



County of San Diego

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TO: Supervisor Ron Roberts, Chairman
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FROM: Helen Robbins-Meyer
Chief Administrative Officer

HIGHLIGHTS OF THE GOVERNOR'S PROPOSED FY 2016-17 STATE BUDGET AND POTENTIAL COUNTY IMPACTS

On January 7th, Governor Jerry Brown unveiled his Proposed FY 2016-17 State Budget. The Governor's proposed \$122 billion spending plan for FY 2016-17 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. The Budget Proposal specifically identified infrastructure and state retiree benefits as two of the state's biggest liabilities.

During his State Capitol press conference the Governor echoed a similar message of caution as he has delivered in previous years. Despite a desire by some members of the State Legislature to increase spending, Governor Brown cited an inevitable economic downturn in California as reason to be cautious about new on-going expenditures. The Proposed FY 2016-17 State Budget Proposal includes adding an additional \$2 billion into the state's Rainy Day Fund.

In his Proposed FY 2016-17 State Budget, the Governor continues his commitment to 2011 Public Safety Realignment, which shifted lower level offenders from the state to local jurisdictions. The proposed budget also includes the reintroduction of a plan to fund roads and infrastructure that failed to gain approval by the State Legislature in 2015.

A few days after the release of the Governor's Proposed FY 2016-17 State Budget the California State Controller announced that state revenues continue to surpass estimates.

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 2016-17 State Budget and potential impacts to the County of San Diego.

Respectfully,

HELEN N. ROBBINS-MEYER
Chief Administrative Officer

Attachment

GOVERNOR'S PROPOSED FISCAL YEAR 2016-17 STATE BUDGET POTENTIAL IMPACTS ON THE COUNTY OF SAN DIEGO



MISCELLANEOUS BUDGET

Maintaining a Balanced State Budget (*Governor's Proposed Budget Summary, Pages 2, 3, 15*)

- The Governor's Proposed Budget plans for \$122.6 billion in spending from the General Fund and makes significant increases in funding for education, health care and state infrastructure.
- The January Proposed Budget continues to uphold a balanced budget; however maintaining a balanced budget for the long term is noted as a challenge that will require fiscal restraint and prudence in anticipation of a future economic downturn.
- Proposition 30 (2012), which is in its last fiscal year of providing additional sales tax revenues to the State, has provided resources to restore funding while giving the economy time to recover.
- In order to prepare for the next recession, the Governor plans to reinforce the State's Rainy Day Fund and continue paying down state debts and liabilities.

Rainy Day Fund (*Governor's Proposed Budget Summary, Pages 2, 5-7, 131-132, 150-151*)

- Under the provisions of Proposition 2 (2014), the State's Rainy Day Fund collects temporary spikes in revenues, primarily from capital gains, to save for the next recession and to pay down the State's debts and liabilities.
- The Governor's Proposed Budget includes the State's constitutionally required contribution to the Rainy Day Fund. In addition to the required contribution, the Governor proposes to increase this year's contribution by an additional \$2 billion transfer from the State General Fund.
- By the end of FY 2016-17, according to the Governor's Budget Proposal, the Rainy Day Fund will stand at \$8 billion.

Long-Term Costs and Debts (*Governor's Proposed Budget Summary, Pages 3-5, 126*)

- The State has \$224 billion in long-term costs, debts and liabilities, with approximately \$220 billion of that amount related to retirement costs of state and University of California employees.
- The January Proposed Budget highlights the \$72 billion unfunded liability that exists for state retiree health care benefits and the liability of its future costs. In order to mitigate this cost and higher projected future costs the Administration plans to negotiate costs-sharing agreements as part of state labor contracts which are expected to save \$240 billion over the next 50 years.

State Minimum Wage (*Governor's Proposed Budget Summary, Page 11*)

- The Governor's Proposed Budget notes the State's recent minimum wage increase to \$10 an hour and the impact higher wages have on its programs.
 - The \$10 an hour minimum wage has raised State General Fund costs by more than \$250 million annually.
- The Administration cautions that future minimum wage increases, such as two potential ballot measures that would increase the minimum wage amount in California to \$15 an hour, could create potential deficits for the State, especially when a wage increase coincides with a recession.

State's Cash Flow (*California State Controller's Office, Press Release: Controller Yee Releases December Cash Update, January 11, 2016*)

- Total revenues for the month of December 2015 were \$14.1 billion.
 - Personal income taxes for the month came in \$9.5 billion, \$388.3 million above estimates.
 - Corporation tax revenues were \$1.7 billion, \$25.8 million above estimates.
 - Sales and use tax receipts were short of estimates by \$35.8 million, with total revenues of \$2.4 billion.
- Total revenues of \$51.1 billion for the first six months of the fiscal year were \$884.6 million, or 1.8 percent, ahead of budget estimates.

State Mandate Reimbursement (*California State Association of Counties Budget Action Bulletin: Governor's Proposed Budget for 2016-17, Page 15*)

- The Governor's Proposed Budget did not address outstanding payments owed to local governments for post-2004 state mandated services and programs. The State owes the County approximately \$28 million in post-2004 state mandate reimbursements.
- Prior year funded and suspended mandates' statuses are proposed to continue in the next fiscal year.

COMMUNITY SERVICES

California Department of Fair Employment and Housing (*Governor's Proposed Budget Summary, Page 133*)

- The January Proposed Budget intends to allocate \$25.9 million to the California Department of Fair Employment and Housing to assist with its staffing and operational responsibility of protecting the citizens of California from employment, housing and public accommodations discrimination, and acts of hate violence.

Unknown County Impact

- Should the State's Department of Fair Employment and Housing receive additional funding, it is possible resources could be allocated towards more investigative cases involving housing discrimination which could impact the County of San Diego Department of Housing and Community Development (HCD) should the State request HCD's assistance in investigating and responding to potential allegations.

California Library Services Act (*Governor's Proposed Budget Summary, Page 50*)

- The California Library Services Act is proposed to receive an increase of \$1.8 million ongoing funding and \$3 million one-time appropriations to strengthen statewide and regional services for public libraries.

County Impact

- The County Library may be eligible to receive \$25,000-\$50,000 of proposed funding, depending on the number and type of applications received from as many as 184 library systems throughout the State.

Dissolution of Redevelopment Agencies (*Governor's Proposed Budget Summary, Pages 121-122*)

- The January Proposed Budget continues carrying out the dissolution of redevelopment agencies following the passage of last year's budget trailer bill, State Senate Bill 107, which provided successor agencies an annual Recognized Obligation Payment Schedule (ROPS) and the ability to submit a Last and Final ROPS based on a finding of completion for payments.
- Counties, cities and other taxing entities continue to receive tax increment returns while the Governor's Proposed Budget anticipates that counties will receive \$684 million in FY 2015-16 and FY 2016-17 in general purpose revenues.

Unknown County Impact

Motor Voter Program (*Governor's Proposed Budget Summary, Page 91*)

- The Governor's Proposed Budget seeks to appropriate \$3.9 million to bring online an automatic voter registration process that will be integrated with the California Department of Motor Vehicles' driver license application and renewal process as intended by the passage of last year's State Assembly Bill 1461, the "California New Motor Voter Program."

Unknown County Impact

- The "Motor Voter Program" will not be implemented until after VoteCal, a newly centralized voter registration database project currently underway, is successfully implemented. Due to the implementation of a new state program, there is the potential for a gradual increase in cost to the County's Registrar of Voters over several years, possibly beginning in FY 2017-18.

FINANCE AND GENERAL GOVERNMENT

State Payment In Lieu of Taxes (PILT) Funding (*California State Association of Counties Budget Action Bulletin: Governor's Proposed Budget for 2016-17, Page 10*)

- 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 2016-17, but did not include funding for past overdue State PILT payments. The State PILT program is designed to offset adverse impacts to county property tax revenues that result when the State acquires private property for wildlife management areas. The current year FY 2015-16 budget was the first time in more than a decade that the State made annual PILT payments to counties.

County Impact

- The County portion of the FY 2016-17 PILT allocation is currently unknown.
- The State owes the County nearly \$800,000 in overdue State PILT payments dating back to FY 1999-2000.

HEALTH AND HUMAN SERVICES

Medi-Cal Full Scope Coverage to Undocumented Children (*Governor's Proposed Budget Summary, Page 57*)

- Expands full scope Medi-Cal to undocumented children under the age of 19. Benefits begin May 1, 2016 to an estimated statewide population of 170,000 children, for an estimated cost of \$182 million.

County Impact

- The County's caseload will increase with the expansion of full scope Medi-Cal to undocumented children under the age of 19. Of the 170,000 estimated children, 30,000 – 50,000 children are estimated for San Diego. The County share of funding for the workload impact is unknown at this time.

County Medi-Cal Administration (*Governor's Proposed Budget Summary, Pages 57-58*)

- County workers conduct Medi-Cal eligibility work on behalf of the State. Caseload has grown significantly since the implementation of Health Care Reform. As a result, counties require additional resources for administration of the program. The Governor's Proposed Budget includes an additional \$169.9 million in FY 2016-17 and the following year to administer the program. Once the eligibility system is stabilized, the State will conduct time studies to inform a new Medi-Cal county administration budgeting methodology.

County Impact

- The County 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.

Health Care Reform Implementation – Medi-Cal Expansion (*Governor's Proposed Budget Summary, Pages 58-59*)

- With the implementation of Health Care Reform the Administration is projecting 13.5 million people will be covered by Medi-Cal in FY 2016-17. The Governor's Proposed Budget assumes net costs of \$4 billion in FY 2016-17 to provide for the mandatory Medi-Cal expansion, and \$14.1 billion for the optional Medi-Cal expansion.

County Impact

- No fiscal impact to the County.

1991 – 92 State Local Realignment Health Account Redirection – State Assembly Bill 85 (AB 85) (*Governor's Proposed Budget Summary, Pages 59-60*)

- AB 85 (2013) modified the 1991 Realignment Local Revenue Fund (LRF) distributions to capture and redirect savings counties are experiencing from the implementation of federal health care reform. The net savings are redirected for county CalWORKs expenditures, which saves the State General Fund on the CalWORKs program.
- Actual county savings in FY 2013-14 were \$151.7 million lower than estimated and the Governor's Proposed Budget assumes reimbursement of this amount to counties in FY 2016-17.

County Impact

- The County's estimated reimbursement is \$14.7 million.

Medi-Cal 1115 Waiver Renewal and Mental Health and Substance Use Disorder Services (*Governor's Proposed Budget Summary, Pages 60, 63-64*)

- California received approval for the Medi-Cal 1115 Waiver renewal, called Medi-Cal 2020 Waiver, effective January 1, 2016 through December 31, 2020 with a total funding of \$6.2 billion.
- The Medi-Cal 2020 Waiver will enable California to continue the delivery system transformation of public hospital systems begun under the previous waiver, known as the Bridge to Reform Waiver. It will also implement new efforts to further improve services across the Medi-Cal program, including the Medi-Cal dental program and the treatment of high-risk, vulnerable populations.
- As a condition of the waiver, the federal government requires an independent assessment of access to care and network adequacy for Medi-Cal managed care beneficiaries and independent studies of uncompensated care and hospital financing.
- The Drug Medi-Cal Organized Delivery System waiver was approved by CMS as an amendment to the 1115 Waiver. This waiver amendment will allow state and county officials more authority to select quality providers to provide substance use disorder treatment, assessments, and case management. It will allow for a continuum of care and better coordination of care for substance use disorder treatment services, including residential treatment services which would be unavailable for most beneficiaries absent a waiver. To participate in the waiver, counties must opt in by submitting an implementation plan to the Department of Health Care Services (DHCS). DHCS expects over 50 counties to begin participating by the end of the budget year. The Governor's Proposed Budget includes \$90.9 million for residential treatment services expanded under the new waiver.
- The Governor's Proposed Budget also includes \$11.9 million for implementation of the Performance Outcome System to track outcomes of Medi-Cal Specialty Mental Health Services for children and youth.

County Impact

- Fiscal impact of the overarching Medi-Cal 1115 Waiver renewal to the County is unknown at this time.
- Discussions with stakeholder groups are ongoing at this time related to the County's potential participation in the Drug Medi-Cal Organized Delivery System waiver.

Managed Care Organization Tax (MCO) and Coordinated Care Initiative (CCI) (*Governor's Proposed Budget Summary, Pages 61-63*)

- The State has historically had a MCO tax for Medi-Cal managed care organizations which has saved the State approximately \$1 billion annually. This MCO tax was deemed impermissible under federal guidelines. The Administration is proposing a tax reform package that extends a federally allowable MCO tax. The Governor's Proposed Budget assumes that the revenues from the tax be used for the State share of cost of the optional expansion population under federal health care reform (\$0.7 billion) and to cover the restoration of the 7 percent reduction in the In-Home Supportive Services (IHSS) service hours (\$0.2 billion). Finally, the Governor's Proposed Budget assumes the tax is in place for three years starting FY 2016-17.
- The Governor's Proposed Budget also continues the operation of the CCI demonstration. Under 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.
- As of November 1, 2015, approximately 69 percent of eligible participants have opted out of, or disenrolled from, the demonstration compared to initial projections of approximately 33 percent. The opt-out rate is around 83 percent for IHSS beneficiaries, and participation varies widely by county.
- The Governor's Proposed Budget notes that if the MCO tax is not extended and participation is not improved by January 2017, the CCI "trigger" will be pulled and the program will cease operating effective January 2018.

County Impact

- CCI established a Maintenance of Effort funding (MOE) formula for the IHSS program which caps county costs at an established base amount plus an annual inflation factor of 3.5 percent. CCI will be at risk if the MCO tax is not extended and participation does not improve. This could increase the County's financial exposure if CCI were to cease and potentially lead to the elimination of the MOE.

Continuum of Care Reform (CCR) (*Governor's Proposed Budget Summary, Page 66*)

- The Governor's Proposed Budget includes \$94.9 million to begin implementing the CCR. The reforms, enacted as part of State Assembly Bill 403 (2015), emphasize home-based family care, improve access to services without having to change out-of-home placements to get those services, and increase the role of children, youth, and

families in assessment and case planning. The measure establishes a core practice model to govern all services, whether delivered by a county or licensed provider organization, and provides medically necessary mental health services to children and youth in foster care regardless of their placement setting.

County Impact

- CWDA is working with the State and counties on an allocation methodology. The County's estimated share of the implementation funding is \$1.8 million.
- The new mandates will require Polinsky Children's Center to become a 10 day assessment center and potentially impact the operations of the San Pasqual Academy. CCR will also convert group home facilities to treatment facilities which will limit stays for 6 months and increase the rates.
- The Probation Department also anticipates receiving a portion of these funds.

CalFresh Assistance and Training (*Governor's Proposed Budget Summary, Page 66*)

- The Governor's Proposed Budget includes five positions and \$0.8 million to provide technical assistance and training to the 19 largest counties on effective business processes for enrolling and retaining families in the CalFresh Program.

County Impact

- No fiscal impact to the County.

CalWORKs (*Governor's Proposed Budget Summary, Page 66*)

- The CalWORKs caseload is declining more quickly than had been projected previously. This is attributed to the continuing economic improvement in the State, resulting in fewer new CalWORKs cases. The caseload is projected to decline from the FY 2015-16 level and is projected at 497,000 for FY 2016-17, a 5.5 percent decrease from the 2015 Budget Act projection. Due to the projected decline in the overall caseload, the funding level for CalWORKs Administration in FY 2016-17 is \$833.5 million, a decrease of \$30.5 million from the appropriated amount in FY 2015-16.
- The Employment Services caseload is also projected to decline by 0.3 percent in FY 2016-17 to 223,828 from the previous fiscal year. Funding for employment services declines in FY 2016-17 by \$59.3 million, for a total funding level of \$1.02 billion.

County Impact

- CWDA is working with the State and counties on an allocation methodology. The impact of the decreased funding on the County's allocation is unknown at this time.

Early Education and Child Care (*Governor's Proposed Budget Summary, Pages 23-24, 30*)

- Currently the California Department of Education (CDE) directly administers contracts with providers for about one third of the State's child care funding with the remaining provided through vouchers that families use for child care providers they choose. The Governor's Proposed Budget proposes trailer bill language that would direct CDE to develop a plan to convert all contracted programs and funding into vouchers over the next five years.
- An early education block grant is proposed that would consolidate \$1.6 billion in Proposition 98 funds by combining existing funding from the State Preschool Program, transitional kindergarten, and the Preschool Quality Rating and Improvement Systems Grant (QRIS) in order to give local educational officials greater flexibility to address local needs. A stakeholder process will be used to help develop the details of the proposal between now and the Governor's May Revision.

County Impact

- There is no direct fiscal impact as the programs affected are not administered by the County. However, it is unclear at this time how the proposals would impact funding for various preschool, Head Start full day programs, and other child care and early education centers in the community.

In-Home Supportive Services (IHSS) (*Governor's Proposed Budget Summary, Page 67*)

- The Governor's Proposed Budget includes \$9.2 billion associated with increases in caseload, hours per case, and costs per hour.
- The FY 2015-16 Enacted Budget restored the 7 percent across the board reduction in IHSS hours of service previously enacted for one year, with future funding dependent on the continuation of MCO tax. The Proposed Budget continues the 7 percent restoration of hours with an estimated cost of \$507 million in FY 2016-17.
- The Governor's Proposed Budget estimates that the Fair Labor Standards Act (FLSA) implementation, beginning February 1, 2016, will cost \$700.4 million in FY 2015-16 and \$942 million in FY 2016-17.

County Impact

- Under the terms of the IHSS MOE, there is no fiscal impact to the County associated with the implementation of the FLSA, but there would be an expected workload impact.

Cash Assistance Program for Immigrants (CAPI) (Governor's Proposed Budget Summary, Page 68)

- 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. 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 \$17 and \$31 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 Governor's Proposed Budget contains a cost-of-living increase of 1.7 percent for 2017.

County Impact

- No fiscal impact to the County.
- There are approximately 360 CAPI cases in San Diego.

Public Health Services (Governor's Proposed Budget Summary, Page 72)

- The Governor's Proposed Budget includes \$1.6 million to enhance state laboratory capacity to address communicable diseases through increased disease surveillance and testing.

County Impact

- No fiscal impact to the County.

LAND USE AND ENVIRONMENT

Climate Change – Cap and Trade Expenditure Plan (Governor's Proposed Budget Summary, Pages 93-99)

- 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 Governor's Proposed Budget includes a \$3.1 billion Cap and Trade Expenditure Plan, which includes several programs that could be of potential interest to the County.

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, and in many of the proposals the funding is targeted toward disadvantaged communities, which may limit the various programs' applicability to some areas of the County. County staff will monitor the available programs for any related funding opportunities.
- *Low Carbon Road Program:* Proposed for \$100 million to be administered by the State Department of Transportation (Caltrans), this program would provide competitive grants (prioritizing disadvantaged communities) for improvements to local streets and roads that encourage active transportation.

County Impact

- Unknown possible positive impact if \$100 million in funding becomes available from the Caltrans Low Carbon Road Program. The funding would be prioritized to disadvantaged communities and it is unknown to what extent the County will be eligible for the funds.
- *Recycling Diversion:* The Governor's Cap and Trade Expenditure Plan includes \$100 million for the State Department of Resources Recycling and Recovery (CalRecycle) to provide incentives for capital investments that expand waste management infrastructure and encourage investment in new or expanded clean composting, anaerobic digestion, fiber, plastic and glass facilities. This is proposed to support the State's 75 percent solid waste recycling goal and divert more materials that would otherwise go to landfills.

County Impact

- Unknown impact if \$100 million is allocated to CalRecycle for investments in solid waste recycling. The proposed funds would be awarded competitively, and both private and county operations would be eligible to apply for grants. Increases in diversion will help meet state goals, but will reduce revenues from landfill tipping fees, which are currently the primary funding source for county recycling and household hazardous waste programs. If regulated facilities are expanded

this could impact staffing levels due to the increase in permitting and inspecting of the new or expanded facilities.

- o **Tree Mortality:** The Expenditure plan also includes \$150 million for CAL FIRE to support forest health programs such as fuel reduction, reforestation projects, and pest and diseased tree removal.

County Impact

- Unknown possible positive impact if \$150 million is made available through CAL FIRE for tree mortality and forest health projects.

Emergency Drought Response (*Governor's Proposed Budget Summary, Pages 103-107*)

- In January 2014, Governor Brown declared a state of emergency and on April 1, 2015 issued Executive Order B-29-15, which directed the State Water Resources Control Board to reduce potable urban water use statewide by 25 percent. The Governor's Proposed Budget notes that since January 2014, the State has appropriated \$3.7 billion for drought related activities and assistance.
 - o The Governor's Proposed Budget includes an additional \$323.1 million in one-time funding to address drought impacts. The Proposed Budget would direct these funds to a number of drought related issues including water supply protection, water conservation, and emergency response.

County Impact

- County staff will monitor the available programs for any related funding opportunities.

Medical Marijuana (*Governor's Proposed Budget Summary, Page 134*)

- The Medical Marijuana Regulation and Safety Act of 2015 created a regulatory framework in the State for the licensing and enforcement of activities related to medical marijuana, such as cultivation, manufacture, transportation, storage and distribution. The Governor's Proposed Budget includes funding and positions for the departments that are charged with developing and implementing the new regulations, which include the State Departments of Consumer Affairs, Public Health, Food and Agriculture, Pesticide Regulation, Fish and Wildlife, and the State Water Resources Control Board.

County Impact

- Unknown impact. Impacts on local agencies will be better known once each state department has developed regulations for the various medical marijuana issues that each has been charged to address.

Motor Vehicle Account Fee Increase (*Governor's Proposed Budget Summary, Pages 91-92*)

- The Motor Vehicle Account is the primary source of funding for the Department of Motor Vehicles and the California Highway Patrol. The Administration stated that over the next five years, the projected annual expenditures for the Motor Vehicle Account are expected to reach \$3.9 billion, while the Account receives an average of \$3.4 billion in revenues each year. To address this imbalance, the Governor's Proposed Budget includes a \$10 increase in the vehicle registration fee to support the State Motor Vehicle Account.

No County Impact

Transportation Infrastructure (*Governor's Proposed Budget Summary, Pages 86-89 and 162-163*)

- The Governor's Proposed Budget emphasizes the need for funding for highway and local street and road maintenance and repairs. The Administration notes that the Legislature has convened a conference committee as part of the transportation special session with the goal of developing a comprehensive transportation funding plan. Per the Administration's hope that a transportation funding package will move forward, the Administration based funding levels in the Governor's Proposed Budget on the assumed passage of the Governor's 2015 transportation funding and reform proposal.

- o County Impact

- Highway User Tax Account (HUTA) funding is one of the current primary funding sources for local streets and roads. HUTA revenue comes from an excise tax on gasoline that is calculated by the Board of Equalization each year based on gasoline prices. Due to low gasoline prices, the Governor's Proposed Budget projects that the gasoline excise tax will be reduced 2.2 cents in July. This decrease in the gasoline excise tax is anticipated to result in a negative impact of approximately \$3 to \$3.5 million, which is in addition to the loss of \$11 million in HUTA funding due to the current year 6.5 cent drop in the gasoline excise tax. In the absence of further state action to identify a new funding source for transportation infrastructure, local street and road maintenance may continue to be underfunded.

PUBLIC SAFETY

2011 Realignment (Governor's Proposed Budget Summary, Page 64)

- Assumes continued funding for the overall 2011 Realignment program from two state sources: a sales tax of 1.0625 percent and Vehicle License Fees (VLF).
- Updates revenue assumptions for 2011 Realignment programs and details base and growth assumptions for FY 2016-17. The estimated 2011 Realignment revenue levels will be revisited and revised in this spring's May Revision. For the Community Corrections Subaccount (AB 109) the base total is \$1.107 billion and the growth is estimated at \$96.8 million.
- The Enhancing Law Enforcement Activities Subaccount—which funds a variety of local assistance programs including Citizens' Option for Public Safety, the Juvenile Justice Crime Prevention Act, rural and small county sheriffs program, among others—should achieve its guaranteed funding level of \$489.9 million with VLF with healthy growth available in FY 2015-16 (an estimated \$80.5 million) and FY 2016-17 (an estimated \$99.3 million).
- The Trial Court Security Court Construction provides \$5 million to fund enhanced court security needs created by the opening of newly constructed courthouses scheduled to come online in the budget year.

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 County of San Diego through the Sheriff's Department will be submitting a proposal to the State for Trial Court Security, and anticipates receiving a portion of the Trial Court Security Court Construction to be detailed in the May Revision.

Inmate Rehabilitation and Reentry (Governor's Proposed Budget Summary, Page 74)

- Includes \$400 million to continue a focus on state inmate rehabilitation and reentry which includes \$15.2 million to continue expansion of substance use disorder treatment programs to the institutions currently without a program.
- Includes \$32.1 million to continue community reentry programs in state facilities for a total of 680 beds and proposes to increase the eligibility criteria from 120 days prior to release to 180 days.
- Includes \$25 million for incentive payments to local governments to aid in the siting of these community-based facilities.

Unknown County Impact

Compliance with the Three-Judge Panel Population Cap (Governor's Proposed Budget Summary, Pages 77-78)

- As of December 9, 2015, the prison population was at 136 percent of the design capacity which is below the required February 2016 benchmark of 137.5 percent.
- Projections indicate the inmate population will grow in the out years, but through the continuation of various population reduction measures, an infill bed expansion and maintaining in-state and out-of-state contract beds at current levels, the prison system is projected to remain below the population cap.

Unknown County Impact

Additional Population Reduction Measures (Governor's Proposed Budget Summary, Page 78)

- Includes \$3.7 million to implement the expanded Youth Offender Parole Program which provides youth offender parole hearings for specified offenders who were convicted of a crime prior to their 18th birthday and sentenced to state prison.
- To comply with the *Sassman v. Brown* lawsuit, which requires the State to expand the existing female Alternative Custody Program to males, the Governor's Proposed Budget also includes \$3.3 million in FY 2015-16 and \$6 million in FY 2016-17. To capture the full impact of this program expansion, future budget adjustments may be necessary.

Unknown County Impact

Proposition 47 (Governor's Proposed Budget Summary, Pages 78-79)

- The Department of Finance assumes \$29.3 million of net savings from a reduction in the State's adult inmate population and increased costs due to a temporary increase in the parole population and trial court workload associated with resentencing. This estimate also includes savings from fewer felony filings and more misdemeanor filings, and the number of offenders resentenced and released from the Department of State Hospitals. The Act calls for 65 percent to be allocated to the Board of State and Community Corrections for purposes of mental health, substance abuse disorder treatment and diversion programs, 25 percent to the

Department of Education to administer a grant program to public agencies to reduce truancy and support students who are at risk of dropping out or are crime victims and 10 percent to the Victims Compensation and Government Claims Board to make grants to trauma recovery centers. Funds are allocated as follows:

Board of State and Community Corrections	\$19.039 million
State Department of Education	\$ 7.322 million
CA Victim Compensation & Government Claims Board	<u>\$ 2.929 million</u>
TOTAL	\$29.291 million

- Ongoing savings are expected to be approximately \$57 million.
 - County Impact
 - The County anticipates receiving a portion of these funds.

Community Corrections Performance Incentive Grant (*Governor's Proposed Budget Summary, Page 81*)

- The Community Corrections Performance Incentive Grant was created in 2009 to provide incentives for counties to reduce the number of felony probationers sent to state prison.
- Based on the revised formula established in FY 2015-16, the Budget includes \$129.7 million to continue this successful program.

- County Impact
 - The Probation Department anticipates receiving \$3.5 million of these funds.

City Law Enforcement Grants (*Governor's Proposed Budget Summary, Page 81*)

- Includes \$20 million for City Law Enforcement Grants. The Board of State and Community Corrections will allocate funds to individual cities acting as a fiduciary agent within each county to increase positive outcomes between police and the homeless population, persons with mental health needs and high-risk youth populations.

- County Impact
 - The Sheriff's Department anticipates receiving \$450,000 of these funds.

Racial and Identity Profiling Act of 2015 (*Governor's Proposed Budget Summary, Page 81*)

- Includes \$10 million to allocate to local law enforcement agencies for costs incurred through June 2017 related to increased citizen complaint reporting activities.
- An allocation methodology for these funds and the overall program that limits future mandate reimbursement claims.
- The Administration will work with law enforcement entities during the spring to develop.

Unknown County Impact

Local Criminal Justice Facility Construction (*Governor's Proposed Budget Summary, Page 82*)

- Includes \$250 million for competitive grants to those counties that have previously received only a partial award or have never received an award from the State for replacing or renovating county jails to improve custodial housing, reentry, rehabilitative programming, mental health services, or treatment space.
- There will be a 10 percent county match requirement, but the match may be reduced to 5 percent for small counties.

- County Impact
 - The County is not eligible for this award as we previously received AB 900 (2007) funding.

Emergency Drought Response (*Governor's Proposed Budget Summary, Pages 103-106*)

- Office of Emergency Services
 - An increase of \$26.7 million to continue to provide local communities with technical guidance and disaster recovery support related to the drought, distribution of bottled water, and response and recovery training and a credentialing program for local agencies.
- State Water Resources Control Board
 - An increase of \$5.4 million State General Fund and \$16 million Cleanup and Abatement Account to continue enforcement of drought related water rights and water curtailment actions and provide grants for emergency drinking water projects.

Unknown County Impact

- Department of Forestry and Fire Protection (CAL FIRE)
 - An increase of \$74.5 million State General Fund and \$2.9 million State Responsibility Area Fire Prevention Fund to continue firefighter surge capacity, retain seasonal firefighters beyond the normal budgeted fire season, provide additional defensible space inspectors, and enhance air attack capabilities to suppress wildfires during the 2016 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 (*Governor's Proposed Budget Summary, Page 133*)

- Proposes an increase of \$35.2 million to support the Office of Emergency Services' responsibility for emergency preparedness and response. This proposal includes a one-time \$20 million augmentation to purchase wildland fire engines, which will be placed throughout the State as part of the State Fire and Rescue Mutual Aid System.
Unknown County Impact

Judicial Branch (*Governor's Proposed Budget Summary, Pages 116-119*)

- Includes \$30 million on a one-time basis to fund a competitive grant program to encourage courts to develop new ways of doing business. The projects funded by the grants must have measurable results or benefits that have a demonstrated impact on the court and the public it serves.
- Augmentation of \$20 million for discretionary trial court operations.
- Proposes \$60 million one-time for deferred maintenance in the courts as prioritized by the Judicial Council.
County Impact
 - No direct County impact. However in light of reductions in past budget cycles, the Superior Court will benefit from these funds to help sustain the Superior Court's operations.