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May 17, 2010

To:           The Honorable Darrell Steinberg           The Honorable John A. Pérez  
                  President Pro Tempore                    Speaker  
                  California State Senate                 California State Assembly

                  The Honorable Dennis Hollingsworth    The Honorable Martin Garrick  
                  Senate Republican Leader                Assembly Republican Leader  
                  California State Senate                 California State Assembly

From:        Supervisor Tony Oliveira, Kings County, CSAC President  
                  Supervisor John Tavaglione, Riverside County, CSAC 1<sup>st</sup> Vice President  
                  Supervisor Mike McGowan, Yolo County, CSAC 2<sup>nd</sup> Vice President  
                  Supervisor Gary Wyatt, Imperial County, CSAC Immediate Past  
                  President  
                  Paul McIntosh, CSAC Executive Director

**Re:            County Perspective on Realignment**

The Governor's release of the May Revision on Friday, and public comments attributed to many of you, prompts us to write to you about the potential for the 2010-11 state budget to include some sort of realignment of additional service responsibilities and revenues to local governments.

We must convey that the proposals contained in the Governor's 2010-11 May Revision itself makes counties extremely wary of additional realignment discussions. As you are aware, the Governor proposes to dismantle the 1991 realignment of health and human services programs by shifting \$600 million out of mental health services into social services. Additionally, revenues within the existing 1991 realignment structure have failed to keep pace with the caseload growth of realigned social services programs; we estimate the annual revenue shortfall to be \$800 million by the end of this fiscal year. In short, these two factors serve as a tangible example of the shortcomings of realignment between the state and county governments and our ability to meet the needs of the Californians we mutually serve.

However, the state's tremendous budget shortfall and the devastating cuts to safety net services that the Governor put on the table last week also compel us to engage you in discussions about whether there is a realistic and feasible means to align services, authority, and revenues between the state and counties. **To be clear, the Governor's proposal is not the place to start.**

Counties were active partners in the crafting of the realignment structure in 1991. We identified programs and revenues, assisted in re-writing state statute, and developed formulas to distribute funding to all 58 counties. Tremendous technical and legal work went into those deliberations, which stretched for months. We must emphasize that part of the reason that the 1991 realignment construct has held for

nearly 20 years is that new revenues were levied on a statewide basis that allowed for program growth; in addition, program rules and responsibilities were made more flexible to accommodate the funding available. Despite this extensive effort, as noted above, we find ourselves in an untenable situation where the revenue shortfall in realignment has grown to \$800 million annually and the existing structure is under threat. Given that backdrop, a new realignment proposal must be approached with great deliberation and developed with counties' significant involvement as those most knowledgeable about the programs and services delivered. We stress that revenue sources to accompany program transfers must be levied on a statewide basis, must adequately meet the anticipated caseloads, and must be allocated based on the programs transferred.

We respectfully request to meet with you to fully vet the ideas and principles necessary to meet expectations of any potential realignment.

We do not reach out to you today naively. We know how difficult crafting a new proposal will be. That is why we encourage you to collaborate with us up front. If realignment is to be a part of the solution that gets the state out of its fiscal straits, it must not be constructed and implemented in a vacuum without county input. Further, our members are extremely reluctant to even begin these discussions unless and until the Governor's proposal to eviscerate the 1991 realignment deal is off the table.

We appreciate your consideration of our request and look forward to hearing from you regarding a convenient time to engage in these important discussions. Please feel free to contact our Executive Director, Paul McIntosh at 327.7500, ext. 506 or CSAC staff, Jean Kinney Hurst at 327.7500, ext. 515.

cc: The Honorable Denise Moreno Ducheny, Chair, Senate Budget & Fiscal Review  
The Honorable Bob Dutton, Vice Chair, Senate Budget & Fiscal Review  
The Honorable Bob Blumenfield, Chair, Assembly Budget  
The Honorable Jim Nielsen, Vice Chair, Assembly Budget  
Craig Cornett, Fiscal Director, President Pro Tempore Steinberg  
Seren Taylor, Director, Senate Republican Fiscal  
Christopher Woods, Director of Budget, Assembly Speaker Pérez  
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Ana Matosantos, Director, Department of Finance