

Budget Action Bulletin No. 2

2007-08 Proposed State Budget

Week of June 4, 2007

Via Electronic Mail

DATE: June 4, 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 #2**

Since our last Budget Action Bulletin, the Budget Conference Committee has kicked into high gear. The Committee is chaired by Assembly Member John Laird and he is joined by Assembly Members Mark Leno and Roger Niello, as well as Senators Denise Moreno Ducheny, Mike Machado, and Dennis Hollingsworth.

The Conference Committee began its work late Friday afternoon and continued its work through the weekend and today, with an expected first pass through the agenda by late tonight (although Assembly Member Laird assured that it was "not a death march"). The Committee's plan is to take Tuesday off and come back late in the afternoon on Wednesday to continue to make progress on some of the major outstanding issues through the week's end.

We've outlined actions on a number of items in this Bulletin, most of which remain open. It is important to communicate with the conferees on issues of importance to counties. Don't hesitate to contact CSAC staff for more information.

WHAT YOU SHOULD DO:

We've again summarized the items on which CSAC is requesting county action. Check out the details below and visit our [website](#) for CSAC's letters on various budget issues. You can also view the Budget Conference Committee agenda [online](#) by item number. Item and page numbers are identified in the Budget Watch at the end of this BAB.

Mentally Ill Offender Crime Reduction (MIOCR) Grant program/Integrated Services for Homeless Adults (AB 2034): Counties are urged to contact their legislative delegations in support of sustained support for these programs, which are cost-effective, comprehensive, and efficient in serving the needs of individuals with mental illness. Moreover, these two programs serve to assist in diversion of individuals with mental illness out of the criminal justice system.

Transitional Housing Program (THP) – Plus: Counties support full funding of the Transitional Housing Program (THP) – Plus. The Senate version of the budget includes \$10.8 million additional funding for THP – Plus.

Adult Protective Services (APS): Counties also support additional funding for APS. The Assembly version of the budget includes an additional \$12 million for APS.

Williamson Act Subventions: Counties must contact the Governor’s Office and their legislative delegation to ensure support for Williamson Act subventions. While this item is not in conference, there is a rumor that the Governor intends to veto the \$39 million appropriation.

Transportation Funding: Support existing funding formulas for Proposition 42.

WHAT’S BEEN HAPPENING:

ADMINISTRATION OF JUSTICE

Programs for the Mentally Ill: Open. CSAC, the California Mental Health Directors Association (CMHDA), the California State Sheriffs’ Association (CSSA), and the Chief Probation Officers of California (CPOC) are advocating jointly for full funding of two important programs that serve mentally ill Californians. Specifically, we are urging the Budget Conference Committee to restore funding to the Mentally Ill Offender Crime Reduction (MIOCR) Grant program as well as full funding for Integrated Services for Homeless Adults established by AB 2034 (Chapter 518, Statutes of 2000) program. Both of these programs are a foundation to the services provided or core objectives supported by each of our associations’ members.

In the context of the state Department of Mental Health’s budget, the conferees discussed the funding of the homeless mentally ill program. Senator Denise Ducheny very ably argued that the proposed elimination of the AB 2034 program and early termination of the MIOCR program would result in no savings for the state and that it would be short-sighted to abandon the demonstrated successes of these enhanced services for the mentally ill.

It is important that counties contact their legislative delegations to underscore the importance of sustained support for these programs. Both the MIOCR and AB 2034 programs have proven to be cost-effective, comprehensive in scope, and efficient in serving the needs of individuals with mental illness. While both serve the mentally ill, they serve distinct populations within the communities and therefore must both be funded. There would be very negative consequences if either program were eliminated — for consumers and governmental entities alike. Taken together, the MIOCR and AB 2034 programs have been successful in reducing recidivism, diverting individuals with mental illness out of the criminal justice system, and reducing reliance on other health and human services provided at the local level.

Contemplating reduced funding to these services at a time when California is devoting extraordinary resources to reforming our corrections system — both in the form of expanding capacity and bolstering rehabilitative efforts for offenders to address the twin problems of recidivism and overcrowding — makes neither policy nor fiscal sense. Reducing or eliminating funding for either program will only contribute to further pressures on our criminal justice and treatment systems — at a far greater cost than is represented by the investment in the existing programs.

Court Security: Open. CSAC is supporting the Governor’s May Revision proposal that would provide an increase of \$36.6 million to fund court security needs, pursuant to recommendations of the Court Security Working Group. This item is before the Budget Conference Committee, with the Assembly having rejected the Governor’s May funding proposal, and the Senate having reduced it by \$11 million. As we have pointed out to conferees, the provision of court security is necessarily more advanced and complex in the uncertain times in which we live, which requires an investment of resources. The Governor’s May Revision recognizes the need for and value of appropriately funding court security services.

The Superior Court Law Enforcement Act of 2002 (SB 1396, Dunn) provided clarification to state costs associated with court security. State support for court security is consistent with the fundamental principles of the trial court funding reforms that established a process of defining court and county functions and aligning funding responsibility with those functions. It is important that the Legislature meet the objectives of SB 1396 and fulfill the responsibilities and obligations of this key component of trial court

operations: ensuring the provision of appropriate and necessary levels of security in our courthouses across the state.

Corrections Issues: Open. At the time of this writing, the Budget Conference Committee was just beginning its first pass through the corrections issues. Key among these is the juvenile justice realignment proposal, the Mentally Ill Offender Crime Reduction Grant Program — discussed more fully above — and funding for adult probation services. It is generally expected that the conferees will postpone action on these items until later in the deliberative process.

AGRICULTURE AND NATURAL RESOURCES

Williamson Act: Not in Conference. There is a strong indication that the Governor intends to line item veto the \$39 million appropriation for Williamson Act funding, if it is included in the budget submitted by the Legislature. Please contact your legislative delegation to confirm their support for inclusion of the Williamson Act Subventions in the final state budget. It is imperative that they communicate support to the Governor to dissuade him from blue penciling this essential line item in the 2007-08 state budget. Counties should also communicate to the Governor support for the Williamson Act Subventions funding.

GOVERNMENT FINANCE AND OPERATIONS

The Budget Conference Committee has not yet addressed either of the following items.

Public Library Foundation: Open. The Governor's budget proposal calls for funding the chronically under-funded PLF at about the same level as last year, \$21 million. The Senate augmented that funding by \$2 million; full funding would be tens of millions higher. Local agencies can spend PLF funds on any public library use.

Mandate Reimbursement Process Revisions: Open. The Governor's budget proposal contemplates suspending state reimbursement for local mandates for one year, to conform with their reading of what Proposition 1A (2004) allows. Under the current system, the state estimates how much money they will need to pay local agencies for mandates and distributes it. Then, in the out year, once the actual costs are known, they true up. Under the new system, they would wait to make any payment until the out year, when actual costs are known. This means that there will be one year – 2007-08 – where there will be no reimbursement for state mandates (except for the 2006-07 true up). The Senate and Assembly both adopted placeholder trailer bill language to make this adjustment. A legislative staff working group is developing language for the Conference Committee to consider.

HEALTH AND HUMAN SERVICES

The Conference Committee completed a first pass through the Health and Human Services portion of their agenda, but left a number of key items open. However, the Committee was able to resolve the Proposition 36 funding question after significant support from Senator Ducheny and Assembly Member Leno, for which counties are appreciative. Details of the committee's actions include:

Proposition 36: Adopted Senate Version. The Conference Committee adopted the Senate version for both Proposition 36 funding and Offender Treatment Program (OTP) funding for a total of \$160 million. The following chart provides an overview of the differences between the houses:

	2006-07 Funding Level	Governor's Proposal	Assembly Action	Senate Action	Conference Action
Proposition 36	\$120 million	\$60 million	\$85 million	\$120 million	\$120 million
OTP	\$25 million	\$60 million	\$60 million	\$40 million	\$40 million
TOTAL	\$145 million	\$120 million	\$145 million	\$160 million	\$160 million

Please note that UCLA estimates that fully funding Proposition 36 would cost \$230 million; counties estimate it would cost \$265 million.

Adult Protective Services: Open. The Assembly approved a \$12 million augmentation; the Senate approved a \$10 million augmentation. The Administration has proposed to continue to hold funding flat, as it has since 2001, and the Department of Finance reiterated their position for holding the funding flat in Conference Committee on Saturday. The Conference Committee left the item open. Both Assembly Member Laird and Senator Ducheny made remarks on the need for additional funding for APS.

Transitional Housing Program (THP)-Plus: Open. The May Revision proposes \$15.5 million General Fund in 2007-08 for this program; the same amount was proposed in January. At the Senate hearing the Administration announced they were revising their May Proposal and would provide an additional \$10.8 million for THP-Plus.

The Senate approved an additional \$19.7 million, the amount needed to fully fund counties with existing approved plans. The Assembly approved the January funding level.

The Conference Committee left the item open. However, the Legislative Analyst's Office presented a compromise that included adding \$11.2 million to the \$15.5 million approved by the Assembly (for a total of \$26.7 million). The LAO also proposed supplemental report language requiring the state to report back in March 2008 on the programs.

AB 2034, Integrated Services for Homeless Adults with Severe Mental Illness: Open. The Governor's budget proposes to eliminate funding for AB 2034, for a savings of \$54.9 million General Fund. The Assembly adopted the proposal. The Senate restored the funding. Please see the Administration of Justice section for additional information about the discussion.

Foster Care Payment Methodology: Open. The Legislature provided a 5 percent increase to county foster family home base rates and specialized care increments; a 5 percent increase to each component of the foster family agency rate; and increased the amount built into the group home rate system for entry level child care workers by 5 percent and increased the percentage included for payroll taxes and employer paid benefits from 20 to 24 percent.

The updated methodology is estimated to cost \$22 million General Fund in 2007-08. The Senate's actions would make the rate increases effective July 1, 2007. The Assembly adopted the same rate increases for the various providers. However their proposal would take effect January 1, 2008 and cost \$11 million General Fund in the budget year.

The Governor's budget proposes to hold funding flat for all foster care providers, as has been the case for five years. The Conference Committee held this item open. The LAO also presented a compromise, but it was not adopted. The LAO suggested a rate increase for foster family homes by 5 percent but no rate increase for foster family agencies or group homes. The cost of this would be \$6.8 million. The LAO also suggested trailer bill to prohibit the increase for children already in the Adoptions Assistance Program or KinGAP.

HOUSING, LAND USE AND TRANSPORTATION

Appropriation levels for the various accounts contained in Prop 1B (Transportation Bond) and accompanying implementation language are expected to be decided in the budget process; however, there is agreement between the houses for 11 of the 14 accounts. The open items before the Conference Committee of specific interest to counties include the appropriation level for the county allocation from the \$2 billion Local Streets and Roads Account as well as the proposal to shift "spillover" revenues into Proposition 42 and change the base allocation formula. Both are outlined in greater detail below.

Proposition 1B: \$2 Billion for Local Streets and Roads: Open. The Governor's May Revision included an appropriation of \$600 million for cities and counties for Local Streets and Roads (LSR) in 2007-08. Thus, under the Governor's proposal, counties would receive \$300 million since we share the revenues equally with the cities. The Governor's proposal also contains a multi-year appropriation approach, which would have totaled \$1.050 billion for LSR over the next three years. However, the Legislature has expressed concern with that approach and has rejected the multi-year appropriation.

While the Assembly approved the Governor's appropriation of \$600 million for cities and counties (\$300 million for counties) from the Prop 1B Local Streets and Roads Account, the Senate reduced the appropriation to \$400 million (\$200 million for counties).

CSAC has requested an appropriation of \$400 million for 2007-08 and \$150 million for the next four consecutive years.

Proposition 42/Spillover Proposal: Open. As previously reported, the Assembly Budget Subcommittee #5 passed a proposal to capture the transit/spillover revenues under Prop 42 and change the formula between the state (STIP), cities, counties and transit beginning in 2008-09.

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 supports securing and protecting spillover revenue for transit and other transportation purposes in years that these funds materialize. However, because of the uncertainty in predicting spillover revenues into the future, we are unable to support a proposal which ties these funds to Proposition 42 with a different base allocation formula. As mentioned above, this item was left open by the Conference Committee, so we look forward to engaging in discussions on an alternative proposal than that put forward by Assembly Budget Subcommittee #5.

WHAT'S GOING TO HAPPEN NEXT:

Work continues on the outstanding budget issues before the Conference Committee. Look for updates from CSAC on issues of county interest as budget activities progress.

Again, please contact your legislative delegation, budget conferees, and the Administration about budget items that are important to your county! Share your letters with us!

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 4, 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 **second** 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>	Approved the Governor's January proposal.	Assumed \$9 million in additional state savings, approved funding for planning grants, and adopted placeholder trailer bill language.	The Budget Conference Committee discussed this item on 6/4, but left it open.	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><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>	Took no action.	Eliminated funding.	The Budget Conference Committee discussed this item on 6/4, but left it open.	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><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>	Approved \$20 million to fund four pilot projects.	Approved \$20 million to fund four pilot projects, with additional trailer bill language to define reporting requirements.	The Budget Conference Committee discussed this item on 6/4, but left it open.	Investment in four pilot programs (locations as yet unspecified) will permit additional services and programming for adult probationers aged 18 to 25.

Proposed Changes to Local Programs/Services	Assembly Action	Senate Action	Conference Committee	Impact on Local Government
<i>Not in Conference.</i> The Governor's May Revision proposed to shift responsibility and authority for collection of court-ordered debt from the counties to the courts.	Did not approve.	Did not consider.	Not before the Budget Conference Committee.	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.
<i>Not in Conference.</i> 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
<i>Not in Conference</i> 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.	Not in Conference.	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
<p><i>Item 6120-221-0001</i> Page 261 Appropriates \$21.3 million for the Public Library Foundation.</p>	No action.	Augmented appropriation by \$2 million.	Not yet considered.	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.
<p><i>Item 8885-001-0001</i> Page 289 Would delay mandate reimbursements by one year from now on.</p>	Trailer bill placeholder.	Trailer bill placeholder.	Not yet considered.	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).

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> Page 72 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. 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>	Item left open.	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.

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>

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>
<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. 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>