



# County of San Diego

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

FROM: Helen Robbins-Meyer  
Chief Administrative Officer

## **HIGHLIGHTS OF THE GOVERNOR'S PROPOSED FY 2014-15 STATE BUDGET AND POTENTIAL COUNTY IMPACTS**

On January 9th, Governor Jerry Brown unveiled his Proposed FY 2014-15 State Budget. During his press conference the Governor stated that while California's economic situation has improved, the State's unfunded liabilities will constrain state finances in the future unless action is taken to address them. The Proposed State Budget has been designed to fund the government for the upcoming fiscal year and address the State's remaining debt and financial liabilities.

The Governor's Proposed \$151 billion spending plan for FY 2014-15 increases funding by over \$11 billion from the FY 2013-14 State Budget. The Governor emphasized that risks still remain and cautioned legislators about attempting to spend the modest surplus that exists on new programs while risks remain in the State's fiscal outlook. The Governor reported that state liability for retirement and other unfunded liabilities stand at \$355 billion, which will constrain the State's finances in the future. The Governor's Proposed Budget takes advantage of the surplus by increasing investment in some programs; however it also proposes to reduce the state's long term debt by \$11 billion this fiscal year and fully eliminating it by FY 2017-18.

The State's "Wall of Debt" is made up of deferrals and budgetary obligations that total \$24.9 billion. This includes monies owed to counties for performing state mandates, including several unpaid obligations going back ten years. To date, the County of San Diego is owed approximately \$60 million for performing these unfunded mandates. The Governor proposes to continue to reduce the "Wall of Debt" and expects to eliminate it by FY 2017-18.

The Governor's Proposed State Budget maintains its commitment for 2011 Public Safety Realignment, which shifted lower level offenders from the state to local jurisdictions. Current program allocation formulas for realignment that were adopted as part of the Enacted FY 2012-13 Budget will end on June 30 and a new allocation formula will be developed this spring.

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 15<sup>th</sup> to pass a State Budget in advance of the end of the fiscal year on June 30<sup>th</sup>.

The attached document includes highlights of the Governor's Proposed FY 2014-15 State Budget and potential impacts to the County of San Diego.

Respectfully,

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

HELEN ROBBINS-MEYER  
Chief Administrative Officer

Attachment

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

# GOVERNOR'S PROPOSED FISCAL YEAR 2014-15 STATE BUDGET POTENTIAL IMPACTS ON THE COUNTY OF SAN DIEGO



## MISCELLANEOUS BUDGET

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### **State Budget Progress** (*Governor's Proposed Budget Summary, Pages 1, 15-17*)

- The Governor's Proposed Budget includes \$151 billion in spending from the General Fund and special funds, an \$11 billion increase over the FY 2013-14 levels.
- The Governor proposes a balanced budget that includes a \$2.3 billion reserve at the end of FY 2014-15 with \$1.6 billion dedicated to the rainy day reserve fund.
- The FY 2014-15 Budget builds upon last year's investments in K-12 education, higher education, and health and human services by making targeted expenditures.
- According to the Legislative Analyst's Office's (LAO) review of the Governor's Budget, the progress in addressing the State's prior budgetary problems has been facilitated by a recovering economy, a recent soar in the stock market, increased revenues from the temporary taxes of Proposition 30, and the Legislature's decision to make minimal new ongoing spending commitments outside of Proposition 98.
- There remain a number of major risks that threaten the State's fiscal stability, including the remaining budgetary debt and hundreds of billions of dollars in longer term liabilities.

### **Wall of Debt** (*Governor's Proposed Budget Summary, Pages 4, 9*)

- The Governor's Budget continues to focus on repaying items on the Wall of Debt; an unprecedented level of debts, deferrals, and budgetary obligations accumulated over the prior decade.
- In 2011, outstanding budgetary borrowing totaled \$34.7 billion and is now reduced to approximately \$25 billion.
- This year's budget plans to have the debt reduced to approximately \$13 billion, and fully eliminate it by FY 2017-18 by proposing to eliminate school deferrals, pay off the Economic Recovery Bonds, and make early loan payments.
- Unfunded state retirement liabilities currently total \$218 billion; however combined with California's long-term liabilities total \$355 billion. The Governor has stated these liabilities will constrain the State's finances in the future.

### **Rainy Day Fund** (*Governor's Proposed Budget Summary, Pages 10-12*)

- The Governor's Proposed Budget looks at replacing ACA 4, a constitutional amendment passed in 2010 to strengthen the State's Rainy Day Fund, with a new program that would improve the existing structure by tightening the rules on when deposits should be made and when withdrawals are allowable.
- In the meantime, this budget proposes a down payment on saving for the fund by making the constitutional three percent deposit for FY 2014-15. Under current constitutional provisions, half of the fund goes to make a supplemental payment to pay off the Economic Recovery Bonds and the other half (\$1.6 billion) will be deposited into the Rainy Day Fund.

### **State's Cash Flow** (*California State Controller's Office, Press Release: Controller Releases December Cash Update, January 9, 2014*)

- The State Controller's cash update for December 2013 notes \$10.6 billion in total revenues, which surpassed estimates in the State budget by \$2.3 billion, or 27.7 percent.
- Total revenues for the fiscal year-to-date were \$2.5 billion ahead of budget estimates, or 6.4 percent.
- Personal income taxes in the month of December 2013 came in \$987.5 million above monthly estimates, and corporate taxes came in \$188.8 million above monthly estimates.

### **State Mandates** (*Governor's Proposed Budget Summary, Page 9; Appendix 30*)

- The FY 2014-15 Budget proposes to pay down \$900 million owed to local governments for pre-2004 mandates over the years of FY 2015-16 and FY 2016-17. Most of this amount is owed to counties.
- As in recent Budget Acts, the Administration continues to limit the state mandate process by suspending most mandates except those related to law enforcement and property tax collection.

- According to the California State Association of Counties' (CSAC) Summary on the Governor's 2014-2015 Budget Proposal, the Governor proposes to suspend two mandates that have recently received statewide cost estimates: Local Agency Ethics and Tuberculosis Control.
- All previously suspended mandates from prior Budget Acts will remain suspended. There are no proposals for repeal of any mandate provisions.

## COMMUNITY SERVICES

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### **Redevelopment Dissolution** (*Governor's Proposed Budget Summary, Pages 131-132*)

- For FY 2013-14 and FY 2014-15 combined, the proposed budget anticipates that the dissolution process of redevelopment agencies will allow for \$605 million in general purpose revenues distributed back to counties, \$525 million for cities and \$205 million for special districts. The Budget also estimates that additional ongoing property tax revenues of more than \$700 million annually will be distributed to counties, cities and special districts. This unrestricted funding can be used by local governments to fund police, fire and other critical public services.

#### County Impact

- For FY 2014-15, the amount the County is projected to receive is unknown at this time.

### **High Speed Internet Access to Libraries** (*Governor's Proposed Budget Summary, Page 44*)

- The Budget proposes \$3.3 million to provide public libraries access to high-speed Internet. This includes \$2.3 million for library branches to access a statewide, high-speed Internet network and \$1 million on a one-time basis for grants to public libraries that require equipment upgrades to connect a high-speed network.

#### County Impact

- Minimal impact on County libraries.

### **Suspension of State Mandates** (*Governor's Proposed Budget Summary, Page 9; Appendix 30 and 33*)

- As in most recent Budget Acts, state mandates not related to law enforcement or property taxes, including election-related mandates, continue to be suspended.

#### County Impact

- Post-2004 election-related mandates owed is \$6 million.
- New claims, such as Permanent Absentee Voter II and Voter ID, are owed approximately \$780,000.

## FINANCE AND GENERAL GOVERNMENT

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### **Deferral of Pre-2004 Mandate Obligations** (*Governor's Proposed Budget Summary, Page 9*)

- The Governor's Proposed Budget reflects a commitment to pay a number of outstanding obligations to counties by FY 2017-18, including mandate reimbursements incurred prior to FY 2004-05. Those pre-2004 payments are statutorily required to be completely paid by FY 2020-21; preliminary information indicates that those pre-2004 obligations will not be made in FY 2014-15.

#### County Impact

- The State currently owes the County more than \$34 million in pre-2004 mandate payments.

### **Infrastructure Financing District Reform** (*Governor's Proposed Budget Summary, Page 134*)

- The Governor's Proposed Budget document includes a plan to reform Infrastructure Financing Districts (IFD) to provide local agencies with a broader tool for economic development. This proposal maintains the current IFD prohibition on the diversion of property tax revenues from schools, and requires entities that seek to establish an IFD to gain the approval of the local agencies that would contribute their revenue. The proposal would make several changes to current IFD law:
  - Expand the types of projects that IFDs can fund to include military base reuse, urban infill, transit priority projects and affordable housing.
  - Allow IFDs to be established and issue related debt at a 55 percent vote rather than the existing 66 percent requirement.
  - Allow IFD project areas to overlap into the project areas of former redevelopment areas.

**State–County Assessors’ Partnership Agreement Program** (*Governor’s Proposed Budget Summary, Page 135*)

- The Governor’s Proposed Budget includes \$7.5 million in annual funding for a three-year pilot program to enhance local property assessment efforts. Although similar enhancement efforts such as the Property Tax Administration Grant Program (PTAP) were funded by the State between 1995 and 2006, the newly proposed pilot program has key differences: a smaller funding pool, a competitive application process, a limit of nine potential winning counties, and a local matching requirement for funding.

County Impact

- Due to the matching requirement, the small nature of this pilot program and the fact that many details of the program are still unclear, it is unknown whether the program would be a benefit to the County. Under the previous program, PTAP, the County of San Diego received as much as \$5.4 million per year with no matching requirement.

**State Payment In Lieu of Taxes Funding** (*CSAC Summary on the Governor’s 2014-2015 Budget Proposal, Page 12*)

- Despite urging from counties and available state revenues, the State Department of Fish and Wildlife Payment In Lieu of Taxes (PILT) program was not funded in the Governor’s proposed budget.

County Impact

- The State owes the County nearly \$800,000 in overdue PILT payments dating back to FY 1999-2000.

**HEALTH AND HUMAN SERVICES**

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**Forgive Specified AB97 Retroactive Recoupments** (*Governor’s Proposed Budget Summary, Page 48*)

- The State will forgive the retroactive recoupment for specified providers and services, resulting in an increase of \$5.8 million in state funding in FY 2013-14 and \$36.3 million in state funding in FY 2014-15.

County Impact

- This proposal does not eliminate the retroactive rate reductions for Edgemoor.

**Pediatric Dental and Vision Services Outreach** (*Governor’s Proposed Budget Summary, Pages 48-49*)

- The Governor’s Proposed Budget includes funding to increase dental outreach activities for children ages zero to three years (\$17.5 million in state funding). The Budget assumes Proposition 10 funding provided for the California Children and Families program will be available for the non-federal share of costs.

County Impact

- No fiscal impact anticipated since funding will come from the State Commission.

**Pregnancy Coverage** (*Governor’s Proposed Budget Summary, Page 49*)

- Medi-Cal beneficiaries with income under 100 percent of the Federal Poverty Level (FPL) will receive full-scope Medi-Cal services. Pregnancy-only Medi-Cal beneficiaries with income between 100 and 208 percent of FPL will receive comprehensive health coverage through Covered California. The Budget proposes to pay for the out-of-pocket costs for pregnancy-only Medi-Cal beneficiaries electing to receive comprehensive coverage through Covered California beginning in January 2015 (\$16.6 million savings in state funding).

No County Impact**Coordinated Care Initiative (CCI)** (*Governor’s Proposed Budget Summary, Pages 49-50*)

- Under the Coordinated Care Initiative (CCI), persons eligible for both Medicare and Medi-Cal (dual eligible) will receive medical, behavioral health, long-term supports and services, and home and community-based services coordinated through a single health plan. The CCI will also enroll all dual eligibles in managed care plans for their Medi-Cal benefits. The following changes have occurred to the structure of CCI since the enactment of the 2013 Budget Act:
  - Dual-eligibles in Medicare fee-for-service will be passively enrolled for both Medicare and Medi-Cal benefits beginning April 2014.
  - Dual-eligibles in Medicare Advantage plans and those opting out of Cal MediConnect (the name of the dual-eligible portion of the CCI program) will be enrolled in managed care for Medi-Cal benefits beginning in July 2014.
  - Those only eligible for Medi-Cal or for partial Medicare coverage will have long-term support and services and home and community-based services included in managed care beginning July 2014.

- The Governor's Proposed Budget projects a net state savings for the CCI of \$159.4 million.

County Impact

- As one of the eight approved CCI pilot counties, the County will begin implementation in April as anticipated.

**Medi-Cal Expansion** (*Governor's Proposed Budget Summary, Page 51*)

- The Governor's Proposed Budget assumes net costs of \$867.4 million (\$404.9 million State funding) to provide for the mandatory Medi-Cal expansion. The federal government has committed to pay 100 percent of the cost for the new adult group in the optional expansion for the first three years. By FY 2020-21, the federal share will have decreased to 90 percent and the State will pay 10 percent.

County Impact

- As a result of the Medi-Cal expansion, the County will spend less on indigent health care. The State will recoup a portion of the savings counties experience through the redirection of Health Realignment funds using one of two methodologies. HHS received Board approval on January 7, 2014 to select the option/methodology that redirects realignment revenue based on actual county savings, capped at the County's historical indigent care realignment contribution of 49.33 percent.

**Mental Health and Substance Use Disorder Services** (*Governor's Proposed Budget Summary, Pages 53, 80*)

- Under the state expansion of Medi-Cal, managed care plans will now offer psychotherapy, psychological testing, outpatient services to monitor drug therapy, outpatient laboratory drugs and psychiatric consultation to non-specialty benefits.
- Counties continue to be responsible for specialty mental health services under 1991 and 2011 Realignment as well as the Mental Health Services Act (Proposition 63).
- Beginning on January 1, 2014, the State has agreed to fund an expanded set of services for individuals enrolled in Medi-Cal. The additional services are: annual Screening and Brief Intervention and Referral to Treatment, inpatient detoxification services and intensive outpatient treatment, and residentially based substance abuse disorder treatment. The costs of expanded mental health and substance disorder benefits are projected to be \$61.3 million in state funding in FY 2013-14 and \$197.9 million in state funding in FY 2014-15.

Unknown County Impact

**Community Care Licensing** (*Governor's Proposed Budget Summary, Page 59*)

- The Governor's Proposed Budget included \$7.5 million (\$5.8 million in state funding) for Community Care Licensing.

County Impact

- No direct impact to Aging and Independence Services (AIS) or Child Welfare Services (CWS).

Local Impact

- AIS operates the Ombudsman program which must provide advocacy and abuse investigations on behalf of older adults and persons with disabilities in licensed facilities. By stepping up the level of state oversight and increasing penalties, it is likely that the care provided will improve.

**CalWORKs** (*Governor's Proposed Budget Summary, Page 61*)

- The FY 2014-15 Proposed Budget increases the Maximum Aid Payment levels by five percent, effective March 1, 2014. The five percent increase is expected to cost approximately \$168 million annually. The increase will be funded by 1991 Realignment growth funds, as well as \$6.3 million in state funding.

County Impact

- No fiscal impact.

**In-Home Supportive Services** (*Governor's Proposed Budget Summary, Page 61*)

- In September 2013, the United States Department of Labor announced new regulations effective January 1, 2015, that require overtime pay for domestic workers. In addition, new requirements were added that require compensation for providers traveling between multiple recipients, wait time that is associated with medical accompaniment, and time spent in mandatory provider training.
- To control costs and promote the continued health and safety of Medi-Cal recipients in the program, the Governor's Proposed Budget proposes to prohibit providers from working overtime.

- A Provider Backup System will be established to assist recipients in an unexpected circumstance to obtain a provider for continued care when their regular provider would exceed the limitations on hours worked by continuing to provide services.

County Impact

- HHSa may experience a staff workload issue related to assisting IHSS clients with finding additional providers.

Local Impact

- Approximately 4,000-5,000 providers in San Diego County may be impacted.

**Cash Assistance Program for Immigrants (CAPI)** (*Governor's Proposed Budget Summary, Page 62*)

- State-only CAPI provides monthly cash benefits to aged, blind, and disabled legal non-citizens who are ineligible for SSI/SSP due solely to their immigration status. 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, effective January 2014. CAPI benefits are equivalent to SSI/SSP benefits, less \$10 per month for individual and \$20 per month for couples.

County Impact

- No fiscal impact to the County.

## LAND USE AND ENVIRONMENT

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**Agricultural Energy and Operational Efficiency** (*Governor's Proposed Budget Summary, Page 107*)

- The Governor's Proposed Budget would provide \$20 million in Cap-and-Trade funds to the Department of Food and Agriculture to support projects that reduce greenhouse gas (GHG) emissions from the agriculture sector. The proposal would support:
  - The design and construction of dairy digester systems.
  - Research and technical assistance on reducing nitrous oxide emissions, nitrification inhibitors, water and nitrogen movement in the environment, and evaluation of water and nitrogen management practices.
  - The development of fuel quality specifications and standards for renewable and zero emissions systems, such as biofuels produced from dairy digesters and other agricultural waste.

County Impact

- No direct operational impact.

**Beverage Container Recycling Program Reform** (*Governor's Proposed Budget Summary, Pages 109-110*)

- The Governor's Proposed Budget would redirect the existing City/County Bottle and Can Recycling Payment funds to establish a \$7 million Recycling Enforcement competitive grant program for local recycling compliance and enforcement efforts. The current funds support starting and/or expanding recycling programs at county parks, businesses, multifamily complexes and schools to help the County meet state-mandated diversion levels. This action is proposed as part of the Governor's plan to address a structural deficit of \$100 million within the Beverage Container Recycling Fund.

County Impact

- Unknown potential negative impact. This proposal would create uncertainty in funding for the current program by eliminating a stable grant funding source that the County has received since 1999, resulting in the loss of an estimated \$130,000 annually, while transitioning the funding to a competitive grant process with reduced funding.
- Although a portion of this funding is used for County staff time, much of our assistance programs to businesses, schools and multifamily complexes are implemented through contractors. These contracts as well as the County's promotional resources and equipment provided to start and/or expand recycling programs would need to be significantly reduced. Reduced funding could result in less recycling bins and assistance to the County parks, promotional materials for County facilities, presentations at community centers, and other related activities.
- The Governor's Proposed Budget would eliminate administrative fees paid to processors and recyclers, while also relieving their administrative burden by requiring and facilitating electronic filing. In addition to the elimination of stable funding to counties under the Beverage Container Recycling Program, this action is being proposed to

address the structural deficit within the Beverage Container Recycling Fund. The Governor projects savings of \$13 million in FY 2014-15, with ongoing savings of \$26 million beginning in FY 2015-16.

Local Impact

- Administrative fees are not received by the County, but instead act as incentive payments to franchise haulers and recyclers to offset their costs of operating/processing recycling programs. The elimination of this funding may result in higher service costs for recycling to customers.
- The Governor's Proposed Budget would diversify funding for local conservation corps by replacing \$15 million of existing Beverage Container Recycling Fund grants to local conservation corps with a matching amount redirected from other special funds to support local corps recycling programs. The new funding sources for local corps programs would be provided by the Tire Recycling Management Fund (\$5 million), the Electronic Waste Recovery and Recycling Account (\$8 million), and the Used Oil Recycling Fund (\$2 million).

Local Impact

- The County partners with the local conservation corps on recycling programs in unincorporated area schools. Transitioning the corps into other types of recycling programs may have unintended consequences in local bottle and can recycling efforts.

**Early Transportation Loan Repayment** (*Governor's Proposed Budget Summary, Page 97*)

- The Governor's Proposed Budget includes a proposal for early repayment of previous state General Fund loans from transportation funding. Repayment of \$100 million to cities and counties would be for preservation of local streets and roads. The State will apply existing gas tax formulas, meaning that \$50 million will go to cities and \$50 million to counties.
  - Preservation projects include pavement, traffic management mobility projects, bridge projects, and drainage system rehabilitation projects.

County Impact

- Of the \$50 million to the counties, staff estimates 7-8 percent of the \$50 million, which comes to about \$3.5 - \$4 million, will be allocated to San Diego County. If the County receives this amount, it will fully repay the transportation funding that the County is owed due to the previous state General Fund loans.

**Indian Gaming Special Distribution Fund** (*CSAC Summary on the Governor's 2014-2015 Budget Proposal, Page 24*)

- The Governor's Proposed Budget does not include an appropriation from the Indian Gaming Special Distribution Fund (SDF) for local government mitigation grants. This is consistent with recent years, in which legislation has been advanced and signed later in the year establishing a SDF appropriation for local government grants.

**Local Coastal Plans** (*Senate Committee on Budget and Fiscal Review Quick Summary Proposed 2014-15 Budget, Page 19*)

- The Governor's Proposed Budget does not continue funding to the Coastal Commission for local coastal plan updates. The current-year budget included \$3 million in one-time General Fund dollars as part of a proposal intended to address the backlog of local coastal plans awaiting review.

**Reorganization of the Drinking Water Program** (*Governor's Proposed Budget Summary, Pages 108-109*)

- The Governor's Proposed Budget proposes to transfer \$200.3 million and 291.2 positions for the administration of the Drinking Water Program from the Department of Public Health to the State Water Resources Control Board. The stated goals of this action include:
  - Establish a single water quality agency to enhance accountability for water quality issues.
  - Better provide comprehensive technical and financial assistance to help communities, especially small disadvantaged communities, address an array of challenges related to drinking water, wastewater, water recycling, pollution, desalination, and stormwater.
  - Improve the efficiency and effectiveness of drinking water, groundwater, water recycling, and water quality programs.

County Impact

- The impact of this proposed reorganization on County Department of Public Works Watershed Protection Program operations cannot yet be determined.

**Waste Diversion** (*Governor's Proposed Budget Summary, Page 108*)

- The Governor's Proposed Budget would direct \$30 million in Cap-and-Trade Funds to provide financial incentives for capital investments that expand waste management infrastructure, with a priority in disadvantaged communities.
    - The Governor argues that investment in new or expanded clean composting and anaerobic digestion facilities is necessary to divert more materials from landfills, reduce GHG emissions and support the State's 75 percent solid waste recycling goal.
- County Impact
- This funding could increase composting and anaerobic digestion infrastructure in the State, however it is unknown if funding will be made available locally.

**Water Action Plan** (*Governor's Proposed Budget Summary, Pages 113-118*)

- The Governor's Proposed Budget lays out the Water Action Plan, which seeks to establish sustainable water policies in the next five years. The focus is on groundwater for drinking water, water conservation and resiliency. Some of the funding categories of potential interest include:
    - \$20 million to Department of Water Resources, Water Action Plan - Water and Energy Efficiency (for water and infrastructure efficiency projects that also result in energy savings).
    - \$30 million to Department of Fish and Wildlife, Water Action Plan - Wetlands and Watershed Restoration for Waterfowl (to implement projects that provide carbon sequestration benefits, including restoration of wetlands, coastal watersheds and mountain meadows).
    - \$77 million to Department of Water Resources, Flood SAFE Program (Prop 84 and IE funds). This will favor projects in low income areas and Central California.
    - \$472.5 million to Department of Water Resources Integrated Regional Water Management Program (Prop 84 funds). Flood protection is not one of the multi-benefits mentioned.
- County Impact
- The County Department of Public Works Watershed Protection Program anticipates about \$50 million may be available for the San Diego IRWM Program (for the San Diego region) from the \$472.4 million Integrated Regional Water Management Program funds.

**PUBLIC SAFETY**

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**Prison Population Cap** (*Governor's Proposed Budget Summary, Pages 3, 74*)

- The Governor's Proposed Budget assumes that the federal court grants a two-year extension from the current deadline of April 18, 2014 to meet the court ordered population cap of 137.5 percent of capacity.
- Unknown County Impact

**2011 Realignment Revenue Estimates** (*Governor's Proposed Budget Summary, Pages 53, 82, 170*)

- The Governor's Proposed Budget assumes continued funding for the overall 2011 Realignment program from two state sources: a sales tax of 1.0625 percent and Vehicle License Fees.
- 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.
  - The San Diego percentage share of 7.02 percent of the revenues received in the Community Corrections Subaccount (AB 109) is in statute only through FY 2013-14 and the revised allocations are unknown at this time. A long term county by county allocation formula will be developed by the Department of Finance in consultation with the California State Association of Counties and a group of county Chief Administrative Officers.
  - The base statewide funding for AB 109 activities declines by \$64.8 million due to the original state projections that the number of persons on Post Release Community Supervision would begin to decline in FY 2013-14 and drop significantly in FY 2014-15.
  - Proposes an amount of \$200,000 to the County for Community Corrections Partnership activities in FY 2014-15.

**Health Care Reform Implementation – Criminal Justice Implications** (*Governor's Proposed Budget Summary, Pages 50, 53, 79*)

- The Governor's Proposed Budget discusses California's implementation of the Affordable Care Act including the expansion of the Medi-Cal program to childless adults with incomes up to 138 percent of the federal poverty level. California increased mental health and substance use disorder benefits available through Medi-Cal to provide these needed services to the expanded population, including those released from prisons or jails and who need these services to better support their reentry into the community.
- The Department of Health Care Services will seek a waiver from the federal Centers for Medicare and Medicaid Services to give state and county officials more authority to select quality providers to meet drug treatment needs.
- To address program integrity concerns, the Governor's Proposed Budget proposes positions and resources at the state level to continue oversight and monitoring efforts by recertifying all providers in the state.

County Impact

- Unknown County impact. Public safety partners will continue to work with the Health and Human Services Agency on implementation.

**Community Corrections Performance Incentive Funds (SB 678) – Probation** (*Governor's Proposed Budget Summary, Pages 74-75*)

- SB 105 (2013) provided statutory changes to the SB 678 funding formula and the State estimates that payments to probation departments will total \$128 Million in FY 2014-15 under the revised formula.

County Impact

- San Diego County Probation Department anticipates receiving a portion of these funds.

**The Community Corrections System** (*Governor's Proposed Budget Summary, Pages 80-87*)

- Additional Lease Revenue Bond Financing - The Administration proposes that an additional \$500 million in lease revenue bond financing to replace or upgrade county criminal justice facilities and treatment and programming space. A 10 percent match will be required as for the current SB 1022 program. Priority will be given to counties that use a risk assessment instrument to determine who to release pending trial.

County Impact

- San Diego County will evaluate the option to participate in the application process.

- Split Sentence Presumption - The Administration will propose legislation to require that any county jail felony sentence will be a split sentence unless the court finds it to be in the interests of justice based on facts in the particular case to impose a straight sentence.

County Impact

- Local impact unknown. An increase in the number of split sentences could result in an increase in the number of persons supervised and possible impacts on the jail population.

- Long Term Offenders in County Jails - The Administration proposes that sentences over 10 years be served in state prison if the Administration is successful in its efforts to meet its court-ordered population cap.

County Impact

- As jails were not designed to house inmates for long periods of time, state prison is a more appropriate venue to house inmates serving lengthy sentences.

- Reduced Fire Camp Rates - The daily rate for Fire Camps will be changed from \$46 per day to a daily rate of \$81 per day for the period local offenders are in training and \$10 per day for the time the inmate serves on a fire crew.

County Impact

- San Diego County is one of the three counties with a current fire camp contract with California Department of Correction and Rehabilitation. We anticipate that the State will amend our county contract to reflect these updated rates.

**California Department of Corrections and Rehabilitation** (*Governor's Proposed Budget Summary, Pages 75-76*)

- Court ordered efforts - The Administration indicates it will immediately begin implementation of measures ordered by the court which include the following:
  - Medical Parole - an expansion of the program to cover more inmates with severe physical or cognitive conditions
  - Elderly Parole - inmates who are 60 years of age or older and have served a minimum of twenty-five years of their sentence may be granted parole by the Board of Parole Hearings if he or she does not pose an unreasonable risk to public safety.

- Credit Enhancements - Non-violent second-strike inmates will not be eligible to earn good-time credits at 33.3 percent and will be eligible to earn milestone credits for completing rehabilitative programs. Offenders released under these provisions will be on state parole until such time as they would otherwise have been released to county jurisdiction under Post Release Community Supervision. Any parole revocations would be served in state prison.
- Establish state reentry in the community - \$40 million from the Recidivism Reduction Fund (SB 105) for a variety of reentry approaches with inmates who are within one year of prison release. This could include jail-based reentry programs or reentry services in communities.
  - Unknown County Impact
- The 2013 Budget Act designated funding to support a three-year pilot program in four counties (Los Angeles, Marin, San Diego and San Francisco) to house inmates within 60 days of release in a pilot jail reentry program. The Governor's Proposed Budget proposes legislation to extend the time period to up to one year.
  - County Impact
    - San Diego County has not approved participation in this pilot program to date.

**Judicial Branch** (*Governor's Proposed Budget Summary, Page 123*)

- The Governor's Proposed Budget includes an augmentation of \$100 million for state trial court operations and \$5 million for the state judiciary.
  - County Impact
    - No direct County impact. However in light of the devastating cuts in past budget cycles, the Superior Court will benefit from these funds to help sustain the Superior Court's operations.