



## **GOVERNOR'S PROPOSED BUDGET FOR 2017-18 JANUARY 10, 2017**

January 10, 2017

**TO:** CSAC Board of Directors  
County Administrative Officers  
CSAC Corporate Partners

**FROM:** Matt Cate, CSAC Executive Director  
DeAnn Baker, CSAC Deputy Executive Director of Legislative Affairs

**RE: Governor's January Budget Proposal for 2017-18**

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Governor Jerry Brown echoed familiar themes in the release of his proposed 2017-18 budget with emphasis on prudence and caution due to reduced revenue expectations and a long list of unknowns facing California's fiscal outlook. The proposed budget totals \$122 billion in state General Fund expenditures, with just a 0.2% decrease from last year's January budget.

The Department of Finance (DOF) has reported revenues below forecast from the adopted 2016-17 budget with all of the "big three" general fund sources – income, sales and corporation taxes – showing weakness as part of an economic slowdown. The proposed budget seeks to cover what would be a \$1.6 billion dollar deficit in the current budget and future deficits of \$1-\$2 billion annually. State revenues are still expected to grow by 3% in 2017-18 but this is inadequate to cover spending levels established in last year's adopted budget.

The list of unknowns influencing spending reductions and freezing planned expenditures includes the ever-volatile source of major state funding from personal income taxes and capital gains; the impending sluggish economy following unprecedented growth over the last eight years; and a new Administration in Washington, D.C. that could make significant changes to federal programs and state funding levels.

Many of the questions surrounding possible changes under President-Elect Trump, including those related to repeal of the Affordable Care Act, will not be addressed by

DOF until greater certainty and next steps are known. This could be reflected in the Governor's May Revision along with improved revenue returns and revised estimates.

However, a significant program concern for counties is already reflected in the 2017-18 proposal. This includes the unwinding of the Coordinated Care Initiative (CCI) and elimination of the In-Home Supportive Service (IHSS) maintenance of effort (MOE) resulting in approximately \$625 million in new county costs statewide for 2017-18 alone and at least \$4.4 billion over the next six years. The cost is a result of shifting 35 percent of all costs related to the IHSS program to counties, including newly added costs due to state action to increase in minimum wage and pay sick leave to IHSS workers, as well as, additional cost due to federal action to require overtime pay.

The Governor's January Budget also includes a slightly modified version of the Administration's transportation funding proposal originally released in September 2015. While the \$4.3 billion per year proposal is a starting point for efforts to secure robust and sustainable new funding for local streets and roads in 2017, the Governor's plan by itself will not be enough to stop the continued deterioration of the local network. Transportation funding remains a top priority for CSAC in 2017 as work continues with a broad coalition of partners to find consensus points among the various parties to see a comprehensive and robust package come to fruition.

The following pages provide statewide revenue and expenditure summary charts and specific budget proposals by policy area. For more detail on these and other items of importance, see the following policy sections below or contact [CSAC legislative staff](mailto:ayang@counties.org).

***If you would like to receive the Budget Action Bulletin electronically, please e-mail Amanda Yang, CSAC Senior Legislative Assistant at [ayang@counties.org](mailto:ayang@counties.org).***

**ACTION**

CALIFORNIA STATE ASSOCIATION OF COUNTIES

**2017-18 Governor's Budget**  
**General fund Budget Summary**  
(\$ in millions)

	<b>2016-17</b>	<b>2017-18</b>
<b>Prior Year Balance</b>	\$5,023	\$1,027
Revenues and Transfers	\$118,765	124,027
<b>Total Resources Available</b>	<b>\$123,788</b>	<b>\$125,054</b>
Non-Proposition 98 Expenditures	\$72,431	\$71,169
Proposition 98 Expenditures	\$50,330	\$51,351
<b>Total Expenditures</b>	<b>\$122,761</b>	<b>\$122,520</b>
<b>Fund Balance</b>	<b>\$1,027</b>	<b>\$2,534</b>
Reserve For Liquidation of Encumbrances	\$980	\$980
Special Fund for Economic Uncertainties	\$47	\$1,554
<b>Budget Stabilization Account/Rainy Day Fund</b>	<b>\$6,713</b>	<b>\$7,869</b>

**General fund Revenue Sources**  
(\$ in millions)

	<b>2016-17</b>	<b>2017-18</b>	<b>\$ Change</b>	<b>% Change</b>
Personal Income Tax	\$83,136	\$85,866	\$2,730	3.3%
Sales and Use Tax	24,994	25,179	185	0.7%
Corporation Tax	10,389	10,878	489	4.7%
Insurance Tax	2,309	2,368	59	2.6%
Alcoholic Beverage Taxes and Fees	370	372	2	0.5%
Cigarette Tax	79	65	-14	17.7%
Motor Vehicle Fees	24	24	0	0.0%
Other	648	431	-217	33.5%
<b>Subtotal</b>	<b>\$121,949</b>	<b>\$125,183</b>	<b>\$3,234</b>	<b>2.7%</b>
Transfer to the Budget Stabilization / Rainy Day Fund	-3,184	-1,156	2,028	63.7%
<b>Total</b>	<b>\$118,765</b>	<b>\$124,027</b>	<b>\$5,262</b>	<b>4.4%</b>

**Long-Term Revenue Forecast – Three Largest Sources**  
(General fund Revenue - \$ in billions)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Average Yearly Growth
Personal Income Tax	\$78.6	\$83.1	\$85.9	\$89.1	\$93.2	\$97.5	4.2%
Sales and Use Tax	24.9	25.0	25.2	26.2	27.2	28.1	2.9%
Corporation Tax	9.9	10.4	10.9	11.3	11.9	12.5	4.8%
<b>Total</b>	<b>\$113.7</b>	<b>\$118.5</b>	<b>\$121.9</b>	<b>\$126.7</b>	<b>\$132.3</b>	<b>\$138.1</b>	4.0%
Growth	4.1%	4.2%	2.9%	3.9%	4.4%	4.4%	

**General Fund Expenditures by Agency**  
(\$ in millions)

	2016-17	2017-18	\$ Change	% Change
Legislative, Judicial, Executive	\$3,500	\$3,322	-\$178	-5.1%
Business, Consumer Services & Housing	493	388	-105	-21.3%
Transportation	225	243	18	8.0%
Natural Resources	3,110	2,811	-299	-9.6%
Environmental Protection	90	89	-1	-1.1%
Health and Human Services	35,263	33,994	-1,269	-3.6%
Corrections and Rehabilitation	10,889	11,088	199	1.8%
K-12 Education	50,589	52,169	1,580	3.1%
Higher Education	14,527	14,627	100	0.7%
Labor and Workforce Development	177	122	-55	-31.1%
Government Operations	1,772	741	-1,031	-58.2%
General Government:				
Non-Agency Departments	787	691	-96	-12.2%
Tax Relief/Local Government	459	435	-24	-5.2%
Statewide Expenditures	880	1,800	920	104.5%
<b>Total</b>	<b>\$122,761</b>	<b>\$122,520</b>	<b>-\$241</b>	<b>-0.2%</b>

## Administration of Justice

### **2011 Realignment**

The Governor's budget updates revenue assumptions for 2011 Realignment programs. For the Community Corrections Subaccount (AB 109) the 2016-17 statewide base remains \$1.616 billion, however the estimate for growth funds has fallen to \$59.1 million. When the 2016-17 budget passed, the growth amount was estimated to be \$102 million. The 2011 Realignment estimates will be revisited and revised in this spring's May Revision, then finalized in the fall.

Counties should also note that the Enhancing Law Enforcement Activities Subaccount—which funds a variety of local assistance programs including Citizens' Option for Public Safety, the Juvenile Justice Crime Prevention Act, and the rural and small county sheriffs program, among others— should achieve its guaranteed funding level of \$489.9 million with VLF alone, with growth available in 2016-17 (an estimated \$154.7 million) and 2017-18 (an estimated \$153.8 million).

### **CCP Training Grants**

The budget continues with another round of planning grants totaling \$7.9 million for Community Corrections Partnerships (CCPs) to support work associated with ongoing AB 109 implementation efforts. Counties will recall that the planning grants are disbursed in fixed amounts, depending on the county's size. As in past years, it is expected that receipt of the grants will be conditioned upon reporting to the Board of State and Community Corrections regarding AB 109 implementation plans.

### **SB 678 Funding**

The budget assumes sustained SB 678 funding, reflecting counties' ongoing success under the 2009 performance-based probation funding program. Based on the revised formula established in 2015-16, the Budget proposes \$114.9 million to continue the Community Corrections Performance Incentive Grant Program. The budget recognizes the significance of this funding stream in supporting probation's important evidence-based prevention and intervention efforts.

### **Post Release Community Supervision**

The budget includes \$11 million for county probation departments to supervise the temporary increase in the average daily population of offenders on Post Release Community Supervision as a result of the implementation of court-ordered measures and Proposition 57.

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### **Proposition 47**

Proposition 47 was passed by the voters in November 2014, which requires misdemeanor rather than felony sentencing for certain property and drug crimes and permitted inmates previously sentenced for these reclassified crimes to petition for resentencing. Based on fall projections, Proposition 47 is expected to reduce the 2016-17 adult inmate average daily population by 4,425, compared to 5,247 in 2015-16. The DOF currently estimates net savings of \$42.9 million, an increase of \$3.5 million over the estimated savings in 2015-16. Ongoing savings are currently estimated to be approximately \$69 million.

### **Community Infrastructure Grants**

The current year budget includes \$67.5 million for community infrastructure grants to cities and/or counties to promote public safety diversion programs and services by increasing the number of treatment facilities for mental health, substance use disorder, and trauma-related services. The proposed budget eliminates this funding.

### **Fines, Fees and Assessment Review**

The proposed budget recognizes the courts reliance on funding generated by fines, fees, and penalties assessed on court filings and citations. These funds, which have been declining over the last decade, are distributed based on a statutory formula into eight special funds for various programs. The Administration is proposing to amend the process for which the state portion of the assessment is distributed including eliminating the state funding to the Internet Crimes Against Children Task Forces, Local Public Prosecutors and Public Defenders Training Program, and the California Gang Reduction, Intervention and Prevention Program which is solely funded by the State Penalty Fund.

In addition, the budget proposes to eliminate the statutory provisions related to suspending drivers' licenses for failure to pay fines and penalties.

### **Corrections – Proposition 57**

The budget document provides an extensive update on the state's efforts to comply with the three-judge panel orders relative to prison overcrowding. As counties will recall, the federal court granted the state in a February 2014 order, an additional two years to meet the previously imposed population cap. As of December 14, 2016 the prison population was at 134.0 percent of design capacity, which is below the court-ordered population cap of 137.5 percent of design capacity.

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The California Department of Corrections and Rehabilitation (CDCR) has implemented many solutions to meet the court order including expanding reentry programs throughout the state. Proposition 57, the most recent effort to comply with the Three Judge Panel and establish a durable solution, is estimated to reduce the average daily adult inmate population by approximately 2,000 in 2017-18, growing to an inmate reduction of approximately 9,500 in 2020-21. These figures are preliminary and subject to considerable uncertainty.

Overall, the budget estimates that Proposition 57 will result in net savings of \$22.4 million in 2017-18, growing to net savings of approximately \$140 million in 2020-21.

Proposition 57 also requires that all juvenile offenders who committed their crimes prior to age 18 have a hearing in juvenile court before being transferred to adult court. The anticipated effect is that fewer juvenile offenders will be tried in adult court, which is estimated to reduce the state prison population by 81 in 2017-18. The budget notes that these changes will likely result in some local government costs, since probation departments will assist in more juvenile court proceedings where a judge determines whether a juvenile offender should be tried in adult or juvenile court. If more wards are committed to the state Division of Juvenile Justice, county probation departments will be required to pay the state \$24,000 per year for certain juvenile court commitments.

### **State Hospitals**

In an effort to address the growing state hospital Incompetent to Stand Trial (IST) population, the Administration has contracted with several counties to open 138 jail-based competency restoration beds, with an additional 10 beds expected to be available in early 2017. Despite all of these efforts, the State Hospital IST population continues to grow with a waitlist of approximately 600 individuals as of December 2016. The budget proposes a new approach to addressing IST referrals from counties. The budget includes \$10.8 million in to establish a 60-bed Admission, Evaluation, and Stabilization Center for the assessment and treatment of ISTs. The proposed Center would be located in a county jail (unspecified at this time) and would admit patients from Southern California counties. Patients would receive a full evaluation upon admission to determine the degree of competency restoration required. Evaluated patients who do not meet the criteria for IST, after the initial admission assessment, will be considered short-term patients to be treated and discharged back to the referring county directly from the Center.

The Administration continues to work with counties and other partners to look for solutions including exploring opportunities for joint-use facilities that would provide services to both State Hospital patients and appropriate jail populations.

**Judicial Branch**

The Judiciary’s proposed budget provides \$3.6 billion for the judicial branch which includes \$35.4 million in new funding that would be used to address general cost increases and support technology initiatives. The proposal also continues to backfill the Trial Court Trust Fund revenue shortfall.

In addition, the budget proposes amending the statute for judicial officer salaries so that Judicial Officers receive the proportional equivalent of the salary increases that have been provided retroactively to July 1st state workers. The budget also reallocates four vacant superior court judgeships to areas where the workload is highest without increasing the total number of judges.

**Agriculture, Environment and Natural Resources**

**Cap and Trade Funding**

The Governor emphasized that the cap and trade program is an important element in the state’s climate change strategy. The Governor's 2017-18 budget proposes to appropriate \$2.155 billion in cap and trade revenues as illustrated in the table on the following page. Allocation amounts are general and additional programmatic details will be available in the coming months. However, this cap and trade expenditure plan will only be allocated upon a two-thirds vote of the legislature to authorize the program beyond 2020. Pending litigation challenging the program’s authorization under a majority vote bill (AB 32) has precipitated this call for a super majority vote.

Investment Category	Department	Program	Amount (millions)
<b>Continuous Appropriation</b>	High Speed Rail Authority	High Speed Rail Project	\$375
	Transportation Agency	Transit and Intercity Rail Capital Program	\$150
	State Transit Assistance	Low Carbon Transit Operations Program	\$75
	Strategic Growth Council	Affordable Housing & Sustainable Communities	\$300





<b>Transportation Package</b>	Transportation Agency	Transit and Intercity Rail Capital Program	\$500
	Caltrans	Active Transportation	
<b>50 percent in reduction in Petroleum Use</b>	Air Resources Board	Low Carbon Transportation & Fuels	\$363
<b>Local Climate Action</b>	Strategic Growth Council	Transformational Climate Communities Program, including technical assistance and outreach	\$142
<b>Short-Lived Climate Pollutants</b>	Air Resources Board	Black Carbon Woodsmoke	\$95
	Cal Recycle	Waste Diversion	
	Dept. of Food & Agriculture	Dairy Digesters	
<b>Carbon Sequestration</b>	CAL Fire	Healthy Forests Urban Forestry	\$127.5
	Dept. of Food & Agriculture	Climate Smart Agriculture	
	Natural Resources Agency	Urban Greening	
<b>Energy Efficiency/ Renewable Energy</b>	Dept. of Community Services & Development	Energy Efficiency Upgrades/Weatherization	\$27.5
	Dept. of Food & Agriculture	State Water Efficiency and Enhancement Program	
<b>TOTAL</b>			<b>\$2,155</b>

\*The cap and trade plan includes \$500 million for transportation programs (included in the table above). For more information on this category, please see the Housing, Land Use and Transportation section of this document.

*Transformational Climate Communities Program*

The Governor’s cap and trade spending plan dedicates \$142 million to the cross-cutting Climate Communities Program. The goal of this program is to make investments in the state’s top five percent of disadvantaged communities for energy, transportation, water, waste reduction, and other greenhouse gas (GHG) reducing projects. This is a relatively new program, first funded in last year’s budget, and largely reflects advocacy work to create a dedicated, cross-sector local climate funding program. The City of Fresno received \$70 million through the Transformational Climate Communities Program.

### *Short-Lived Climate Pollutants/Waste Reduction*

The cap and trade funding plan includes funding for the reduction of short-lived climate pollutants, which include black carbon and methane. The plan also increases funding to Cal Recycle for waste diversion. Reducing waste will result in an overall reduction in methane emissions from our landfills.

### *Tree Mortality*

The Governor's cap and trade plan includes a total of \$127.5 million for the category of carbon sequestration, which includes programs like Healthy Forests and Urban Forestry at Cal Fire as well as Climate Smart Agriculture – Healthy Soils and Urban Greening. Details are not yet available, but it is possible that some of this funding could be used to support tree mortality work.

### **Beverage Container Recycling Program Reform**

The Governor has included placeholder language for a reform proposal for the Beverage Container Recycling Program, or Bottle Bill. This program administers the California Redemption Value (CRV) for recycling bottles and cans, which is 5 cents for containers less than 24 ounces, 10 cents for containers 24 ounces or larger. As recycling rates have increased, this fund, and the programs it supports, has decreased necessitating reform. Relevant to local governments are the city/ county payments, which provide \$10 million to eligible cities and counties for beverage container recycling and litter cleanup activities, and the \$15 million in curbside supplemental payments. Additional details on the reform proposal are forthcoming.

### **Emergency Drought Response**

Despite improved drought conditions with recent winter storms across the state, the overall snow pack is still below normal and the need for additional drought funding is reflected in the Governor's budget. The proposed budget includes \$178.7 million in emergency drought funding for a variety of different program areas, including local assistance for small water systems, tree mortality and enhanced fire protection and funding to implement the Governor's Executive Order on water conservation, among other things.

Investment Category	Department	Program	Amount (millions)
<b>Protecting Water Supplies &amp; Water Conservation</b>	Department of Water Resources	Local Assistance for Small Communities	\$5
	Water Board	Water Rights Management	\$5.3
	Department of Water Resources	Drought Management and Response	\$7
	Department of Water Resources	Save Our Water Campaign	\$2
<b>Emergency Response</b>	Department of Forestry and Fire Protection	Enhanced Fire Protection	\$91
	Office of Emergency Services	California Disaster Assistance Act State Operations Center	\$52.7 \$4
<b>Protecting Fish and Wildlife</b>	Department of Fish and Wildlife	Emergency Fish Rescues and Monitoring	\$8.2
		Delta Smelt Resiliency Strategy	\$3.5
<b>TOTAL</b>			<b>\$178.7</b>

#### *Tree Mortality*

The drought and subsequent bark beetle infestation of our forests has resulted in an estimated 102 million dead and dying trees through the Sierra. As counties are well aware, the Governor issued an Executive Order in October 2015 directing state and local entities as well as utilities to remove dead and dying trees that threaten critical infrastructure and pose a health and safety risk. The Governor’s Tree Mortality Task Force has been working diligently to implement the Executive Order, and many of our counties are active participants. To assist with the effort and the increased fire risk posed by the state of our forests, the Governor’s proposed budget includes \$88 million in general fund and \$3 million in State Responsibility Area (SRA) funds for expanded fire protection in 2017. Specific to local governments, the budget includes \$52.7 million in general fund monies to the Office of Emergency Services to provide assistance to counties through the California Disaster Assistance Act (CDAA). These funds will be available to aid local agencies in the removal of dead or dying trees that are a direct threat to public safety.

### *Local Assistance to Small Communities*

The Governor's proposed budget includes \$5 million in general fund for the Department of Water Resources to provide emergency drinking water support for small communities by working to develop additional water supplies.

### **Implementing California's Water Action Plan**

The state's Water Action Plan, released in January 2014, provides a blueprint for water investments and policy priorities to build a more sustainable and resilient water system for the state. The budget prioritizes the top ten actions identified in the Water Action Plan and includes policy direction and budget adjustments to reflect these priorities. With respect to water conservation, the budget highlights the Governor's Executive Order on water conservation, Making Water Conservation a Way of Life, and states that implementation will require new legislation and regulatory processes.

With respect to groundwater, the proposed budget includes an increase of \$15 million in general fund to the Department of Water Resources for additional staff to provide statewide technical assistance to help implement the Sustainable Groundwater Management Act (SGMA), a priority identified in the Water Action Plan. In addition, the budget includes \$2.3 million to the State Water Board for new positions to help enforce reporting requirements in high and medium priority basins that fail to form local governance structures as required by SGMA.

Finally, the proposed budget draws down the Water Commission's allotment of \$2.7 billion from Proposition 1 water bond funding for storage for the Department of Fish and Wildlife to support outreach and technical review of water storage project proposals submitted to the Water Commission.

### **Cannabis Regulation**

With the passage of Proposition 64 and the Medical Cannabis and Regulatory Safety Act (MCRSA), California will be regulating and taxing cannabis for medical and recreational purposes. The budget includes \$52.2 million for the regulation of cannabis in 2017-18 to fund state regulatory activities, processing of licenses, and enforcement. Proposition 64 requires the state to start issuing licenses for recreational cannabis beginning January 1, 2018. Since cannabis license fees will not be collected until then, the General Fund provided loans to the Marijuana Control Fund to cover the initial implementation and regulatory costs for cannabis-related activities. It is anticipated that these loans will be repaid in 2018-19.

Specific proposals include:

- Department of Consumer Affairs—\$22.5 million to enhance the Bureau of Medical Cannabis Regulation within the Department of Consumer Affairs. The Bureau will regulate the transportation, storage, distribution, and sale of cannabis within the state and will also be responsible for licensing, investigation, enforcement, and coordination with local governments.
- Department of Public Health—\$1 million for the licensing and regulation of medical cannabis product manufacturers.
- Department of Food and Agriculture—\$23.4 million to provide Cannabis Cultivation Program administrative oversight, promulgate regulations, issue cannabis cultivation licenses, and perform an Environmental Impact Report. In addition, the Department of Food and Agriculture is responsible, with assistance from the California Department of Technology and the Board of Equalization, for establishing a track and trace program to report the movement of medical cannabis products throughout the distribution chain using unique identifiers.
- Board of Equalization—\$5.3 million in 2017-18 to notify businesses of the new tax requirements and update its information technology systems to register businesses and process tax returns from retail sales. Proposition 64 requires the Board of Equalization to administer an excise tax on cannabis sales and a cultivation tax on all harvested cannabis that enters the commercial market.
- Department of Health Care Services—\$5 million in 2016-17 for the public information program specified in Proposition 64. The program, to be established and implemented no later than September 1, 2017, will cover a number of health-related topics pertaining to cannabis and cannabis products.

### **Payment in Lieu of Taxes (PILT)**

The Governor’s proposed budget includes \$644,000 in Payment in Lieu of Taxes (PILT) funding to local governments, which reflects the county share of on-going PILT. The Department of Fish and Wildlife (DFW) operates wildlife management areas throughout the state. Existing law (Fish and Game Code Section 1504) requires DFW to compensate counties for loss property taxes and assessments as a result of the establishment of a wildlife management area. These “payments in-lieu of taxes” are equal to the county taxes levied upon the property at the time the state acquired the property plus any assessments levied upon the property by any irrigation, drainage, or reclamation

district. Counties received a one-year allocation of PILT funds in the FY 16-17 budget, and this allocation is consistent with that appropriation.

## Government Finance and Administration

### EMPLOYEE RELATIONS AND ADMINISTRATIVE SERVICES

#### In-Home Supportive Services.

The Governor, citing a lack of cost-effectiveness of the Coordinate Care Initiative (CCI), proposes ceasing the CCI program in 2017-18. Counties will recall that the CCI, created in 2012, permits Californians eligible for Medicare and Medi-Cal to receive certain benefits and services that are coordinated through a single health plan. A fundamental aspect of the CCI is a transfer of IHSS bargaining responsibilities from counties to the State. Ending the CCI would include the elimination of the IHSS Statewide Authority and reinstate the state-county share of costs that were in place prior to the establishment of the CCI. (Please refer to the Health and Human Service policy section on page 16 of this document for a full summary of the proposal and county impacts.)

#### Minimum Wage Increases

The Governor's budget proposal sets aside \$217 million to cover costs associated with the minimum wage increase signed into law last summer, which incrementally raises the state minimum wage to \$15 per hour by 2022. Counties should note that changes to the state minimum wage fall within the "compensation" purview of the State Constitution home rule provisions granted to all counties under Article 11, Section 1(b) and, therefore, the minimum wage requirement is not applicable to county employees.

#### CalPERS

The proposed budget includes \$2.8 billion for state contributions to the California Public Employees' Retirement System (CalPERS) for state employees' pension costs. This figure includes the implementation of the [recent reduction](#) in the CalPERS discount rate from 7.5 percent to 7 percent by fiscal year 2020-21. The state will experience the first phase of the implementation of this reduction in 2017-18, while contracting cities, counties and special districts will incur the increased costs associated with the reduction beginning with fiscal year 2018-19.

# ACTION

## **FINANCE AND OPERATIONS**

### **Redevelopment Dissolution Work Continues**

The dissolution of redevelopment agencies continues and the Administration stated their committed to ensuring the proper return of tax money to local governments. The budget proposal anticipates that in 2016-17 and 2017-18, counties will receive an additional \$869 million in general-purpose revenues.

The proposed budget anticipates Proposition 98 General fund savings resulting from the dissolution of RDAS will be \$1.3 billion in 2016-17. For 2017-18 and on an ongoing basis, Proposition 98 General fund savings are expected to be \$1.4 billion.

The Governor's budget notes that recent laws creating new economic development tools, which also rely on property tax increment financing, have been underutilized and could be helpful in efforts to increase affordable housing supply in the state.

### **State Mandates**

The proposed budget mirrors the 2015-16 Budget Act and last year's adopted budget with 23 mandates funded for a total of \$34.5 million. There are 56 mandates that continued to be suspended, and therefore are not eligible for reimbursement if they are carried out optionally by local agencies.

### **Other Local Finance Provisions**

- The budget proposes to fund the state's insufficient ERAF backfill, totaling \$138,000 (for Alpine County).
- To prevent an undercount of the state's population in the 2020 Census, the proposed budget appropriates \$7 million to cities and counties for a grant program, with individual grants ranging from \$7,500 to \$125,000, to encourage local jurisdictions to partner with the Census Bureau and assist in developing their Master List of Addresses. As noted in the proposal, grant amounts will be based on the volume of housing transactions within an agencies jurisdiction between 2010 and 2016.

### **Sales and Use Tax Revenue Projections**

Sales and Use Tax, the state's second largest revenue source, is of particular importance to counties as the primary source of funding for realignment, Proposition 172 funds for public safety, transportation, and other local programs. Wholesale trade, motor vehicle and parts dealer sales, and food service sales are significant contributors to the sales tax base.

# ACTION

The Governor's budget estimates that the sales tax will generate \$25 billion in General fund revenues in 2016-17 and \$25.2 billion in 2017-18. However, these figures fall \$1.7 billion short from 2016 Budget Act projections. The downgrade in the revenue forecast reflects slower growth in consumer spending and business investment as well as the sunset of the 0.25-cent Proposition 30 sales tax increase.

### **Property Tax Revenue Projections**

Property taxes are primarily a source of local revenue, but estimates are included in the state budget because of the complex interactions with school funding. The Governor's budget estimates a 5.9 percent increase in 2016-17 and 5.3 percent increase in 2017-18 for statewide property tax revenues.

## **Health and Human Services**

### **Governor Dismantles the County IHSS MOE and Returns Collective Bargaining to Counties**

Governor Brown's Director of Finance will discontinue the Coordinated Care Initiative (CCI) and dismantle the In-Home Supportive Services (IHSS) Maintenance of Effort (MOE) deal in the 2017-18 budget. Following current statute, Director Cohen has the authority to do so without legislative action. The county IHSS MOE for all counties will expire on June 30 of this year, health plans will lose their enhanced capitation rates for IHSS benefits, and the CCI would end on December 1, 2018. CSAC will oppose the state's efforts to shift new IHSS program costs to counties.

*Cost:* According to estimates developed by the County Welfare Directors Association, the demise of the county MOE for all 58 counties will result in \$625 million in increased county costs for the IHSS program in 2017-18 if statutory sharing ratios for the nonfederal share of the current program costs are used: 65 percent state and 35 percent county. This estimate is based on normal program growth costs and includes new costs recently enacted by the state – the minimum wage increase up to \$15 per hour and three paid sick leave days for IHSS workers – and the new federal overtime regulations. The IHSS MOE deal had limited county IHSS costs to a base year calculation of 2011-12 costs plus an annual 3.5 percent inflator.

*Collective Bargaining:* The January Budget proposal means that IHSS Collective Bargaining from counties participating in the CCI will transfer from the Statewide

# ACTION



Public Authority back to the counties. This also means that any future transfer of collective bargaining in the other 51 counties will not occur. To date, only the 7 current CCI counties (Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo and Santa Clara) had transferred IHSS Collective Bargaining to the state.

*Timeline:*

- Jan 10, 2017 - Deadline for Director of Finance to announce that CCI will not generate net General Fund savings and will become inoperative
- July 1, 2017 - County IHSS MOE (WIC §12306.15), including 3.5 percent inflator and state responsibility for collective bargaining, becomes inoperative.
- Jan 1, 2018 - CCI becomes inoperative.

*Coordinated Care Initiative:* While Director Cohen has decided to repeal the CCI, including the elimination of the enhanced rates for health plans, the eradication of the Statewide Public Authority, and a return to pre-MOE state-county costs sharing (65/35), he does indicate that the budget proposes to continue the Cal Medi-Connect program, continue mandatory enrollment for dual eligibles, and include long-term services and supports – but not IHSS – into managed care. The budget also encourages continued cooperation between plans and counties, but without funding for these activities, it is unclear how the policy directives would be carried out.

**Health Care Reform – Affordable Care Act**

Governor Brown has steadfastly maintained that the state will operate under the current Affordable Care Act (ACA) statutes and continue to budget accordingly despite the potential for Congress to repeal the Act. He has included language in the budget indicating his willingness to build on what has worked and “play a constructive role” on the issue, but only “within the fiscal constraints facing the state.”

**MEDI-CAL**

**Overall**

Medi-Cal caseload continues to increase from 7.9 million beneficiaries in 2012-13 to an estimated 14.3 million beneficiaries in 2017-18 for total costs of \$20 billion. The state will also assume a 5 percent share of cost for the nearly 4 million ACA Medi-Cal Expansion cases in 2017, contributing \$888 million State General Fund in 2017-18 for this population alone.

### **County Medi-Cal Administration Costs**

As part of a budget deal in 2016, the 2017-18 budget maintains the state's commitment to fund county Medi-Cal administration activities with \$217.1 million State General Fund (\$655.3 all funds). The budget also includes \$731,000 (\$1.5 million all funds) for the development of a new Medi-Cal Administration budgeting methodology.

### **MCO Revenues for Medi-Cal**

The Managed Care Organization tax passed in 2016 and provides \$1.1 billion for Medi-Cal in the current year and is estimated to provide \$1.6 billion in 2017-18. This funding is used for the nonfederal portion of managed care rates for services provided to children, adults, seniors, persons with disabilities, and those who are dually eligible for both Medicare and Medicaid. CSAC supported the MCO Fix to assist the state with Medi-Cal and Coordinated Care Initiative costs.

### **Medi-Cal Error**

The State is using \$1.8 billion in 2017-18 to repay federal drug rebates and correct a calculation error made in the reimbursement rates for the Coordinated Care Initiative.

### **Children's Health Insurance Program**

Due to the uncertainty in the future of the Children's Health Insurance Program (CHIP) at the federal level – it needs to be reauthorized by Congress by September of this year – the Governor's budget takes a cautious approach and assumes it will be reauthorized, but with a lower federal matching rate (65 percent instead of the enhanced 88 percent) for a total State General Fund cost of \$536.1 million in 2017-18.

### **Medi-Cal Benefits for Undocumented Children and Adults**

The Governor's budget proposal maintains state funding for the recent expansion of Medi-Cal benefits to undocumented children (SB 75, Chapter 18, Statutes of 2015) for \$279.5 million in 2017-18. It also books \$48 million in Medi-Cal savings from the new policy to allow undocumented persons to purchase private insurance from Covered California (SBX1 1m Chapter 4, Statutes of 2016, First Extraordinary Session).

### **Hospital Quality Assurance Fee (Proposition 52)**

Proposition 52 passed in November 2016 and the 2017-18 budget assumes General Fund savings of more than \$1 billion due to the fee, which is indefinite. CSAC supported Proposition 52 to assist the state with Medi-Cal costs.

### **Medicaid Managed Care Regulation**

The Governor is dedicating an additional \$4.5 million to implement the new federal Medicaid managed care regulations, which require more oversight by the Department of Health Care Services (DHCS). DHCS will oversee the implementation of the regulation for the state, and it is not yet known how much this new regulation package will cost California and counties.

### **2011 AND 1991 REALIGNMENT FUNDING**

Please refer to the Appendices for more details on the Governor's 2017-18 estimates for 2011 and 1991 Realignment.

### **Base Set for 2011 Realignment Behavioral Health Subaccount**

CSAC and the County Behavioral Health Directors Association worked with the Administration for nearly two years to develop and set a base allocation for the 2011 Realignment Behavioral Health Subaccount. While the base formula was implemented in the current year, beginning with the 2017-18 allocation, the ongoing base allocations will consist of the 2016-17 base allocation plus subsequent growth allocations. This will then serve as a rolling base mechanism for future allocations to the Behavioral Health Subaccount.

### **PUBLIC HEALTH**

#### **AB 85 Health Realignment Redirections**

The Governor's budget estimates \$585.9 million in county 1991 Realignment Health Subaccount savings for the current year, and \$546.2 in 2017-8 – if the Affordable Care Act is still in place. Additionally, the state will complete the "True Up" for the 2014-15 fiscal year, which preliminarily indicates additional county savings of \$245.6 million in that fiscal year. Please keep in mind that the True Up is a county-by-county calculation and only those counties that have experienced additional savings in 2014-15 above what was redirected under AB 85 will owe these funds. We also anticipate that some counties will receive reimbursements due to reduced savings under AB 85. These estimates will be updated with audited results in the May Revision Budget. Attached as an appendix to this document are the 2017-18 AB 85 redirections.

### **PROPOSITION 56: TOBACCO TAX INCREASE**

In November 2016, voters passed Proposition 56, the California Healthcare, Research and Prevention Tobacco Tax Act of 2016, which increases the excise tax rate on cigarettes and tobacco products, effective April 1, 2017. This tax is now also applicable

# ACTION

CALIFORNIA STATE ASSOCIATION OF COUNTIES

to electronic cigarettes. The excise tax, which is paid by distributors selling cigarettes in California, increased by \$2 – from 87 cents to \$2.87 per pack of 20 cigarettes. Proposition 56 requires backfills to Proposition 99, Proposition 10, the Breast Cancer Fund, and to state and local governments to address revenues declines resulting from the additional tax. The specific allocation of Proposition 56 funding in 2017-18 is reflected in the chart on the following page. Because of the April 1, 2017, effective date of the increased excise tax, the budget includes five quarters of tax revenues for expenditure in 2017-18.

**ACTION**

**Proposition 56 Allocations**  
(\$ in millions)

<i>Investment Category</i>	<i>Department</i>	<i>Program</i>	<i>2017-18 Amount<sup>1/</sup></i>
Enforcement	Dept. of Justice	Local Law Enforcement Grants	\$37.5
		Distribution and Retail Sale Enforcement <sup>2/</sup>	\$7.5
	Board of Equalization	Distribution and Retail Sales Tax Enforcement <sup>2/</sup>	\$5.8
	Dept. of Public Health	Law Enforcement <sup>2/</sup>	\$7.5
Education, Prevention, and Research	University of California	Cigarette and Tobacco Products Surtax Medical Research Program	\$80.7
		Graduate Medical Education <sup>2/</sup>	\$50.0
	Dept. of Public Health	State Dental Program <sup>2/</sup>	\$37.5
		Tobacco Prevention and Control	\$178.5
	State Dept. of Education	School Programs	\$31.5
Health Care	Dept. of Health Care Services	Health Care Treatment	\$1,237.4
Administration and Oversight	State Auditor	Financial Audits	\$0.4
	Board of Equalization	Sales and Use Tax	\$1.1
Revenue Backfills	Proposition 99, Breast Cancer Research Fund, and Proposition 10		\$37.1
<b>Total</b>			<b>\$1,712.5</b>

1/ "2017-18 Amount" includes one quarter of 2016-17 revenue and four quarters of 2017-18 revenue.

2/ Annual amount specified in statute.

**ACTION**

## **BEHAVIORAL HEALTH**

### **Drug Medi-Cal**

The budget includes \$3.1 million General Fund (\$19.9 million total funds) in 2017-18 for the rollout of the new Drug Medi-Cal Organized Delivery System Waiver, and \$141.6 million General Fund in 2018-19. Six counties will participate in 2016-17, and 10 more are expected onboard in the following year.

### **2011 Behavioral Health Subaccount Base**

Please see the Realignment section above for information about the new 2011 Realignment Behavioral Health Subaccount base.

### **Children's Mental Health Crisis Service Grants**

The Budget revokes the \$17 million General Fund from the 2016-17 Budget intended for grants to local governments to increase the number of facilities providing mental health crisis services for children and youth under the age of 21. This language was initially included in last year's SB 833 (Committee on Budget and Fiscal Review, Statutes of 2016).

## **HUMAN SERVICES**

### **Continuum of Care Reform**

The Continuum of Care Reform (CCR) of the state's foster and probation youth group homes went live on January 1. The Budget includes \$163.2 million General Fund (\$217.3 million total funds) to continue the implementation of the Continuum of Care Reform (AB 403, Statutes of 2015). Counties, including Child Welfare Services, Behavioral Health services, and probation services, continue to grapple with implementing CCR. The Budget states that while progress has been made in implementing CCR, assumptions on caseload movement were revised to more accurately reflect the pace of implementation.

### **CalWORKs**

#### **Repeal of the CalWORKs Maximum Family Grant**

The 2017-18 proposal includes \$224.5 million (\$198.2 General Fund) to reflect a full year of increased grant costs that are due to the repeal of the Maximum Family Grant (MFG) rule, effective January 1, 2017. The rule prohibited cash aid for any child born into a CalWORKs household ten or months after initially receiving aid for the purposes of calculating a household's maximum aid payment. It was repealed last year thanks to the work of Senator Holly Mitchell.

# ACTION

### **Child Welfare Digital Services**

The proposed budget includes \$88 million General Fund (\$175.9 total funds) to support an increase in project activity, including increased funding for county engagement as individual digital services are designed, developed and implemented. The Child Welfare Services New System case management project continues to make progress since adoption in November 2015. The system is a suite of services being developed and integrated to deliver continually improving assistance to state and county workers.

### **Continue Consolidation of Statewide Automated Welfare Systems**

The proposed budget includes \$38.5 million (\$7.5 million General Fund) for 39 counties using the Consortium IV system to migrate to the LEADER Replacement System. The first year of funding for these migration activities will be available after the county consortia negotiations are complete and both the Department of Finance and the Department of Technology have reviewed and approved detailed project documents.

### **SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT**

As of January 2017, the maximum SSI/SSP grant levels are \$895.72 per month for individuals and \$1,510.14 per month for couples. For 2017, the current Consumer Price Index growth factor is 0.3 percent, and it is projected to be 2.6 percent for 2018. Additionally, maximum SSI/SSP monthly grant levels will increase by \$20 for individuals and \$29 for couples as of January 2018.

### **STATE HOSPITALS**

#### **Incompetent to Stand Trial Admissions**

Please see the Administration of Justice Section of the Budget Action Bulletin for more details on Incompetent to Stand Trial Admissions.

### **PUBLIC HEALTH**

#### **Licensing and Certification**

The proposed budget includes \$1.1 million in Licensing and Certification Program Fund in 2017-18 for the Los Angeles County contract to account for several salary increases. Los Angeles County salaries for burse surveyors and other contracted staff are higher than state salaries. These Los Angeles County salaries have increased in each of the past two years and will continue to increase in 2017 and 2018. Because of these ongoing cost pressures, the Department of Public Health is evaluating the most effective way to provide ongoing regulatory oversight of health care facilities in Los Angeles County. The Budget states that any continuation of the current relationship with Los Angeles County will require:

**ACTION**

- Regulatory actions be completed in a timely manner and consistent with other areas of the state,
- Consistency in the quality of evaluations ,
- Cost Maintenance and within budgeted amounts.

### **Elimination of the Health Care Workforce Augmentation**

The proposed budget includes the reversion of \$33.4 million General Fund from 2016-17 that were intended to fund health care workforce initiatives at the Office of Statewide Health Planning and Development. The Budget does not include additional funding for this purpose in the future.

## **Housing, Land Use and Transportation**

### **HOUSING**

The Governor’s January Budget highlights California’s continued housing affordability crisis, noting that the state has consistently produced fewer than 100,000 units per year over the last decade, while estimating that 180,000 units of new housing per year would be required to meet projected demand. As a result of the existing shortage, the proposal notes that over half of California households spend more than 30 percent of their income on housing costs, and nearly one-third spend more than 50 percent. This shortage contributes to California’s high rates of homelessness: while the state has 12 percent of the nation’s population, it has 22 percent of its homeless residents.

Despite acknowledging the tremendous scope of California’s housing affordability crisis, the Administration insists that “no new costs, or cost pressures” should be added to the state’s General Fund. Moreover, the Governor argues that “any permanent source of funding” should be linked to other policy reforms. The Department of Finance noted that this policy discussion will take place as part of a legislative package from the Administration outside of the budget process and shall be consistent with the following general principles:

- Housing construction should be streamlined through the reduction of “local barriers” in order to “limit delays and duplicative reviews, maximize the impact of public investments, and temper rent increases through housing supply increases.”
- Per unit costs should be reduced by addressing “permit and construction policies that drive up unit costs.”

# ACTION



- Compliance with existing laws, including the Housing Element, should be increased through additional accountability and enforcement measures.
- Leveraging “other infrastructure-related” investments to provide incentives for local governments to “meet or exceed housing goals” and to punish those jurisdictions that “do not build enough to increase production.”

CSAC is particularly concerned with the last principle, which seems to conflate the responsibility of cities and counties to plan and zone for adequate housing development with a responsibility to actually produce new housing units. While the proposal recognizes some of the factors beyond local government control, including high construction and land costs, that tend to limit housing production, it largely ignores the limited availability of state and federal subsidies that are necessary to construct housing units that can be sold or rented at below-market rates. For instance, the proposed budget highlights that there were 15 counties in California in which there was not a single unit constructed with tax credits from the Tax Credit Allocation Committee between 2011 and 2015.

For its part, CSAC will continue to review opportunities for additional streamlining of housing production, while also supporting new funding for affordable homes through a dedicated permanent source outside of the General Fund, as well through additional statewide affordable housing bonds. While proposing to link a permanent source with policy reforms, the Governor clearly signaled his opposition to further General Obligation bonds, stating that they would be an “inefficient and ineffective use of General Fund resources.”

### **Transportation Funding**

The Governor’s January Budget includes a slightly-updated version of the Administration’s transportation funding proposal originally released in September 2015. While the \$4.3 billion per year proposal continues to be a positive starting point for CSAC’s continued efforts to secure robust and sustainable new funding for local streets and roads in 2017, the Governor’s plan by itself will not be enough to stop the continued deterioration of the local network.

The Governor noted in his press conference that he was “very committed” to securing a funding solution for state and local transportation infrastructure, but stressed that a deal would require bipartisan cooperation and coordination with interest groups. According to the summary document, the Governor’s plan reflects six key principles:

**ACTION**

- A “fix-it-first” approach to repairing state highways and bridges and local streets and roads;
- Investing in key trade corridors to support economic growth and implementing a sustainable freight strategy;
- Providing funds to match locally generated funds for high-priority projects;
- Improving performance, accountability and efficiency at Caltrans;
- Investing in passenger rail and public transit modernization and improvement; and
- Avoiding an impact on the General Fund.

While consistent with the Administration’s earlier position, the last priority is particularly interesting, as Republican members have consistently pushed for transportation funding to be prioritized as part of the state’s overall spending, including the General Fund. Moreover, both [AB 1 \(Frazier\)](#) and [SB 1 \(Beall\)](#) include partial return of truck weight fees to current-year transportation projects, which would result in additional General Fund expenditures on transportation bond debt service of approximately \$500 million per year at full implementation. CSAC’s analysis of those proposals is available online [here](#).

Transportation funding remains a top priority for CSAC in 2017 work will continue with a broad coalition of partners to find consensus points among the various parties to see a comprehensive and robust package come to fruition.

### **Governor Brown Reintroduces 2015 Transportation Funding and Reform Package**

As noted, the budget proposal included a reintroduction of the [Governor’s September 2015 transportation funding and reform package](#). Counties may recall that the proposal would spend an additional \$3.6 billion annually for ten-years on maintenance and rehabilitation of state and local transportation systems and investments in transit.

The proposal also includes a number of reforms and accountability measures including project delivery and environmental streamlining, enhanced oversight of state project delivery by the California Transportation Commission, and innovative procurement methods. Notably, this year’s plan includes a limited-term, focused pilot program for routine highway projects using the job order contracting method. Reform measures in the plan aren’t limited to state projects: the Governor proposes a limited California Environmental Quality Act (CEQA) exemption for projects on existing rights-of-way with previously completed CEQA approval, as well as removing the sunset for the existing NEPA delegation program that allows Caltrans, rather than the Federal Highways

Administration, to review and approve NEPA documents for transportation projects that include federal funds.

The updated plan stabilizes the gas excise tax by eliminating the complicated adjustment process from the fuel tax swap, raising the price-based rate from 11.7 cents in the 2017-18 budget to 21.5 cents and indexing the gas tax to inflation. The proposal spends \$500 million a year from cap and trade funds, including \$100 million for active transportation grants and \$400 million for transit and intercity rail capital projects. Other revenues consists of an 11-cent increase to the diesel excise tax, a \$65 per year “road improvement charge” imposed on California’s 32.9 million registered vehicles, and \$100 million in cost-savings from Caltrans efficiencies.

In addition to supporting local street and road maintenance and rehabilitation through approximately \$1.16 billion in new annual subventions allocated to jurisdictions by formula—a slight increase over the previous plan’s \$1.05 billion in local formula funds—the plan would provide \$250 million annually for state-local partnership grants. This is in contrast to the two leading legislative funding plans, which would provide [approximately \\$2.2 billion in new funding for local streets and roads](#) in addition to \$200 million annually for a state-local partnership program.

Finally, the Governor proposes additional investments in transportation from the Greenhouse Gas Reduction Fund. Specifically, his plan would provide \$100 million for local complete streets projects and an additional \$400 million for transit capital projects. For more information on the Governor’s comprehensive cap and trade proposal, please see the Agriculture, Environmental and Natural Resources section of this document.

The Governor’s plan serves as a solid baseline from which to continue discussions on how much additional funding the state should raise, and how best we can invest it in statewide transportation infrastructure. CSAC will continue to push for more robust funding for local streets and roads, as the most recent needs assessment illustrates that at least \$3 billion in new funding for cities and counties would be necessary to see a reduction in the deferred maintenance backlog and an improvement in local pavement conditions over the next decade.

### **Gas Tax Trends and Anticipated FY 2017-18 Funding for Counties**

Due to slight increases in fuel prices, the Department of Finance estimates that the gasoline excise tax will be increased by 1.9 cents in July to maintain revenue neutrality with the former sales tax on gasoline. The overall state excise rate would increase from 27.8 cents to 29.7 cents, even without the approval of a state transportation funding

package. (Note that the Governor's transportation plan would increase to total gasoline excise tax rate back to its 2013-14 high of 39.5 cents per gallon.)

Despite an estimate increase in fuel consumption of 2.7 percent in 2015-16, which was driven largely by low fuel prices, the Department of Finance expects fuel consumption to decrease by 0.7 percent in 2016-17 and 0.1 percent in 2017-18. The resulting slight decreases in revenue from the fixed 18-cent gas tax rate will partially offset new revenues from the increase in the price-based excise tax rate.

CSAC staff has requested detailed budget information to create county-by-county fuel tax revenue estimates and will share this information with public works departments as soon as it is available.

## Appendices

The following charts show the estimated revenues, expenses, and redirections under 1991 Realignment, 2011 Realignment, and AB 85 redirections, respectively. The 2011 Realignment is funded through two sources: a state special fund sales tax rates of 1.0625 percent, totaling \$6.9 billion, and \$643.7 million in Vehicles License Fees.

***If you would like to receive the Budget Action Bulletin electronically, please e-mail Amanda Yang, CSAC Senior Legislative Assistant at [ayang@counties.org](mailto:ayang@counties.org).***

# ACTION

CALIFORNIA STATE ASSOCIATION OF COUNTIES

**1991 Realignment Estimated Revenues and Expenditures - 2017-18 Governor's Budget**  
(Dollars in Thousands)

2015-16 State Fiscal Year							
Amount	CalWORKs MOE	Health	Social Services	Mental Health	Family Support	Child Poverty	Totals
<b>Base Funding</b>							
Sales Tax Account	\$752,888	\$-	\$1,856,413	\$33,967	\$443,909	\$88,224	\$3,175,401
Vehicle License Fee Account	367,663	820,971	58,142	48,754	301,813	104,384	1,701,727
<b>Total Base</b>	<b>\$1,120,551</b>	<b>\$820,971</b>	<b>\$1,914,555</b>	<b>\$82,721</b>	<b>\$745,722</b>	<b>\$192,608</b>	<b>\$4,877,128</b>
General Growth Carryover from 2014-15 <sup>1</sup>						69,480	69,480
<b>Growth Funding</b>							
Sales Tax Growth Account:	-	-	57,388	-	-	-	57,388
Caseload Subaccount	-	-	(57,388)	-	-	-	(57,388)
County Medical Services Subaccount	-	-	-	-	-	-	-
General Growth Subaccount	-	-	-	-	-	-	-
Vehicle License Fee Growth Account	-	42,243	-	46,116	-	56,080	144,439
<b>Total Growth</b>	<b>\$-</b>	<b>\$42,243</b>	<b>\$57,388</b>	<b>\$46,116</b>	<b>\$-</b>	<b>\$56,080</b>	<b>\$201,827</b>
General Growth Carryover to 2016-17 <sup>1</sup>						(37,255)	(37,255)
<b>Total Realignment 2015-16<sup>2</sup></b>	<b>\$1,120,551</b>	<b>\$863,214</b>	<b>\$1,971,943</b>	<b>\$128,837</b>	<b>\$745,722</b>	<b>\$280,913</b>	<b>\$5,111,180</b>
2016-17 State Fiscal Year							
<b>Base Funding</b>							
Sales Tax Account	\$752,888	\$-	\$1,913,802	\$33,967	\$443,908	\$88,224	\$3,232,789
Vehicle License Fee Account	367,663	1,023,048	58,142	94,870	141,979	160,465	1,846,167
<b>Total Base</b>	<b>\$1,120,551</b>	<b>\$1,023,048</b>	<b>\$1,971,944</b>	<b>\$128,837</b>	<b>\$585,887</b>	<b>\$248,689</b>	<b>\$5,078,956</b>
General Growth Carryover from 2015-16 <sup>3</sup>	-	-	-	-	-	37,255	37,255
<b>Growth Funding</b>							
Sales Tax Growth Account:	-	5,516	67,743	4,494	-	5,132	82,885
Caseload Subaccount	-	-	(67,743)	-	-	-	(67,743)
County Medical Services Growth Subaccount	-	(3,338)	-	-	-	-	(3,338)
General Growth Subaccount	-	(2,178)	-	(4,494)	-	(5,132)	(11,804)
Vehicle License Fee Growth Account	-	29,840	-	24,312	-	27,760	81,912
<b>Total Growth</b>	<b>\$-</b>	<b>\$35,356</b>	<b>\$67,743</b>	<b>\$28,806</b>	<b>\$-</b>	<b>\$32,892</b>	<b>\$164,797</b>
<b>Total Realignment 2016-17<sup>2</sup></b>	<b>\$1,120,551</b>	<b>\$1,058,404</b>	<b>\$2,039,687</b>	<b>\$157,643</b>	<b>\$585,887</b>	<b>\$318,836</b>	<b>\$5,281,008</b>
2017-18 State Fiscal Year							
<b>Base Funding</b>							
Sales Tax Account	\$752,888	\$-	\$1,981,545	\$38,461	\$449,425	\$93,355	\$3,315,674
Vehicle License Fee Account	367,663	1,098,075	58,142	119,182	96,793	188,225	1,928,080
<b>Total Base</b>	<b>\$1,120,551</b>	<b>\$1,098,075</b>	<b>\$2,039,687</b>	<b>\$157,643</b>	<b>\$546,218</b>	<b>\$281,580</b>	<b>\$5,243,754</b>
<b>Growth Funding</b>							
Sales Tax Growth Account:	-	18,073	72,100	25,294	-	28,882	144,349
Caseload Subaccount	-	-	(72,100)	-	-	-	(72,100)
County Medical Services Growth Subaccount	-	(5,813)	-	-	-	-	(5,813)
General Growth Subaccount	-	(12,260)	-	(25,294)	-	(28,882)	(66,436)
Vehicle License Fee Growth Account	-	12,593	-	17,624	-	20,124	50,341
<b>Total Growth</b>	<b>\$-</b>	<b>\$30,666</b>	<b>\$72,100</b>	<b>\$42,918</b>	<b>\$-</b>	<b>\$49,006</b>	<b>\$194,690</b>
<b>Total Realignment 2017-18<sup>2</sup></b>	<b>\$1,120,551</b>	<b>\$1,128,741</b>	<b>\$2,111,787</b>	<b>\$200,561</b>	<b>\$546,218</b>	<b>\$330,586</b>	<b>\$5,438,444</b>

<sup>1</sup> Reflects general growth carryover to fund the 5-percent increase to CalWORKs Maximum Aid Payment levels effective April 1, 2015, pursuant to Welfare and Institutions Code section 17601.50.

<sup>2</sup> Excludes \$14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources.

<sup>3</sup> Reflects general growth carryover to fund a 1.4-percent increase to CalWORKs Maximum Aid Payment levels effective October 1, 2016, and repeal of the maximum family grant rule effective January 1, 2017, pursuant to Welfare and Institutions Code section 17601.50.

**2011 Realignment Estimate<sup>1</sup> - at 2017-18 Governor's Budget**

	<u>2015-16</u>	<u>2015-16</u> <u>Growth</u>	<u>2016-17</u>	<u>2016-17</u> <u>Growth</u>	<u>2017-18</u>	<u>2017-18</u> <u>Growth</u>
<b>Law Enforcement Services</b>	<b>\$2,289.1</b>		<b>\$2,361.2</b>		<b>\$2,440.1</b>	
Trial Court Security Subaccount	532.5	7.2	539.7	7.9	547.6	10.0
Enhancing Law Enforcement Activities Subaccount <sup>1</sup>	489.9	116.0	489.9	154.7	489.9	153.8
Community Corrections Subaccount	1,107.5	54.1	1,161.6	59.1	1,220.7	75.4
District Attorney and Public Defender Subaccount	24.3	3.6	27.9	3.9	31.9	5.0
Juvenile Justice Subaccount	134.9	7.2	142.1	7.9	150.0	10.0
<i>Youthful Offender Block Grant Special Account</i>	(127.5)	(6.8)	(134.3)	(7.5)	(141.7)	(9.4)
<i>Juvenile Reentry Grant Special Account</i>	(7.4)	(0.4)	(7.8)	(0.4)	(8.3)	(0.6)
<b>Growth, Law Enforcement Services</b>		<b>188.1</b>		<b>233.5</b>		<b>254.2</b>
<b>Mental Health<sup>2</sup></b>	<b>1,120.6</b>	6.7	<b>1,120.6</b>	7.3	<b>1,120.6</b>	9.3
<b>Support Services</b>	<b>3,277.6</b>		<b>3,404.9</b>		<b>3,543.8</b>	
Protective Services Subaccount	2,109.2	60.3	2,169.5	65.8	2,235.3	83.9
Behavioral Health Subaccount	1,168.4	67.0	1,235.4	73.1	1,308.5	93.3
<i>Women and Children's Residential Treatment Services</i>	(5.1)	-	(5.1)	-	(5.1)	-
<b>Growth, Support Services</b>		<b>134.0</b>		<b>146.2</b>		<b>186.5</b>
<b>Account Total and Growth</b>	<b>\$7,009.4</b>		<b>\$7,266.4</b>		<b>\$7,545.2</b>	
<b>Revenue</b>						
1.0625% Sales Tax	6,403.5		6,621.8		6,901.5	
Motor Vehicle License Fee	605.9		644.6		643.7	
<b>Revenue Total</b>	<b>\$7,009.4</b>		<b>\$7,266.4</b>		<b>\$7,545.2</b>	

This chart reflects estimates of the 2011 Realignment subaccount and growth allocations based on current revenue forecasts and in accordance with the formulas outlined in Chapter 40, Statutes of 2012 (SB 1020).

<sup>1</sup> Dollars in millions.

<sup>2</sup> Base Allocation is capped at \$489.9 million. Growth does not add to the base.

<sup>3</sup> Base Allocation is capped at \$1,120.6 million. Growth does not add to the base.

<sup>4</sup> The Early and Periodic Screening, Diagnosis, and Treatment and Drug Medi-Cal programs within the Behavioral Health Subaccount do not yet have a permanent base.

**FY17/18 Interim Redirection**

**Redirection Summary**

CMSP	FY 2016-17	FY 2017-18 (DHCS Preliminary Review)
Alpine	\$ 13,150.00	\$ 13,150.00
Amador	\$ 620,264.00	\$ 620,264.00
Butte	\$ 5,950,593.00	\$ 5,950,593.00
Calaveras	\$ 913,959.00	\$ 913,959.00
Colusa	\$ 799,988.00	\$ 799,988.00
Del Norte	\$ 781,358.00	\$ 781,358.00
El Dorado	\$ 3,535,288.00	\$ 3,535,288.00
Glenn	\$ 787,933.00	\$ 787,933.00
Humboldt	\$ 6,883,182.00	\$ 6,883,182.00
Imperial	\$ 6,394,422.00	\$ 6,394,422.00
Inyo	\$ 1,100,257.00	\$ 1,100,257.00
Kings	\$ 2,832,833.00	\$ 2,832,833.00
Lake	\$ 1,022,963.00	\$ 1,022,963.00
Lassen	\$ 687,113.00	\$ 687,113.00
Madera	\$ 2,882,147.00	\$ 2,882,147.00
Marin	\$ 7,725,909.00	\$ 7,725,909.00
Mariposa	\$ 435,062.00	\$ 435,062.00
Mendocino	\$ 1,654,999.00	\$ 1,654,999.00
Modoc	\$ 469,034.00	\$ 469,034.00
Mono	\$ 369,309.00	\$ 369,309.00
Napa	\$ 3,062,967.00	\$ 3,062,967.00
Nevada	\$ 1,860,793.00	\$ 1,860,793.00
Plumas	\$ 905,192.00	\$ 905,192.00
San Benito	\$ 1,086,011.00	\$ 1,086,011.00
Shasta	\$ 5,361,013.00	\$ 5,361,013.00
Sierra	\$ 135,888.00	\$ 135,888.00
Siskiyou	\$ 1,372,034.00	\$ 1,372,034.00
Solano	\$ 6,871,127.00	\$ 6,871,127.00
Sonoma	\$ 13,183,359.00	\$ 13,183,359.00
Sutter	\$ 2,996,118.00	\$ 2,996,118.00
Tehama	\$ 1,912,299.00	\$ 1,912,299.00
Trinity	\$ 611,497.00	\$ 611,497.00
Tuolumne	\$ 1,455,320.00	\$ 1,455,320.00
Yuba	\$ 2,395,580.00	\$ 2,395,580.00
CMSP Board	\$ 176,611,068.82	\$ 176,611,068.82
<b>SUBTOTAL</b>	<b>\$ 265,680,029.82</b>	<b>\$ 265,680,029.82</b>
Article 13 60/40	FY 2016-17	FY 2017-18 (DHCS Preliminary Review)
Placer	\$ 3,323,053.00	\$ 3,323,053.00
Sacramento	\$ 32,522,858.85	\$ 32,522,858.85
Santa Barbara	\$ 8,295,256.74	\$ 8,295,256.74
Stanislaus	\$ 11,129,388.26	\$ 11,129,388.26
Yolo	\$ 3,591,586.22	\$ 3,591,586.22
<b>SUBTOTAL</b>	<b>\$ 58,862,143.08</b>	<b>\$ 58,862,143.08</b>
Article 13 Formula	FY 2016-17	FY 2017-18 (DHCS Preliminary Review)
Fresno	\$ 12,894,560.64	\$ 9,764,977.87
Merced	\$ 2,702,456.82	\$ 2,204,598.68
Orange	\$ 42,501,912.41	\$ 42,501,912.41
San Diego	\$ 45,970,030.58	\$ 45,970,030.58
San Luis Obispo	\$ 2,949,615.07	\$ 2,949,615.07
Santa Cruz	\$ 3,837,236.45	\$ 2,908,579.97
Tulare	\$ 6,632,208.81	\$ 6,503,694.64
<b>SUBTOTAL</b>	<b>\$ 117,488,020.78</b>	<b>\$ 112,803,409.21</b>
DPH	FY 2016-17	FY 2017-18 (DHCS Preliminary Review)
Alameda	\$ 19,149,261.36	\$ 5,653,555.97
Contra Costa	\$ 23,564,812.05	\$ 23,564,812.05
Kern	\$ 14,904,296.34	\$ 4,350,555.38
Los Angeles	\$ 5,606,688.47	\$ -
Monterey	\$ -	\$ -
Riverside	\$ 26,854,117.61	\$ 17,130,393.27
San Bernardino	\$ 21,836,302.33	\$ 30,699,017.20
San Francisco	\$ -	\$ -
San Joaquin	\$ -	\$ 10,481,330.77
San Mateo	\$ 16,493,158.03	\$ 8,148,969.09
Santa Clara	\$ -	\$ 8,355,112.48
Ventura	\$ 15,448,472.52	\$ 488,106.34
<b>SUBTOTAL</b>	<b>\$ 143,857,108.71</b>	<b>\$ 108,871,852.55</b>
<b>DHCS Total</b>	<b>\$ 261,345,129.49</b>	<b>\$ 221,675,261.76</b>
<b>Grand Total</b>	<b>\$ 585,887,302.38</b>	<b>\$ 546,217,434.66</b>