

CALIFORNIA STATE ASSOCIATION OF COUNTIES
EXECUTIVE COMMITTEE

SPECIAL MEETING

February 18, 2010
CSAC Conference Center, Sacramento, CA

MINUTES

Presiding: Tony Oliveira, President

1. ROLL CALL

Tony Oliveira, President
John Tavaglione, 1st Vice Pres.
Mike McGowan, 2nd Vice Pres.
Gary Wyatt, Immed. Past Pres.
Greg Cox, San Diego
Roger Dickinson, Sacramento
Liz Kniss, Santa Clara – audio
Kathy Long, Ventura
Richard Gordon, San Mateo (alternate)
Susan Adams, Marin – audio
Henry Perea, Fresno – audio

Merita Callaway, Calaveras
Robert Williams, Tehama
Lyle Turpin, Mariposa (alternate)

Ex-Officio Members

Valerie Brown, Sonoma - audio
Susan Cash, Inyo

Advisor

Susan Mauriello, CAOAC Pres. - audio

2. DISCUSSION OF BUDGET IMPACTS ON COUNTIES

Staff outlined CSAC summaries of the current Governor's Budget proposals being considered by the Legislature as contained in the briefing materials:

Transportation Funding Swap Means Significant Long-Term Losses to Transportation Funding. The Governor's proposed "transportation funding swap" would eliminate the sales tax on gasoline (Proposition 42) and the four core transit revenue streams and replace it with a 10.8 cent excise tax on gasoline (Highway User Tax Account or HUTA).

CSAC analysis indicates that the swap is not revenue neutral for future transportation investments. It removes any state obligation for funding transit by eliminating four core revenue streams with no replacement revenue. Further, while providing replacement revenues for highways and local streets and roads, the proposal exchanges sales taxes on fuels with an average growth rate of 4% annually for an excise tax with an average growth rate of 1% annually. When comparing what transportation would get under existing law over the next five years to the revenues generated under the swap scenario, transportation revenues would decline by an estimated \$2.53 billion between 2010-11 and 2014-15.

Staff announced that the Senate Democrat's have proposed an alternative "transportation funding swap" which is now being considered. This proposal would still eliminate the sales tax on gasoline, including Proposition 42, but would provide additional revenues for highways, local streets and roads and transit above the Governor's "transportation swap." Further, while the Governor's proposal completely eliminates transit funding, this alternative would partially restore transit funding.

Legislative discussions and negotiations are ongoing. Staff will continue to advocate for retaining constitutional protections and revenues.

Recipe for Chaos: Shift of Responsibility for Felons to County Jails. The Governor is proposing to modify sentencing practices by allowing offenders convicted of specified non-serious, non-violent, non-sex felonies to be incarcerated for up to one year and one day in local jails. The state would achieve savings of \$291 million as a result. Crimes eligible under this proposal include auto theft, check fraud, grand theft, drug possession, petty theft with a prior, possession for sale, receiving stolen property and theft with felony prior.

Currently, 32 county jails are operating under either a court- or self-imposed population cap. Further, approximately 200,000 county jail inmates are released early every year. The Governor's proposal to shift certain felons to county jails would further exacerbate overcrowding at the local level. While the state would benefit from cost savings and reduced prison populations, this proposal would greatly impact the county criminal justice systems.

Staff indicated that this proposal does not seem to be "gaining traction" in the Legislature and may not move forward this year. However, it is very likely it will return in the future. Staff will continue to explore reform and realignment options and develop coalitions.

County "Savings" Proposal Shifts Costs for Children's Programs. The Governor is proposing redirecting the county "savings" created by reductions to the CalWORKs and IHSS programs in the 2010-11 budget year. According to the Governor, these program reductions will create an estimated \$505 million in county savings; in turn, the state would decrease state General Fund expenditures for certain children's programs and impose an increased county share of cost for Foster Care, Adoptions Assistance, and Child Welfare Services.

Governor's Proposals Could Shift \$200 million in Costs to Counties as General Relief Cases Rise. The Governor is proposing to eliminate three immigrant assistance programs in 2010-11. They are: Cash Assistance Program for Immigrants (CAPI), California Food Assistance Program (CFAP), and CalWORKs for Legal Immigrants. It is estimated that counties will incur up to \$200 million per year in additional costs if these program are eliminated, due

to an increase in General Relief cases for those previously served by those programs.

Sweeping Proposition 63 Funds for Two Years Would Gut Local Mental Health Services. The Governor is proposing to sweep Mental Health Services Act (MHSA) funds for two years, amounting to a \$452 million take each year. He plans to use these MHSA funds to backfill the state funding in the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program and Medi-Cal Mental Health Managed Care.

It was noted that this proposal comes at a time when the behavioral health needs are increasing due to the influx of Iraq and Afghanistan veterans, the stress of the economic crisis, and the elimination of funding for prevention and drug and alcohol treatment programs statewide.

Staff was directed to develop summary papers on Proposition 10 and the In-Home Support Services (IHSS) program.

Staff indicated that the Senate and Assembly are voting this week on various proposals to solve the current budget crisis, but are not expected to take action on major Health & Human Services proposals at this time.

CSAC Reform Task Force. Supervisor Kathy Long, Chair of the CSAC Reform Task Force provided a report on the task force meeting held yesterday. The task force was created to assist staff in vetting issues associated with the various reform efforts, as well as any that may be forthcoming from the Legislature.

It was reported that Repair California has suspended efforts to go forward with November 2010 ballot initiatives due to a lack of money. California Forward may be doing the same if they do not receive substantial contributions in the near future.

The task force discussed the League of Cities proposed initiative and are recommending that CSAC oppose the initiative.

Motion and second to refer the League of Cities' initiative to the following CSAC policy committees: Government Finance & Operations, Administration of Justice, Housing, Land Use & Transportation, and Health & Human Services. Motion carried unanimously.

Following policy committee consideration, the item will be brought to the Board of Directors in June.

CSAC officers reported that a meeting was held earlier today with the officers of the League of Cities to discuss their initiative.

Cash Management. Staff reported that the Administration has been working with the State Controller's Office, State Treasurer's Office, the Legislative Analyst's Office and legislative staff on a proposed cash management plan to address current year and budget year cash shortfalls. The proposal includes significant deferrals to counties in the areas of social services, transportation, and Proposition 63. For all of these deferrals, the proposal includes a \$1 billion cap in outstanding payments to local governments (counties and cities) in 2010-11. The deferrals would be limited to the 2010-11 fiscal year and small counties (those with a 50,000 or less population) and cities within those counties would be exempted from the deferrals.

Our View: California Counties Respond to the Governor's 2010-11 Budget.

Staff presented a revised version of this document which was originally presented to the Executive Committee at its January 28 meeting. It is an outline of CSAC concerns and recommended alternative approaches to addressing the state budget deficit in the following areas:

- *Avoid New Mandates/Repeal Suspended Mandates/Suspend Pipeline Mandates.* The staff-recommended alternative was to hold bills that mandate new programs or higher levels of service on local governments. Either repeal suspended mandates or provide a time certain for suspension of such mandates. Consider suspending provisions of law that are subject of mandate claims currently before the Commission.
- *Seek Alternative Transportation Funding Proposal.* The staff-recommended alternative was to support an additional 5-cent fee on gasoline to assist the state in meeting its transportation debt service requirements to alleviate the need for the swap OR support a modification to the swap that includes a replacement revenue stream for transit in lieu of the 5-cent tax cut, along with an indexing of the gas tax and additional constitutional protections equivalent to Proposition 42 revenues. Counties continue to work with transportation stakeholders to develop creative means for financing the state's critical transportation needs.
- *Consider Options to Mitigate Corrections Cost Shifts.* The staff-recommended alternative is to advocate for extension of the temporary Vehicle License Fee (VLF) increase of 2% and dedicate the new increment (0.85%) to build service capacity in order to manage the increase in prisoners and parolees being handled on the local level.

Concerns were expressed regarding the lack of a revenue stream nexus between the VLF and public safety. Further, it was suggested that CSAC advocate for funding of "evidence-based" programs, whereby counties could compete for additional funds if they have successful programs.

Motion and second to authorize staff to enter into conversations with other stakeholders (Sheriffs Assoc., District Attorneys Assoc., etc.) in order to gauge interest in exploring the option to increase the VLF for public safety purposes. Motion carried unanimously.

- *Save on Administration, Spend on Services.* The staff-recommended alternative was to encourage the state to consider measures to reduce the state workforce or scale back administrative costs to better match the levels of services now provided by state government.

It was suggested that CSAC conduct a comparison of state administrative workforce increases to county administrative workforce increases before attempting to advocate that proposal. Further, it was suggested that CSAC focus on scenarios whereby if the state cuts a program, such as CalWORKs, then it should look at reducing the number of staff previously administering that program.

- *Eliminate Program Growth and Funding Restoration.* The staff recommended alternative was to ask the state to hold programs and services to base funding for another year, given the severity of the budget reductions currently on the table.
- *Maximize Federal Funds.* The staff-recommended alternative was to encourage the Legislature to focus on securing additional federal funds where possible and avoid action in the Special Session on any budget proposal that will negatively impact the ability of the state to secure additional federal flexibility or funding. CSAC will coordinate federal advocacy efforts with those of the Administration and Legislature.
- *Improve the State-County Relationship.* The staff-recommended alternative was to urge the Legislature to consider mitigations and other opportunities for local fiscal relief to allow counties to better manage the impacts.
- *Preserve Programs that Prevent Costs in Other Systems.* The staff-recommended alternative was to encourage the state to place a priority on funding programs that reduce or avoid out-year costs in other programs. Given the state's chronic structural imbalance, investment in programs that reduce costs in other systems makes sense for long-term state fiscal planning.
- *Eliminate/Consolidate State Programs and Services.* The staff-recommended alternative was to encourage the state to seek all opportunities to move programs outside the General Fund to fee-supported or grant-supported financing, and to consider elimination or consolidation of programs and services to fund priority programs.

- *Consider New Revenues and Modernize the State's Tax Structure.* The staff-recommended alternative was to encourage the Legislature to consider reasonable revenue reforms that stabilize the state's boom-and-bust revenue cycle and provide stable and adequate funding for public services.
- *Seek Broad Government Reforms.* The staff-recommended alternative was to encourage the state to adopt meaningful government reforms, including appropriate financial support of jointly administered programs, flexibility to allow locals to adopt services and operations to meet local needs, reasonable local revenue-raising authority, focused legislative oversight, open and public legislative hearings, thorough fiscal review of legislative proposals, sound budgeting practices, and rational limits on legislative terms.
- *Support Pension Reform.* CSAC approaches the concept of pension reform and ongoing local negotiations over pension benefits with the overarching goal of ensuring trust in public pension systems and empowering local elected officials to exercise sound fiduciary management. CSAC previously adopted a set of guiding principles that reflect local priorities and values. The principles were contained in the briefing materials.

Staff reported that a coalition of labor unions is expected to sponsor legislation to address "pension spiking." Spiking is the practice of granting pay increases or maximizing opportunities to cash out vacation or other benefits for the purpose of increasing a retirement allowance beyond what it would have been otherwise. Details of the proposal are unknown at this time.

What Can Be Done Locally and With Your Legislative Delegation? Staff outlined a list of ideas for communicating with the public and Legislature to generate political pressure from the local level, as contained in the briefing materials.

Meeting adjourned.