



2016-17 BUDGET CONFERENCE COMMITTEE
June 10, 2016

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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: **Conference Committee Passes Compromise Budget**

The Budget Conference Committee met into the late hours of June 9 to conclude their work of reconciling differences between the Assembly and Senate versions of the proposed 2016-17 budget. Over the weekend legislative leadership will continue to meet with the Administration and hash out final details on budget trailer bills. Budget committee hearings in both the Assembly and Senate are anticipated on Monday, June 13, before action moves to the floor to finalize the package by the June 15 deadline.

The proposed budget deal totals just over \$122 billion in General Fund revenue and reflects both the Governor's concern regarding the impending fiscal downturn and the Legislature's priorities that require ongoing funding commitments. Specifically, the Governor's January Budget proposal to augment the Proposition 2 Rainy Day Fund by an additional \$2 billion dollars was preserved. Plans to provide over \$1 billion in one-time spending on state building infrastructure projects also went through. For the Legislature, ongoing assistance for Pre-School and child care were approved that will grow to of \$100 million. The "Maximum Family Grant" rule repeal, which totals \$100 million in the first year, was also included after several failed attempts in previous budget cycles. This rule prohibits specified families from receiving additional assistance if a child is born into their family and they have received support for the past 10 months.

CSAC will continue to advocate on key budget issues until a final budget deal is reached. CSAC priorities include the "No Place Like Home" proposal that seeks to create permanent supportive housing for those who are mentally ill and homeless, funded in part by Prop 63 Mental Health Services Act dollars. CSAC and coalition partners are working to ensure equitable opportunity and distribution of potential resources to

counties under the program. Other key proposals, such as the affordable housing package, received an early injection funding but policy is still to be developed, like the “By Right” multifamily housing reforms. Finally, cap and trade auction revenue allocations were left unresolved by the Conference Committee and negotiations between the Legislature and Administration are anticipated in the next several months.

CSAC budget priority issue highlights from Conference Committee action include:

- \$270 million in revenue bonds for jail construction grants, offering \$20 million more than the May Revision
- \$5 million in trial court security funding
- \$10 million increase for Proposition 47
- \$5 million for tree mortality grants
- \$127.3 million for group home reform
- \$400 million for affordable housing
- \$2 billion for No Place Like Home

For more detail on these and other items of importance, see the following policy sections below or contact [CSAC legislative staff](#).

Administration of Justice

The Legislature and Administration reached several compromises in the Administration of Justice arena that reflect CSAC priority items.

Jail Construction Funding

In January, the Administration proposed \$250 million in General Fund for counties that had only received a partial or no construction funding in the past. The Legislature rejected that proposal in the May Budget hearings and redirected the funding to other areas that would reach individuals prior to incarceration. The Conference Compromise increased the funding for jail construction to \$270 million in lease revenue bonds, with a \$20 million carve-out for Napa County. The funding for Napa County is to address the damage that was done to the jail during the Napa Earthquake in 2014. The Jail Construction funding is still directed to counties that have not received an allocation or a full allocation in the past, but additional requirements were added to the funding. Specifically, counties that compete for this round of funding will have to include space for in-person visiting and provide a description of the counties efforts on addressing sexual abuse in the jail facilities.

Proposition 47 Increase

\$10 million increase to Proposition 47 funding for mental health, substance abuse treatment, reduced truancy, and improved victim services.

Trial Court Security

\$5 million for trial court security funding, to be directed to the unmet court security needs created by the opening of new courthouses. CSAC supported this proposal.

Local Public Safety Grants

An additional Conference Compromise included one-time General Fund expenditures for local public safety grants, court security, and other diversion programs. These grants include:

- \$67.5 million for Community Infrastructure Grants. These funds can be used to build facilities that provide mental health services or other treatment to the offender population. This was the Legislature’s proposal to focus construction on more than just jail construction.
- \$20 million in City Law Enforcement Grants. These funds are directed to police chiefs and some sheriff’s departments to provide innovation, training, and financial support to local police departments.
- \$10.2 million for Uninhabitable Police Station Grants.
- \$5.5 million for the City of Salinas for counter-violence and gang activity prevention.
- \$3 million for Workforce Investment Board services to ex-offenders.

LEAD Program

\$15 million for the creation of the Law Enforcement Assisted Diversion (LEAD) pilot program. The LEAD program is a diversion program that focuses on improving public safety and reducing recidivism by increasing the availability and use of social service resources.

Board of State and Community Corrections Executive Steering Committees

The compromise included trailer bill language that updates the Board of State and Community Corrections (BSCC) requirements for establishing Executive Steering Committees (ESC). The language removes an exemption for government employees to participate in an ESC if their agency is going to compete for the funding in which the ESC is developing criteria and guidelines. The Byrne Jag and Proposition 47 ESC’s were exempted from this legislative change.

ACTION

Agriculture, Environment and Natural Resources

Cap and Trade

The Conference Committee was unable to reach an agreement on allocations for cap and trade revenue. As a result, the Legislature and the Governor will continue to negotiate over the coming months.

Forest Health

The Conference Committee approved \$10 million in State Responsibility Area (SRA) funds. The Conference Committee reached a compromise, approving \$5 million for tree mortality grants and \$5 million for grants to local governments. CSAC is seeking more information regarding the purpose of the second \$5 million in local government grants.

Medical Cannabis

The Conference Committee approved substantive and technical changes to the Administration's proposed medical cannabis trailer bill language. While these changes have yet to be made public, it is our understanding that they'll affect provisions of the Medical Marijuana Regulatory and Safety Act concerning cultivation water supply requirements, testing, transportation and distribution.

Government Finance and Administration

Mandate Reimbursement Plan for Racial Profiling Reports Scratched

The most recent version of the main budget bill, Assembly Bill 1598, included \$10 million to assist the State with mandate reimbursements to local law enforcement agencies for duties under the Racial and Identity Profiling Act (RIPA) of 2015. This was paired with a budget trailer language that would have created an alternative mandate claims process tied to the Department of Finance instead of the Commission on State Mandates. While CSAC believes there is some merit in a more streamlined claims process, concerns were raised regarding a potential constitutional violation under Article 13, Section 6 (Prop 1A; 2004) that requires full subvention for mandated services. Otherwise, the State is required to suspend the mandate. The Conference Committee deleted this proposal along with the \$10 million General Fund allocation, leaving the existing mandate claims process in place for future RIPA mandate claims.

Elections Mandates Remain Unfunded

The Conference Committee adopted the Assembly version of the elections mandate proposal to yet again suspend seven mandates that include providing vote-by mail

ballots to voters who do not have a disability or illness; mailing ballots to permanent absentee voters (also known as vote by mail voters); processing voter registration cards that the county provides and then receives by mail or that are incomplete; and procedures in case of an emergency and an election has to be rescheduled. The Senate version would have funding all seven mandates at a cost of over \$75 million and would have triggered requirements for State reimbursement of debt payments to counties. The 2015-16 Budget directed the Department of Finance and Legislative Analyst's Office to conduct a study of which counties are continuing to adhere to the elections mandates despite their suspension and report back to the Legislature later this year.

Health and Human Services

Housing the Chronically Mentally Ill: The No Place Like Home Proposal

The Senate and Governor's No Place Like Home (NPLH) proposal to create permanent supportive housing for those who are mentally ill and homeless received an initial jumpstart in funding from the Conference Committee last night. The Committee voted unanimously to sweep \$45 million in unused state Mental Health Services Act administrative funding to begin implementation activities at the state level. The actual budget trailer bill has not yet been taken up by the Legislature.

The NPLH proposal will divert Mental Health Services Act (MHSA, or Proposition 63; 2004) funding to finance up to \$2 billion worth of bonds for building or rehabilitating supportive housing for those who struggle with a mental illness and are chronically homeless. This proposal requires a two-thirds vote of the Legislature because it seeks to amend Proposition 63.

While the action by the Conference Committee ensures that the proposal will be in the 2016-17 Budget Act, the details on how it will be implemented – including the exact amount of funding that will be available to counties and the structure of the bonds and related financing – are still being worked out in associated trailer bill language.

CSAC is working closely with Urban Counties of California (UCC), Rural County Representatives of California (RCRC), and the California Behavioral Health Directors Association of California (CBHDA) to influence the structure and details of the proposal. The guiding principle is to ensure that all counties have access to these funds diverted from the MHSA county allocations.

ACTION

There are several components to the proposal, but please note that the following information has not been finalized:

- \$2 billion total in bonds
- \$1.8 billion in a competitive loan program
- \$200 million in a noncompetitive, “first come, first served” funding
- \$1.6 million in technical assistance funding
- 5 percent of the total amount for the California Housing and Community Development Department for administrative expenses related to operating the program.

The county coalition has numerous, significant concerns with the proposal as presented in draft language on Thursday, June 9. The asks, roughly in order of priority, include:

1. Increase Noncompetitive Process – Increase the noncompetitive ratio of funds available.
2. Create a Rural Hold Harmless – Set aside 8% of all funds across all processes for the smallest tier of counties. If funds are not accessed, they would revert back to respective funding designations.
3. Define the Alternative Process – The Conference Committee version proposes an “alternative process” for counties with the largest number of homeless. The coalition is urging a cap on the amount of funds available through the alternative process due to concerns about the potential effect on the size of noncompetitive and competitive funds available. Clarification is also needed on whether and how counties may access multiple pots of funding.
4. County Groups/Tiers – A per capita approach (straight population count) should be used as the basis for forming the tiers, with counties grouped in the following tiers:
 - Los Angeles: Single tier
 - Large Counties: population of 750,000 or more
 - Medium Counties: population of 749,999 – 200,001
 - Small Counties: population of 200,000 and under
5. Stakeholder Advisory Group – There is a proposed stakeholder group, but this group must have the authority to approve guidelines developed by HCD, not just assist and advise. Further, county participation should be increased on the stakeholder advisory group to ensure participation by a large county and a small county. Further, one consumer/family member of a consumer in line with MHSA policy and practice should be added.
6. MHSA Amendment on Rental Subsidies – The coalition is requesting a simple amendment to the MHSA put forth by CBHDA that would allow the use of rental subsidies for those outside of Full Service Partnerships. There is strong support

across all counties for this as it is a critical piece for placing folks into the type of units envisioned under No Place Like Home.

CSAC will continue working with UCC, RCRC, and CBHDA on the No Place Like Home proposal, suggesting amendments and clarifications to the Legislature, Department of Finance, and Department of Housing and Community Development.

AB 85 Redirection Estimate

The Conference Committee approved \$57.6 million General Fund for lower than expected state savings under AB 85. This was done to account for increased initial state costs under the new Medicaid Section 1115 Waiver. The Department of Finance will release new estimated county redirection amounts for 2016-17 by the end of the month. CSAC will continue to monitor this adjustment.

Continuum of Care Reform (AB 403 Group Home Reform)

The Conference Committee did not approve additional funding above the Governor's May Revision for county implementation of AB 403, the Continuum of Care Reform (CCR). This major reform seeks to eliminate the foster and probation youth group home system in California, and is a major undertaking for county Child Welfare Services, county Mental Health Plans, and Probation. CSAC has been advocating for increased first-year funding for AB 403, which is slated to be implemented on January 1, 2017. Currently, the 2016-17 budget includes \$127.3 million in total funds for child welfare and county probation departments to implement AB 403. The Conference Committee did include \$3 million General Fund for state automation costs associated with implementing CCR.

In-Home Supportive Services Contract Mode Language

We are pleased to report that the Department of Finance has rescinded its proposed budget trailer bill language that would have impacted counties that are currently in "contract mode" for IHSS services. The County Welfare Directors Association (CWDA) worked hard to explain that the costs for counties in contract mode – which is a very specific designation limited only to counties that contract with an outside entity to administer the local IHSS system – include both locally negotiated costs, such as wages and benefits, but also other costs, such as administration and overhead. CSAC supported these efforts and is pleased to report that the problematic trailer bill language has been rescinded.

ACTION

Behavioral Health – Children’s Mental Health Crisis Services

The Conference Committee approved a new Children’s Mental Health Crisis Services program by appropriating \$30 million total (\$10 million in one-time General Fund, \$6 million in “reappropriated” funds, and \$14 million in state MHSA administrative funding) to create a children’s crisis services grant program for counties that is modeled after the SB 82 mobile crisis services program. This new funding will be available to counties as grants to create services for children in crisis, and will be administered by the Health Facilities Financing Authority (CFFA).

Early Education

The Conference Committee compromise includes \$100 million in Proposition 98 funding for an additional 8,877 full-day State Pre-School slots, to be phased in over four years. This would include \$7.8 million in 2016-17, \$39.6 million in 2017-18, \$73 million in 2018-19, and \$100 million in 2019-20.

Medi-Cal

The Conference Committee approved \$3.7 million in General Fund to restore acupuncture therapy as an optional (meaning state cost only) Medi-Cal benefit.

HUMAN SERVICES

Supplemental Security Income/State Supplementary Payment

Governor Brown included roughly \$40 million General Fund for cost-of-living increases to the SSP portion of the grant equivalent to the California Necessities Index (CNI), now estimated at 2.76 percent. This is the first SSI/SSP grant increase proposed since the Great Recession. The Conference Committee approved the Governor’s proposal on a one-time basis, including the CNI cost of living adjustment, effective January 1, 2017.

The Conference Committee also approved, on a partisan vote, a one-time appropriation of \$45 million General Fund to create a SSI/SSP outreach program.

Adult Protective Services

The Conference Committee approved \$3 million in one-time funding to create a statewide Adult Protective Services training program for county staff. CSAC had joined CWDA in calling for \$5 million for this purpose; the \$3 million appropriation will allow the training to be developed, which is a good start.

Bringing Families Home

The Conference Committee approved \$10 million General Fund to create the Bringing Families Home (BFH) program to rapidly rehouse families who are homeless or at risk of homelessness.

Commercial Exploitation of Children (CSEC)

The Conference Committee approved an additional \$12 million General Fund for the county CSEC program, bringing the annual appropriation to \$47 million. This program is administered by counties and the charge to increase funding was led by the CWDA.

PUBLIC HEALTH

Tobacco Legislation Implementation

The Conference Committee approved \$2.3 million total to assist the state in implementing the special session tobacco legislation that restricts tobacco and vaping, or e-cigarette, products to those over age 21, among other things. CSAC supported the tobacco package and supports these steps to prevent and reduce smoking in California.

Public Health Nurses and Psychotropic Drugs

The Conference Committee approved \$1.7 million General Fund on an on-going basis to assist county public health nurses with new monitoring duties associated with the foster youth psychotropic drug legislation passed last year. Public health nurses play a key role in the medical monitoring of foster youth, and this funding will assist them in carrying out these new and important duties to ensure that foster youth are receiving the right medications and the right doses as prescribed. The County Health Executives Association (CHEAC) had supported this proposal.

Mobile Field Hospital Program

The Conference Committee did not include funding for the Governor's proposal to redesign the Mobile Field Hospital program at the Office of Emergency Services.

Housing, Land Use and Transportation

Multifamily Housing Permitting and Affordable Housing Funding

The Conference Committee reached partial agreement on an affordable housing package. The deal includes \$400 million in one-time General Fund support for affordable housing, although the funding is contingent upon continued discussions on the Governor's "By-Right" multifamily housing proposal. It is unclear at this time which specific programs would benefit from the potential appropriation, although the Assembly Democratic Caucus previously proposed \$1.3 billion in one-time spending for affordable housing, later reducing the ask to \$650 million.

ACTION

The Administration made it clear that Governor supports state investment in affordable housing programs, but that funding must be accompanied with reforms that help reduce the overall costs of housing production across the state. Conferees indicated conceptual support for streamlining the development approval process, but expressed concerns that the Governor’s “By-Right” proposal was a “one-size-fits-all” solution and represents a significant change with a potential for unintended consequences. Accordingly, the conferees determined that the proposal deserves a meaningful policy conversation to fully vet the proposal and mitigate any negative outcomes.

If you would like to receive the Budget Action Bulletin electronically, please e-mail Karen Schmelzer, CSAC Legislative Assistant at kschmelzer@counties.org.