 percent. Under the MOE, the State pays any increased costs to the IHSS program, unless driven by a county negotiated change to wages or benefits.
- As of November 1, 2014, approximately 69 percent of eligible participants statewide have opted out of the demonstration compared to the initial projections of approximately 33 percent. Low participation and other unanticipated changes have made the program less tenable from a state perspective. Although the Proposed Budget projects net General Fund savings of \$176.1 million in FY 2015-16, these savings are mostly from a tax on managed care organizations which will expire June 30, 2016. Without this tax, the CCI would have a state cost of \$396.8 million in FY 2015-16. If factors are not improved the Governor's Proposed Budget warns that by January 2016, the CCI would cease operating effective January 2017.

County Impact

- For FY 2015-16, the County's Maintenance of Effort (MOE) will increase by 3.5 percent (\$1.7 million) as anticipated. The County's financial exposure would increase significantly going forward if CCI were to cease and potentially trigger elimination of the IHSS MOE.

Restoration of 7 percent Across the Board Cut in IHSS (*Governor's Proposed Budget Summary, Pages 59-60*)

- State Senate Bill 78 in 2013 authorized a tax on operating revenue of Medi-Cal managed care plans based on the state sales tax rate. The federal government released guidance indicating that this tax is likely impermissible. The Administration is proposing a new tax that complies with federal law, which will offset the same amount of state expenditures, as well as fund a restoration of the 7 percent across the board reduction implemented in 2014 to IHSS hours of service. The restoration of hours would be effective July 1, 2015.

County Impact

- Under the terms of the IHSS MOE, there is no fiscal impact to the County.
- Restoration of the 7 percent across the board reduction will add approximately 1.8 million hours of services for eligible IHSS recipients annually in the County of San Diego.

IHSS Overtime (*Governor's Proposed Budget Summary, Pages 70-71*)

- Federal Labor Standards Act (FLSA) regulations published in October 2013 by the Department of Labor (DOL) require the payment of minimum wage, overtime, travel time, and wait time during medical appointments for domestic service employees, including IHSS providers. State law was passed in 2014 to conform to the new DOL regulations with an effective date of January 1, 2015, by capping provider hours to 66 hours per month per provider, and instituting a cap of 7 hours of travel time. The estimated cost to the State is \$403.5 million in FY 2014-15 and \$707.6 million annually thereafter.
- In late December 2014, a federal district court ruled that a portion of the regulations exceeded the DOL's authority and delayed the implementation of the regulations. At the state level, implementation is delayed pending further action by the federal court. However, the budget continues to reflect implementation of FLSA and enforcement of state law including restrictions on overtime effective April 1, 2015. On January 14th, a federal judge struck down

the new regulations ending all implementation actions at the state level. The Department of Labor has 60 days to appeal.

County Impact

- Under the terms of the IHSS MOE, there is no fiscal impact to the County associated with implementation of FLSA.
- IHSS Public Authority staff, including temporary staff brought on board, has been working for the last several months to prepare for implementation of the new regulations. All 25,000 IHSS recipients and 22,000 IHSS providers in the County had previously been notified of the expected changes. Plans will now be made to ramp down activities. Staff will likely continue to receive significant numbers of walk-ins and calls for some time due to the expected confusion this will cause.

Medi-Cal 1115 Waiver Renewal (*Governor's Proposed Budget Summary, Page 60*)

- The current Medi-Cal 1115 waiver, "Bridge to Reform," expires October 2015. The State will seek a five year renewal of the waiver to continue support of the Affordable Care Act. The objectives of the new waiver are to: strengthen primary care delivery and access; avoidance of unnecessary institutionalization and services; and use the Medi-Cal program to test innovative approaches to care.

County Impact

- The State is undertaking a stakeholder process to discuss core areas targeted in the waiver renewal process. County staff participate in these ongoing discussions.

Health Care Reform Implementation – Medi-Cal Expansion (*Governor's Proposed Budget Summary, Page 61*)

- With the implementation of Health Care Reform, also known as the Affordable Care Act, the Administration is projecting an additional 3.3 million people will enroll in Medi-Cal and an additional 2 million people will enroll in Covered California by June 2016. The budget assumes net costs of \$2 billion to the State in FY 2015-16 to provide for the mandatory expansion. In addition the budget assumes net costs of \$14.3 million to the State in FY 2015-16 for the optional Medi-Cal expansion.

County Impact

- No fiscal impact to the County.

County Medi-Cal Administration (*Governor's Proposed Budget Summary, Page 56*)

- County workers conduct Medi-Cal eligibility work on behalf of the State. Caseload has grown significantly since the implementation of the Affordable Care Act. As a result, counties require additional resources for administration of the program. The Proposed Budget includes an additional \$150 million in FY 2014-15. The Administration will continue to monitor county workload to determine if additional resources will be needed in FY 2015-16. The Proposed Budget continues the increase of \$240 million in FY 2015-16 that counties received the last two years.

County Impact

- The California Welfare Directors' Association (CWDA) is working with the State and counties on an allocation methodology. The County of San Diego's share is unknown at this time.

Medi-Cal Provider Rates (*Governor's Proposed Budget Summary, Page 57*)

- State Assembly Bill 97 in 2011 reduced most Medi-Cal provider rates by up to 10 percent. The 2014 Budget Act assumed retroactive recoupment of rate reductions for some services, and it also exempted additional providers including various distinct-part nursing facilities. The Proposed Budget assumes an estimated \$130 million annual cost to the State for these exemptions.

County Impact

- In the Proposed Budget, the State would begin recouping the retroactive rate reduction for the Edgemoor Skilled Nursing Facility beginning April 2015 over a 66 month period. HHSA is projecting the State will take back \$14.7 million. However, HHSA has designated \$6 million in reserves for this clawback, and supplemental claims that will be resubmitted for additional federal funds are expected to offset the remaining amount owed.

Limited Benefit Programs (*Governor's Proposed Budget Summary, Page 57*)

- Several state health programs, including California Children's Services (CCS), provide health services that do not qualify as comprehensive coverage. Due to the Affordable Care Act, individuals can receive comprehensive coverage that typically covers the services provided. The Proposed Budget looks to require individuals in these programs to seek coverage through Covered California or Medi-Cal in order to maintain eligibility.

County Impact

- The more CCS patients who qualify for Medi-Cal, the less the financial burden for CCS on the County. Unknown impact to the state allocation of CCS.
- There are approximately 13,000 CCS cases managed by the County of San Diego.

Mental Health and Substance Use Disorder Services (*Governor's Proposed Budget Summary, Page 63*)

- The State is seeking a waiver from the federal Centers for Medicare and Medicaid Services to provide better coordination of care and a continuum of care for substance use disorder treatment services. The waiver will allow state and county officials more authority to select quality providers to provide substance abuse treatment. The State also is taking steps to eliminate fraud including temporarily suspending certification of facilities providing drug treatment inconsistent with program goals.

County Impact

- Unknown at this time. The State is in the process of statewide recertification of all active providers with completion scheduled by November 2015.

Cash Assistance Program for Immigrants (CAPI) (*Governor's Proposed Budget Summary, Pages 71-72*)

- State-only CAPI provides monthly cash benefits to aged, blind, and disabled legal non-citizens who are ineligible to SSI/SSP due solely to their immigration status. The Social Security Administration (SSA) applies an annual cost-of-living adjustment to the SSI portion of the grant equivalent to the year-over-year increase in the Consumer Price Index (CPI).
- Maximum SSI/SSP monthly grant levels will increase by \$11 and \$16 for individuals and couples respectively. CAPI benefits are equivalent to SSI/SSP benefits less \$10 per month for individuals and \$20 per month for couples. The Proposed Budget contains a cost-of-living increase of 1.7 percent for 2015 and a projected 1.5 percent for 2016.

County Impact

- No fiscal impact to the County. Clients served by this program will see an increase in benefits.
- There are approximately 318 CAPI cases in San Diego for which the County determines eligibility.

CalWORKs (*Governor's Proposed Budget Summary, Page 70*)

- The 2014 Budget Act increased Maximum Aid Payment (CalWORKs grant) by 5 percent, effective April 1, 2015. This increase, combined with the prior 5 percent increase in 2014 is estimated to cost the State \$340.5 million in FY 2015-16.

County Impact

- No fiscal impact to the County. The grant increase is covered 100 percent with AB 85 realignment.
- There are approximately 29,317 CalWORKs cases in San Diego.
- While the overall CalWORKs eligibility caseload is expected to continue on a downward trend, the employment services component continues to increase as result of the legislative and policy changes that have been made in recent years. Overall, the net increase to the CalWORKs Single Allocation that funds county costs for eligibility administration, employment services, child care, and CalLearn, is budgeted to increase by \$83.7 million above the FY 2014-15 appropriation.

County Impact

- HHS is estimating to receive an additional \$3 million in the FY 2015-16 CalWORKs allocation.

Continuum of Care Reform (*Governor's Proposed Budget Summary, Page 69*)

- The Proposed Budget includes \$9.6 million to begin implementing the Continuum of Care Reform (CCR). This includes the development of preventive services to help keep children safely in their homes, Kinship Guardian programs, extended foster care supports, and wraparound and increased mental health services to help support successful reunifications.

County Impact

- The County would be expected to receive some additional funding for foster parent recruitment and retention activities, as well as funding to support increases to Foster Family Agency (FFA) rates for FFA social worker support.
- Depending on how the recommendations in the CCR report are eventually operationalized, new mandates could be imposed regarding the use of emergency shelters, which potentially impacts the Polinsky Children's Center. CWDA and counties will be working closely with the State in thoroughly analyzing the CCR report and its recommendations.

Preventing Sex Trafficking and Strengthening Families Act (*CWDA State Budget Update #1 - Governor's Proposed 2015-16 Budget, Page 11*)

- The Preventing Sex Trafficking and Strengthening Families Act is federal law that was signed by the President on September 29, 2014 and includes several provisions relating to child welfare, foster care and child sex trafficking. Several new provisions will result in new mandated local activities which, under Proposition 30, the state and counties each have a 50 percent share of nonfederal cost. The Proposed Budget provides \$2.4 million to non-waiver counties, and \$2.1 million to the Title IV-E Waiver counties, assuming no federal match in funding.

County Impact

- As a Title IV-E Waiver county, the County of San Diego should receive a small amount of additional funding to implement based on additional social worker staff time needed.

LAND USE AND ENVIRONMENT

Beverage Container Recycling Program Reform (*Governor's Proposed Budget Summary, Appendix 40*)

- The Governor's Proposed Budget shows the California Beverage Container Recycling Fund paying out more than it is taking in. If the California Beverage Container Recycling Fund were to fall below \$58 million dollars it would trigger proportional reductions in payments that could reach 100 percent. This happened once before in Fiscal Year 2009/10. The fund was scheduled to dip below \$58 million in FY 2015-16, but according to the latest forecast from CalRecycle it is no longer expected to reach the \$58 million threshold.
 - Recent beverage container program changes by the state have reduced annual losses to this fund from \$128 million per year to \$78 million per year.

County Impact

- The County Department of Public Works Solid Waste Planning and Recycling Section receives approximately \$130,000 annually from this fund for recycling programs as part of the fund's City/County payment program. Should the fund dip below the \$58 million threshold, the funding that the County receives could be in jeopardy.

Climate Change (*Governor's Proposed Budget Summary, Pages 95-96*)

- The Cap and Trade program was established to address climate change by capping greenhouse gas emissions from the largest sources and establishing a market mechanism under which those businesses that invest in green technology and reduce their emissions under the cap can trade their remaining allowance. As part of this program, the California Air Resources Board holds auctions to allow market participants to buy emissions allowances directly. The current year FY 2014-15 Enacted Budget established a long-term expenditure plan for Cap and Trade auction revenues, and the Governor's Proposed Budget for FY 2015-16 provides \$1 billion in funding under that expenditure plan for a number of purposes, including the Affordable Housing and Sustainable Communities Program, Agricultural Energy and Operational Efficiency, wetlands and watershed restoration, waste diversion and others.

County Impact

- Although local governments are eligible under several of the programs funded under the Cap and Trade expenditure plan, the plan does not specifically allocate any funding to projects within San Diego County. County staff will monitor the available programs for any related funding opportunities.

Groundwater Management (*Governor's Proposed Budget Summary, Pages 102-103*)

- The Sustainable Groundwater Management Act, signed into law in September 2014, establishes a new structure for local management of groundwater basins. The budget proposes \$6 million in General Fund dollars for the Department of Water Resources to provide technical assistance to local agencies on the development of the groundwater sustainability plans, as well as to implement specific requirements of the Act, such as the adoption of basin boundaries and regulations on best groundwater management practices. In addition, the Proposed Budget allocates \$21.3 million in Proposition 1 funds for groundwater management planning.

County Impact

- The County region includes four medium priority groundwater basins that require groundwater management plans under the Sustainable Groundwater Management Act. Funding to assist the planning process could be helpful since County staff may be involved in the planning efforts for at least three of these basins.

Transportation (*Governor's Proposed Budget Summary, Pages 88-91, 94, 168*)

- The Governor's Proposed Budget notes that the largest deferred maintenance in California is on highways, roads and bridges, and that current funding sources cannot provide the necessary funding to address the problem. The Proposed Budget does not add any new funding sources for local road maintenance, but does provide support for a pilot program established by Senate Bill 1077 (2014), which is tasked with exploring mileage-based revenue options as a potential replacement for state gas tax.
 - The Proposed Budget would provide for five positions and \$9.4 million in State Highway Account funding for implementation of the pilot.
- Of additional note, the Proposed Budget forecasts a decrease in motor vehicle fuel tax (gas tax) revenues in FY 2015-16. The gas tax is collected from distributors when fuel is loaded into ground transportation for transport to retail stations. This fuel is taxed at a rate of 36 cents per gallon under current law. The excise rate is adjusted annually so that the total amount of tax revenue generated is equal to what it would have been when gasoline was subject to the state sales tax rate. The Proposed Budget forecasts that the excise tax on gasoline will be 30.5 cents per gallon.

County Impact

- Highway User Tax Account (HUTA) funding is one of the primary funding sources for local streets and roads. HUTA revenue comes from an excise tax on gasoline. Gas tax revenues are anticipated to decrease by nearly 24 percent according to the Proposed Budget, which will negatively impact the County's HUTA revenue in FY 2016-17. Based on preliminary estimates from County Engineers Association of California, the County will be receiving \$15 million less in revenue for Fiscal Year 2014-15.
- The pilot program for a new mileage-based revenue collection system may eventually provide for a potential alternative funding source, but as the current gas tax revenues continue to decline the maintenance of local streets and roads will continue to present a financial challenge.
- The Governor's Proposed Budget also seeks to streamline the state process for relinquishing to local agencies portions of the state highway system that no longer serve an interregional purpose and are primarily used for regional or local purposes. The Administration proposes making this change through legislation that would broaden and streamline the process for relinquishment. Since detailed language for the Administration's highway relinquishment streamlining proposal is not yet available, the extent of the streamlining that will be proposed is unknown.

County Impact

- Currently a local agency is provided with the opportunity to protest a relinquishment, and the California Transportation Commission (CTC) can move forward with a relinquishment over a local agency protest only if the protesting local agency is given an opportunity to express concerns at a public hearing before the CTC. Any proposed streamlining of the relinquishment process to remove or weaken a local agency's ability to protest a relinquishment could be a concern.

Water Bond (2014) – Proposition 1 (*Governor's Proposed Budget Summary, Pages 100-102*)

- The Budget proposes \$532.5 million to begin the first year of a multiyear Proposition 1 expenditure plan. Some of the proposed spending categories include \$83.5 million for state conservancies for watershed projects, \$36.5 million to the Department of Fish and Wildlife for watershed restoration projects, \$32.8 million to the Department of Water Resources for the Integrated Regional Water Management Program, \$21.3 million to the Department of Water Resources for groundwater management planning, and an allocation of \$600,000 to the State Water Resources Control Board for stormwater management.

County Impact

- The County may be eligible for funding under certain programs as funding is made available.

PUBLIC SAFETY

2011 Realignment Revenue Estimates (*Governor's Proposed Budget Detail, Section 5196*)

- Assumes continued funding for the overall 2011 Realignment program from two state sources: a sales tax of 1.0625 percent and Vehicle License Fees. Sales tax growth projections have been revised slightly downward for public safety accounts.

County Impact

- Continues the allocation of sales tax and vehicle license fees funds to the County to support law enforcement activities, juvenile justice programs and court security responsibilities.

- The amount available for 2011 Public Safety Realignment / AB 109 responsibilities is dependent on actual state revenues.
- Includes an amount of \$200,000 to the County for Community Corrections Partnership activities in FY 2015-16.

Prison Population Cap (*Governor's Proposed Budget Summary, Pages 74-77*)

- Projects the prison system will be below the 137.5 percent population cap by February 2016 through the implementation of various population reduction measures, an infill bed expansion, and by maintaining out-of-state and in-state contract beds.
- Includes \$16 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 two new population reduction measures implemented on January 1, 2015, which includes a new parole determination process for non-violent, non-sex registrant second-strike offenders who have completed 50 percent of their sentence and increased credit earnings for certain minimum custody inmates.

County Impact

- Opportunity for funds to be available to the Probation Department to address the impact of additional offenders on supervision. The method of distribution of these funds has not yet been released.

Proposition 47 (*Governor's Proposed Budget Summary, Pages 77, 78, 113,114*)

- The average daily prison population will be reduced by approximately 1,900 inmates as a result of resentencing and avoided new admissions and will be further refined as more data become available. Proposition 47 requires that state savings resulting from the Proposition be transferred into a new fund, the Safe Neighborhoods and Schools Fund, which will be used to reduce truancy and support drop-out prevention programs in K-12 school, increase victim services grants, and support mental health and substance use disorder treatment services. The Proposed Budget does not reflect estimated FY 2015-16 savings.
- Increased workload primarily in the early years of implementation due to the requirement that courts reclassify certain drug and theft crimes that involve less than \$950 from felonies to misdemeanors. Includes \$26.9 million in state funds to reflect projected increase in trial court workload.

Unknown County Impact

Recidivism Reduction Fund (*Governor's Proposed Budget Summary, Pages 79-80*)

- State Senate Bill 105 (2013) created the Recidivism Reduction Fund in the State Treasury and a total of \$28.2 million is available in FY 2015-16.
- A total of \$12.6 million will allow the Department of Corrections and Rehabilitation to enter into contracts with community reentry facilities which will emphasize treatment and services for offenders with co-occurring mental health and substance abuse disorders and provide a safer and more seamless transition from state prison to communities.
- The remaining \$15.6 million will be utilized to expand substance use disorder treatment at non-reentry hub institutions.

Unknown County Impact

Community Corrections Performance Incentive Grant Program (*Governor's Proposed Budget Summary, Pages 83-84*)

- Includes a total of \$125 million for county probation departments that have demonstrated success in reducing the number of individuals sent to county jail or state prison. A revised allocation formula will be developed by the Department of Finance in consultation with the Judicial Council, the Chief Probation Officers of California, and the Department of Corrections and Rehabilitation.

County Impact

- The Probation Department anticipates receiving \$200,000 of these funds.

State Penalty Fund (*Governor's Proposed Budget Summary, Pages 84, 85,114*)

- Approximately \$12 million in additional penalty assessment revenues resulting from the establishment of an 18-month outstanding debt amnesty program that would be administered by the courts and counties, consistent with existing delinquent debt collection programs.

- The amnesty program would authorize individuals with past due court-ordered debt, that was due prior to January 1, 2013 related to traffic infractions and certain misdemeanors, to pay outstanding delinquent debt at a 50-percent reduction if the individual meets specified eligibility criteria.

Unknown County Impact

Emergency Drought Response (*Governor's Proposed Budget Summary, Pages 104-106*)

- Department of Forestry and Fire Protection (CAL FIRE)
 - Increase of \$59.4 million General Fund and \$2.4 million in other funds to continue firefighter surge capacity, retain seasonal firefighter beyond the budgeted fire season, provide additional defensible space inspectors, and enhance air attack capabilities to suppress wildfires during the 2015 fire season.

County Impact

- While there is no direct fiscal impact to the County, there will likely be an increase to local CAL FIRE resources in support of the San Diego County Fire Authority.
- Office of Emergency Services
 - Increase of \$4.4 million General Fund for the State Operations Center to continue to provide local communities with technical guidance and disaster recovery support related to the drought.

Unknown County Impact

Judicial Branch (*Governor's Proposed Budget Summary, Pages 113-114*)

- Includes \$180 million in proposed new funding for state trial court operations.

County Impact

- No direct County impact. However in light of the reductions in past budget cycles, the Superior Court will benefit from these funds to help sustain the Superior Court's operations.