



January 22, 2018

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The Honorable Edmund G. Brown, Jr.
Governor, State of California
State Capitol Building, First Floor
Sacramento, CA 95814

RE: January 2018-19 Proposed Budget

Dear Governor Brown,

California counties value our ongoing collaboration and partnership with you in service to the people of our State throughout your gubernatorial terms. Despite incredible challenges, both manmade and natural, our efforts have been united to establish a resilient California. This platform continues in your proposed 2018-19 budget, which takes prudent steps to commit the positive revenue returns to future years in anticipation of likely hardship and seeks to mitigate the most pressing liabilities that could hinder opportunities for necessary advancement. Your leadership has turned a corner for statewide fiscal health and, in turn, fostered the state and local relationship that is so essential to California's prosperity.

This year we especially appreciate your attention to proposals that support county fiscal health, promote resiliency and preparedness, and nurture opportunities for innovation. This is specifically accomplished through your proposals related to disaster recovery assistance, increasing capacity for community based mental health programs, the expenditure of transportation funding, and commitments to elections funding, criminal justice and other local program support.

Disaster Recovery Assistance. The 2017 fire season devastated communities in both northern and southern California and subsequent mudslides continued in 2018, tragically taking lives and damaging property. Counties appreciate the close collaboration with the state agencies and departments for the swift response and on-going recovery efforts. The 2018-19 proposed budget recognizes the State's pledge for further assistance despite the fact the total costs are still very much unknown. Specifically, CSAC supports the initial allocation of approximately \$24 million in property tax backfill for the disaster-impacted counties in northern California. We will continue to work together, with counties and your Administration, to help with on-going needs and capture a complete picture of local tax revenue losses.

Transportation Funding. The successful passage of SB 1 - the Road Repair and Accountability Act of 2017 - will provide \$5 billion annually in new revenue for long-overdue infrastructure improvements on local streets and roads, state highways and for public transportation. The January budget proposal estimates that SB 1 will generate \$2.8 billion in new revenue for transportation infrastructure in 2017-18 and \$4.6 billion in 2018-19. This monumental achievement is an example of what we have and can accomplish when sharing a united voice for the benefit for California residents, visitors and businesses.

County Human Services Funding and Methodologies. The January budget proposal outlines General Fund commitments to increase funding or prevent more significant cuts for county administration of three different programs – In-Home Supportive Services (IHSS), Medi-Cal, and the county single allocation for the California Work Opportunity and Responsibility to Kids (CalWORKs) program. We appreciate the commitment of this funding and the consultation with counties in the preceding months related to revising the methodologies used to determine county costs to administer these programs. CSAC looks forward to continuing to engage on these items and to better understand the adjustments and methodology calculations that were used to determine the proposed level of funding for these programs.

Incompetent to Stand Trial Program. The proposal to invest in further state-county partnerships and placement solutions for those who are found Incompetent to Stand Trial (IST) by the courts is supported with \$114.8 million General Fund over three years. We share the same goals to increase diversion of mentally ill offenders and ease the number of IST referrals to the Department of State Hospitals.

Court Construction. Counties strongly support the proposed investment in court facilities and the \$150 million in new funding to modernize trial court operations. When revenues did not materialize following the 2008 effort to invest in construction, renovation, and operation of court facilities the Judicial Council was forced to pause court planning and construction projects twice. The proposal is a welcome change that will allow numerous counties to start or complete long-overdue repairs or construction for the court facilities.

Elections System Funding. Counties have made clear in recent years that the voting equipment and systems used to conduct elections on behalf of the State and other local agencies is nearing, if not already passed, the useful shelf life. The out of date equipment and software could put into question the security and validity of outcomes impacting candidates and important policy issues. We very much appreciate the General Fund commitment of \$134.3 million made available to all counties with a 50 percent match requirement for hardware, software and initial licensing costs. However, we would respectfully request further review of the methodology to determine if this funding level is sufficient based on recent data from the Secretary of State's office. The approval of additional voting systems and recent changes in statute may create unanticipated costs that necessitate additional support for county elections.

Other Budget Priorities Supported by CSAC include:

- **Housing Affordability.** CSAC will aid our members in implementing the significant statutory changes related to housing adopted in 2017. SB 2, which the January proposed budget projects will result in \$258 million in 2018-19, will be a significant focus, as CSAC works to ensure that counties are prepared to submit competitive applications for local planning activities that promote housing development and statewide grants for homeless services.
- **Assessors Pilot Program.** CSAC appreciates the inclusion of \$5 million for three years to support the State-County Assessors' Partnership Agreement Program to help with the administration of property taxes for the benefit of all local agencies and the State.
- **Library Broadband Investment.** Over \$5 million is proposed to support broadband connectivity for public libraries that are in unserved or underserved areas for high-speed internet access. This

represents an important investment in community engagement and enrichment that counties very much applaud.

- **Water.** CSAC will be focused on the implementation of several critical water issues including the Sustainable Groundwater Management Act (SGMA), the development of additional stormwater funding tools, and ongoing negotiations about water quality funding and conservation issues. These efforts will be supported by the budget proposal to allocate bond revenues from SB 5, California Drought, Water, Parks, Climate, Coastal Protection and Outdoor Access for All, if approved by voters.

Additional Priorities in 2018. Beyond the 2018-19 budget proposal you have presented CSAC remains committed to several issues of importance to counties that will continue to evolve based on recently enacted legislation or pending court decisions and regulatory action.

- **Cannabis.** While the process of licensing commercial medical and adult use cannabis businesses began in California on January 1, 2018, local governments are not held to any particular timeframe. CSAC will work closely with counties to ensure that they have the information they need to develop local regulations (should they choose to allow cannabis businesses in their jurisdiction) and ensure state regulatory compliance.
- **Secure and Sustainable Employee Benefits.** In your proposed 2018-19 budget you maintain the plan to pay down unfunded liabilities for employee pension costs and reduce future exposure. Counties are also seeking to do the same and may face many unknowns in the coming months with decisions before the CalPERS Board and the courts about pensionable compensation, vested rights, and other critical labor-related issues. CSAC hopes to serve as a partner to find solutions that will equip public employers with the tools we need to navigate the changing workforce and increasing cost pressures.

In closing, we wish to extend our appreciation for the current January proposal and the foundation it creates to better address the current and future fiscal health of our state. Like the State, counties are here to serve all Californians and we look forward to doing so in concert with your Administration and in keeping with the trusted relationship we have created in facing major challenges and finding time-tested solutions.

Sincerely,



Matthew Cate
Executive Director