

Budget Action Bulletin No. 3

2007-08 Proposed State Budget

Week of June 11, 2007

Via Electronic Mail

DATE: June 11, 2007

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

FROM: Steve Keil, CSAC Interim Executive Director and Legislative Coordinator
Jean Kinney Hurst, CSAC Legislative Representative

RE: **Budget Action Bulletin #3**

The Budget Conference Committee has been on hiatus for a few days while staff working groups continue to focus on outstanding issues before the committee. There is some activity to report and we continue to urge counties to contact their legislative delegations, budget conferees, and the Governor regarding important county budget items. Keep checking our [website](#) for more information on budget activities, as well as our budget letters.

WHAT YOU SHOULD DO:

We've identified a number of county issues that remain open in the budget. Check out our Budget Watch at the end of this document for a recap of what is still unresolved. As a reminder, conferees are: Assembly Members John Laird, Mark Leno, and Roger Niello, and Senators Denise Moreno Ducheny, Mike Machado, and Dennis Hollingsworth.

WHAT'S BEEN HAPPENING:

ADMINISTRATION OF JUSTICE

Adult Probation Services. On June 4, the Budget Conference Committee closed out the budget item associated with funding for adult probation services. In taking this action, the conferees approved \$20 million for a four-county pilot along with conceptual trailer bill language that will direct the design and the implementation of the pilot program.

As counties will recall, the Governor's January budget originally proposed \$50 million in funding to support county probation department efforts to target supervision and other services to adult probationers aged 18 to 25; the May Revision reduced funding for the California Adult Probation Accountability and Rehabilitation Act (CAPARA) to \$25 million statewide. CSAC continues to believe that a front-end investment in the adult probation system would help counties begin to build a much-needed continuum of intervention, prevention, and supervision services for adult offenders and would likely serve as an important component in addressing the "revolving door" in our criminal justice system. We continue to support a goal of investing in this significant new initiative on a statewide basis and of developing meaningful new programs and services that can divert adults away from detention or further criminality — two outcomes that would help alleviate existing overcrowding problems and high recidivism rates.

Local Assistance Funding for State Inmate Services. On June 6, the Budget Conference Committee adopted the Assembly version of the budget for local assistance in the Department of Corrections and

Rehabilitation budget. In taking this action, the Budget Conference Committee advances the Governor's May Revision augmentation of \$16.9 million in local assistance to reimburse local governments for various expenditures including housing and medical care for inmates. Included in the proposal funding to support an increase of \$5.60 to the daily jail rate, bringing the rate up to \$77.17.

GOVERNMENT FINANCE AND OPERATIONS

State Mandate Reimbursement Delay. Governor Schwarzenegger proposed in his budget to delay mandate reimbursement by one year, which legal counsel assures them they can do under Proposition 1A. The justification is that the California Constitution requires the state to reimburse actual costs, which aren't known until after the mandated service has been performed. The state currently pays an estimated amount at the beginning of the current year, and then when the actual cost numbers are available, they make up any difference. Under the new system they would wait to pay anything until actual costs are known. The deadlines for submitting claims would be based on when the state needs to know for budgeting purposes.

Current discussions between local government, legislative staff, and the State Controller's staff on trailer bill language revolve around new deadlines and procedures to implement the payment of claims one year in arrears. The most significant unresolved issue deals with the current penalty imposed on local agencies for late claims to the Controller of the lesser of 10% of claimed amount or \$1,000; the Controller's Office wants the penalty increased as an incentive to file claims promptly and has initially proposed removal of the \$1,000 penalty cap.

HEALTH AND HUMAN SERVICES

Conference Committee has not taken further action on the health and human services budget items of interest.

Transitional Housing Program (THP)-Plus. CSAC urges counties to contact your Senators and urge them to support AB 845 by Assembly Member Bass. This measure provides the necessary statutory authority to allow \$10.5 million in 2006-07 funds to be spent on the Transitional Housing Program (THP)-Plus.

This bill is necessary to ensure that THP-Plus is 100% state-funded as intended in the 2006-07 budget. Forty-six counties have committed to implementing THP-Plus in the current year (2006-07). However, the budget only includes \$4.8 million, which is insufficient to provide services to the eligible youth in these counties. With the \$10.5 million increase as outlined in AB 845, the participating counties will be able to provide housing and services to more than 1,200 foster youth.

SB 845 must be passed and signed into law by the Governor before June 30. This measure requires a 2/3 vote. The bill will be heard Thursday, June 14 in Senate Appropriations Committee. CSAC strongly urges counties to contact their Senators and urge them to vote 'aye' on AB 845.

HOUSING, LAND USE AND TRANSPORTATION

Proposition 1B. While the Joint Budget Conference Committee again passed over and left open items this past week pertaining to Proposition 1B (transportation bond) appropriation levels, there is general agreement in the Legislature on the Governor's proposed appropriation levels for 11 of the 14 various accounts. The three accounts without current resolution are the Local Streets and Roads Account (Governor's Proposal: \$600 million, Assembly Concurs, Senate Proposal: \$400 million), the Air Quality Improvement Account (Governor's Proposal: \$111 million, Assembly Concurs, Senate Proposal: \$150 million), and the Port, Harbor, and Ferry Terminal Security Account (Governor's Proposal: \$178 million, Assembly Proposal: \$60 million, Senate Proposal: \$40 million). However, until there is resolution on

implementation language for a number of the accounts we understand that the appropriation levels for all accounts are subject to adjustment.

Proposition 42/Spillover Proposal. Also still before the Conference Committee is the Assembly's proposal to capture the transit/spillover revenues under Proposition 42 and change the base allocation formula. The proposal would change the current Prop 42 formula split in the following manner:

- Reduce the STIP share from 40% to 35%;
- Reduce the cities share from 20% to 15%;
- Reduce the counties share from 20% to 15%, and
- Increase the transit share from 20% to 35%.

CSAC had numerous meetings with other stakeholders and key players in both the Senate and Assembly last week to discuss alternative proposals to the Assembly plan; however, no consensus has been reached.

WHAT'S GOING TO HAPPEN NEXT:

We expect the Budget Conference Committee to reconvene this week to continue to work through open items. We'll continue to provide updates as activity progresses.

Stay tuned for the next Budget Action Bulletin!

If you would like to receive the Budget Action Bulletin electronically, please e-mail Jean Hurst, CSAC Legislative Representative, at jhurst@counties.org. We're happy to accommodate you!

State Budget Watch

June 11, 2007

This document outlines the components of the Governor's proposed 2007-08 budget and May Revision that affect California counties and are being monitored by CSAC. The following items represent those that are in the conference committee.

This is the **third** in a series of periodic updates intended to keep interested parties informed about state budget proposals that could impact local programs and services.

Administration of Justice

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Conference Committee	Impact on Local Government
<p><i>Items 5225-001-0001 and 5225-101-0001</i> <i>Page 194</i> The Governor's May Revision proposes to transfer responsibility for certain juvenile offenders to the control and supervision of counties.</p>	<p>Approved the Governor's January proposal.</p>	<p>Assumed \$9 million in additional state savings, approved funding for planning grants, and adopted placeholder trailer bill language.</p>	<p>The Budget Conference Committee discussed this item on 6/4, but left it open.</p>	<p>Increased responsibility for juvenile offender housing and programming at the local level, with funding (the amount of which is expected to be determined during budget deliberations) provided by the state as a block grant to counties.</p>
<p><i>Item 5225-101-0001</i> <i>Page 211</i> The Governor's May Revision proposes to maintain current-year funding for the Mentally Ill Offender Crime Reduction (MICOR) grant program that serves juvenile and adult offenders, administered through the Corrections Standards Authority.</p>	<p>Took no action.</p>	<p>Eliminated funding.</p>	<p>The Budget Conference Committee discussed this item on 6/4, but left it open.</p>	<p>Elimination of the \$50 million investment would threaten multi-agency projects and services aimed at curbing recidivism and promoting long-term stability among mentally ill offenders.</p>

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Conference Committee	Impact on Local Government
<p><i>Item 5225-101-0001</i> <i>Page 213</i> The May Revision proposes to fund the California Adult Probation Accountability and Rehabilitation Act (CAPARA) at \$25 million, down from \$50 million proposed in the January budget. This new initiative would provide support to all local probation departments to expand adult probation services, with targeted program and supervision of adult probationers aged 18 to 25.</p>	<p>Approved \$20 million to fund four pilot projects.</p>	<p>Approved \$20 million to fund four pilot projects, with additional trailer bill language to define reporting requirements.</p>	<p>On 6/4, adopted the Senate version, along with placeholder trailer bill language that will guide pilot program design and implementation. The Budget Conference Committee indicated that it will reconsider the language, which is still being drafted, if necessary.</p>	<p>Investment in four pilot programs (locations as yet unspecified) will permit additional services and programming for adult probationers aged 18 to 25.</p>
<p><i>Items 0250-101-0932, 0250-107-0932, 0250-111-0001; and 0250-117-0001</i> <i>Page 2</i> The Governor's May Revision provided a \$36.6 million augmentation to the judicial branch budget to cover court security costs.</p>	<p>Rejected May Revision proposal</p>	<p>Approved \$25.6 million in funding, as well as related budget bill and trailer bill language</p>	<p>Open item.</p>	<p>The May Revision augmentation represents the funding level necessary to address current court security needs in the state.</p>
<p><i>Item 5225-101-0001</i> <i>Page 192</i> The Governor's May Revision provides \$16.9 million to fully reimburse local entities for costs of prosecuting inmate crimes, housing state inmates and other services provided to state inmates at the county level.</p>	<p>Approved \$16.882 million</p>	<p>Approved \$16.878 million</p>	<p>On 6/6, adopted Assembly version</p>	<p>This augmentation will allow the state to catch up with current year local assistance payments and to cover anticipated reimbursements for 2007-08.</p>
<p>The Governor's May Revision proposed to shift responsibility and authority for collection of court-ordered debt from the counties to the courts.</p>	<p>Did not approve.</p>	<p>Did not consider.</p>	<p>Not before the Budget Conference Committee.</p>	<p>Significant impact on county investments and personnel dedicated to county-based collections program. This issue is not expected to go before the Budget Conference Committee.</p>

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Conference Committee	Impact on Local Government
The Governor's May Revision maintains an overall commitment to supporting existing public safety assistance programs at current-year levels, including the Citizens' Option for Public Safety (COPS) and Juvenile Justice Crime Prevention Act (JJCPA) – \$119 million for each program; Juvenile Probation Camp Funding – \$204 million; Rural and Small County Sheriffs' Program – \$18.5 million; Local Detention Facility Funding (new booking fee paradigm) – \$35 million; Methamphetamine Abatement Efforts – \$29.5 million; and Standards for Training and Corrections – \$19.5 million	Took no action.	Took no action	Not before the Budget Conference Committee.	Nearly \$600 million in support for local public safety programs ranging from intervention, prevention, apprehension, and front-line services.

Agriculture and Natural Resources

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Conference Committee	Impact on Local Government
The May Revision proposes to permanently eliminate <u>all</u> funding, amounting to approximately \$39.1 million, for subventions to counties for property tax losses incurred by enrolling agricultural land in Williamson Act contracts.	Approved \$39.1 million GF. No action on the May Revise.	Approved \$39.1 million GF. No action on the May Revise.		Loss of discretionary dollars will impact county's ability to provide important public health and safety services.

Government Finance and Operations

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Conference Committee	Impact on Local Government
<i>Item 6120-221-0001</i> <i>Page 261</i> Appropriates \$21.3 million for the Public Library Foundation.	No action.	Augmented appropriation by \$2 million.	Held open.	Very near last year's appropriation. The program has never received full funding, which is tens of millions higher than \$20 million. Localities may use the funds freely so long as the funds serve the public library purposes stated in the law.

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Conference Committee	Impact on Local Government
<p><i>Item 8885-001-0001</i> <i>Page 289</i> Would delay mandate reimbursements by one year from now on.</p>	<p>Trailer bill placeholder.</p>	<p>Trailer bill placeholder.</p>	<p>Held open to finalize language.</p>	<p>Would delay state mandate reimbursements until year after the mandate is performed, instead of current system of making estimated payment in the same year and trueing up the next. I.e., there will be one year (07-08) of no mandate reimbursement (except for 06-07 true-up).</p>

Health and Human Services

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Conference Committee	Impact on Local Government
<p><i>Item 4200-105-0001</i> <i>Page 143</i> The Governor proposed \$60 million for Proposition 36 and \$60 million for the Offender Treatment Program (OTP). This is a \$25 million decrease in funding compared to 2006-07.</p>	<p>Approved \$85 million for Proposition 36. Approved \$60 million for OTP. Total: \$145 million</p>	<p>Approved \$120 million for Proposition 36. Approved \$40 million for OTP. Total: \$160 million</p>	<p>The conference committee approved the Senate version for both Prop. 36 and OTP funding for a total of \$160 million.</p>	<p>Based on surveys conducted in 2005, counties believe that \$230-265 million is needed statewide to adequately fund the appropriate levels of treatment and supervision for Proposition 36. Counties' ability to make program improvements, as required by OTP, while funding is declining will be difficult.</p>
<p><i>Item 5180-151-0001</i> <i>Page 185</i> The Governor's budget includes \$88.3 million (\$50.1 million General Fund) for APS.</p>	<p>Approved \$12 million augmentation for APS.</p>	<p>Approved \$10 million augmentation for APS.</p>	<p>Item left open.</p>	<p>Funding for APS has been flat for the past six years, while the number of reported cases of abuse and neglect for this population has increased by 34 percent since 2000. This augmentation will assist with APS cases.</p>

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Conference Committee	Impact on Local Government
<p><i>Item 4440-101-0001</i> <i>Page 172</i> The Governor's budget proposes to eliminate funding for AB 2034, Integrated Services for Homeless Adults with Severe Mental Illness. The proposed cut would save \$54.9 million GF.</p>	<p>Did not provide funding for this program.</p>	<p>Approved \$54.9 million GF.</p>	<p>Item left open</p>	<p>Counties believe that the proposed funding cut is contrary to the Mental Health Services Act of 2005 (Proposition 63).</p>
<p><i>Item 5180-151-0001</i> <i>Page 181</i> The May Revision proposes \$15.5 million GF in 2007-08 for this program; the same amount proposed in January.</p> <p>At the Senate hearing the Administration announced they were revising their May Proposal and would provide an additional \$10.8 million for THP-Plus, for a total of \$26.3 million.</p>	<p>Approved the January budget.</p>	<p>Approved \$35.2 million in total funds for THP-Plus.</p>	<p>Item left open</p>	<p>The Senate's action fully funds all counties with existing approved plans to continue their programs in 2007-08.</p>

Housing, Land Use and Transportation

Proposed Changes to Local	Assembly Action	Senate Action	Conference Committee	Impact on Local Government
<p><i>Item 9350-104-6065</i> <i>Page 72</i> Appropriates \$600 million for cities and counties from the \$2 Billion Local Streets and Roads Account contained in Proposition 1B (Transportation Bond) for FY 2007-08.</p> <p>Also appropriates a total of \$1.050 billion over a 3-year time period.</p>	<p>Approved appropriation; item will go before the Conference Committee.</p> <p>Rejected Governor's multi-year appropriation proposal for LSR.</p>	<p>Reduced appropriation by \$200 million down to \$400 million; item will go before the Conference Committee.</p> <p>Rejected Governor's multi-year appropriations proposal for LSR.</p>	<p>Item left open.</p>	<p>Counties would receive half of the Local Streets and Roads bond proceeds for traffic congestion relief, preservation, transit, traffic safety, and other projects to improve the local transportation system.</p>

Proposed Changes to Local	Assembly Action	Senate Action	Conference Committee	Impact on Local Government
<p><i>Item 2660-001-0046</i> <i>Page 71</i> Proposes no changes to the Proposition 42 formula allocations or formula splits between the STIP, cities, counties and transit.</p> <p>Proposes to divert the projected \$827 million of the spillover in FY 2007-08 as follows: \$340 million to debt service for Prop 1B and the balance to various other programs to relieve general fund obligations.</p>	<p>Approved motion to capture spillover revenue under Prop 42 and change allocation formula in FY 2008-09 as follows: Reduce the STIP share from 40% to 35%; Reduce the cities share from 20% to 15%; Reduce the counties share from 20% to 15%; and Increase the transit share from 20% to 35%.</p> <p>Item will go before the Conference Committee.</p> <p>Approved Governor's proposal for \$340 million of spillover to pay the general obligation debt and \$129 million towards regional center transportation for a total of \$469 million in General Fund relief from transit, however, rejected the balance of the Governor's proposal to divert additional transit funding.</p>	<p>Proposed no changes to the Proposition 42 formula allocations or formula splits between the STIP, cities, counties and transit.</p> <p>Rejected the Governor's proposal to shift spillover and PTA transit funding to relieve the General Fund.</p>	<p>Item left open.</p>	<p>While in the short-term the added spillover revenue (projected to be \$0.94 billion in FY 2008-09; \$0.97 billion in FY 2009-10; and \$1.07 billion in FY 2010-11) may compensate for the reduced percentages in Prop 42 for counties, the spillover is highly volatile and almost impossible to predict into the long-term future therefore the affect is difficult to measure.</p> <p>Additionally, the spillover revenues are not constitutionally protected like the Prop 42 revenues so the new formula can be easily changed in statute.</p> <p>For these reasons, the Assembly proposal may have significant long-term effects difficult to estimate into the future for local streets and roads funding.</p>