



February 6, 2012

TO: County Administrative Officers
Auditor Controllers

FROM: Paul McIntosh
CSAC Executive Director

RE: **Update on Realignment Fiscal Matters**

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This informational memo provides updates on several overarching 2011 Realignment fiscal issues, as well as information specific to public safety (AB 109) realignment funding. We have noted staff contact information below and encourage you to contact us with any questions.

Governor's 2012-13 Proposed Budget

As previously reported, the Governor's proposed spending plan for 2012-13 reflects the continued dedication of two state funding sources to support 2011 Realignment: a state special fund sales tax of 1.0625% totaling \$5.1 billion and \$462.1 million in Vehicle License Fees (VLF) for 2011-12. These two figures reflect revised estimates by the Department of Finance after the enactment of the final 2011-12 budget last June. These funds are deposited in the Local Revenue Fund 2011 and are continuously appropriated and allocated to counties for the purposes of 2011 realignment.

2011 Realignment Funding (dollars in millions)

Program	2011-12	2012-13	2013-14	2014-15
Court Security	\$496.4	\$496.4	\$496.4	\$496.4
Local Public Safety Programs	489.9	489.9	489.9	489.9
Local Jurisdiction for Lower-level Offenders and Parole Violators				
Local Costs	239.9	581.1	759.0	762.2
Reimbursement of State Costs	957.0	-	-	-
Realign Adult Parole				
Local Costs	127.1	276.4	257.0	187.7
Reimbursement of State Costs	262.6	-	-	-
Mental Health Services				
EPSDT	-	544.0	544.0	544.0
Mental Health Managed Care	-	188.8	188.8	188.8
Existing Community Mental Health Programs	1,104.8	1,164.4	1,164.4	1,164.4
Substance Abuse Treatment	179.7	179.7	179.7	179.7
Foster Care and Child Welfare Services	1,562.1	1,562.1	1,562.1	1,562.1
Adult Protective Services	54.6	54.6	54.6	54.6
Existing Juvenile Justice Realignment	95.0	98.8	100.4	101.3
Program Cost Growth	-	180.1	443.6	988.8
Total	\$5,569.1	\$5,816.3	\$6,239.9	\$6,719.9
Vehicle License Fee Funds	462.1	496.3	491.9	491.9
1.0625% Sales Tax	5,107.0	5,320.1	5,748.0	6,228.0
Total Revenues	\$5,569.1	\$5,816.3	\$6,239.9	\$6,719.9

While the Governor's estimates continue to show sales tax growth through 2014-15, the rate of growth has been lowered some, reflecting the state's updated assessment of key economic indicators. There are some modest changes for caseload driven programs, while public safety funding commitment – including AB 109 funding – remains unchanged.

Please note that some of the individual program estimates have changed since the budget was enacted in June. The updated estimates generally reflect caseload changes. The Administration will be updating the chart again in May to reflect both caseload and revenue estimate changes. The 2011-12 caseload numbers will be important in establishing the base for each program.

Public Safety (AB 109) Realignment Funding and Allocation Process

Background. A number of questions continue to arise on Year 1 and Year 2 allocations to support public safety realignment (AB 109), which encompasses county responsibilities for new adult offender populations at the local level. For reasons outlined below, the current formula that dictates each county's share of AB 109 funds is set in statute and applies only for the 9-month implementation period in 2011-12¹. A new formula must be statutorily set for 2012-13 and subsequent years.

During 1991 Realignment, counties – under the leadership of the county administrative officers – took the lead on developing allocation formulas for the mental health, social services, and health programs transferred to counties at that time. In keeping with that practice, the Brown Administration requested CSAC's assistance last year for purposes of determining statewide allocation formulas for the 2011 Realignment. To accomplish this task, the County Administrative Officers' Association of California (CAOAC) established a Realignment Allocation Committee in 2011. The Realignment Allocation Committee is composed of nine CAOs: three urban, three suburban, and three rural.

In approaching the first-year allocation, the Realignment Allocation Committee established the following principles:

- The Year 1 allocation for 2011-12 would apply only for the first year of the AB 109 population shift, given the significance of realignment policy changes and the sense of "unknown."
- The Year 2 and subsequent year allocation formula(s) would be open for discussion and would be informed by additional data and actual programmatic experience.
- The allocation formula should be simple in its approach.

¹ Although pursuant to statute the allocation formula only applies for the nine months of operation in the 2011-12 fiscal year, the funding source to support public safety realignment (a portion of the dedicated 1.0625% of sales tax) is ongoing and continuously appropriated.

The challenges the committee encountered in its efforts to make a statewide formula determination included the following:

- A strict reliance on caseload/workload based on the state's population estimates resulted in vastly divergent results as compared to a county's per-capita share; there was insufficient data to explain the differences among counties.
- There was an expressed need to build in an "incentive" measurement to drive counties toward alternatives to incarceration and a community corrections model.

After exploring dozens of permutations for the first-year allocation methodology, the committee settled on three factors, weighted as follows:

- **60% workload/caseload** – Sixty percent of the allocation formula is based on each county's expected workload/caseload, as estimated by the Department of Finance at full-implementation of public safety realignment, expressed as average daily population (ADP)²;
- **30% county adult population** – Thirty percent of the allocation formula is tied to each county's adult (18 to 64) population; and
- **10% SB 678 success** – Ten percent of the allocation formula relates to each county's performance with reducing new prison commitments from the adult felony probation caseload, as measured by implementation of SB 678 (Leno, 2009).

The latter two elements were included largely to mitigate the divergent results produced by relying solely on a workload/caseload measurement. Finally, the committee made accommodations for the extreme outliers, including a minimum base amount for the smallest counties.

2012-13 (Year 2) Allocation. Implementation of public safety realignment began on October 1, 2011. Given the prospective application of the statutory changes for most components of the measure, the shift of population to counties will grow incrementally over time. It is expected that the full impact of implementation will be achieved by 2014-15.

According to the state's revenue estimates, counties should have **\$842.9 million** available to them for implementation of AB 109 in 2012-13 – **more than double this year's funding level of \$354.3 million**³. It is more than likely that under any decision the Realignment Allocation Committee makes for a Year 2 allocation each jurisdiction will be guaranteed its Year 1 allocation, with significant additional resources on top.

² Average daily population represents one bed or slot filled on average for one year, given the multiple individuals could occupy the same slot over the period of 12 months. ADP does not reflect the actual count of individuals that come through the door.

³ The 2011-12 funding level covers nine months of activities, given the 10/1/2011 implementation date of AB 109.

<i>Dollars expressed in millions</i>	Estimated programmatic allocation (AB 109)	DA/PD Revocation Activities	One-time start-up costs	Community Correction Partnership Planning Grants	TOTAL
2011-12 (YEAR 1) - 9 months of operation	\$354.3	\$12.7	\$25.0	\$7.9	\$399.9
2012-13 (YEAR 2) - 12 months of operation	\$842.9	\$14.6	-	\$7.9*	\$865.4

* Proposed in Governor's 2012-13 spending plan

The Realignment Allocation Committee has already begun meeting to contemplate approaches for a Year 2 allocation formula. While no substantive decisions have been made to date, the committee is working toward a March 2012 deadline. The committee is approaching this important policy discussion thoughtfully, with a goal of ensuring that the county-by-county distribution puts individual jurisdictions in the best position to successfully implement public safety realignment. Determination of whether and how actual programmatic experience can be woven into an allocation formula remains unknown. CSAC is working with sheriffs and probation chiefs – along with other state stakeholders – on data collection efforts, but any final decisions on county data efforts may be many months off.

Community Corrections (AB 109) and District Attorney/Public Defender Accounts: 2011-12

Payment Schedule. Counties should also note that the State Controller's Office recently provided clarifying information regarding the timing of 2011-12 AB 109 payments into the Community Corrections Account. As we understand it, counties received their first AB 109 payment in September. To ensure that all counties receive a full allocation for 2011-12 (equivalent to the estimated statewide funding level for the Community Corrections Account of \$354.3 million), payments will be spread across 12 months instead of 10 months. Counties can expect AB 109 payments in July and August 2012 and can accrue those payments back to 2011-12. This clarification is important and may help explain why counties' AB 109 payments may have appeared "short." The same methodology also will apply to the related, but separately allocated, District Attorney/Public Defender Account.

We recommend two useful links on the State Controller's Office website for additional, county-specific payment details:

AB 109 (Community Corrections Account) YTD allocations	http://www.sco.ca.gov/ard_payments_local_community_fy1112.html
District Attorney/Public Defender (AB 109 Revocation Activities) YTD allocations	http://www.sco.ca.gov/ard_payments_da%20and%20pub%20def.html

Other Issues

CSAC staff will be continuing discussions with the Administration about outstanding issues related to 2011 realignment, including details about the allocation of growth and policy changes – primarily on

the health and human services side – necessary to effectuate the realignment. Conversations will likely continue into the spring and include program stakeholders.

Staff Contacts

We encourage you to contact the following CSAC staff with questions related to 2011 realignment.

Topic	Contact information
General financing provisions	Jean Kinney Hurst 916/327-7500, ext. 515 or jhurst@counties.org
Public safety programs	Elizabeth Howard Espinosa 916/327-7500, ext. 537 or eespinosa@counties.org
Health and human services programs	Kelly Brooks-Lindsey 916/327-7500, ext. 531 or kbrooks@counties.org

cc: County Caucus