

February 5, 2025

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

RE: 2025-26 Governor's Budget Proposal and County Partnership

Dear Governor Newsom,

The California State Association of Counties (CSAC), proudly representing all 58 of the state's counties, stands ready to work with your Administration and the Legislature to develop a budget for 2025-26 that collectively addresses the needs of counties across California. There is no bigger priority for CSAC than to protect our counties, our communities, and our residents. Counties across the state continue to step up to support Los Angeles County's extensive response and recovery efforts. The heroic collective action from so many throughout our state demonstrates the resilience and solidarity of Californians during crises. As the full impact of these fires becomes clearer, CSAC understands that adjustments to the 2025-26 budget proposal will be necessary to address the long-term recovery needs of affected communities. As strong and insightful leaders of their local communities, county officials are the best resource to inform budget development conversations in the best interests of our constituents.

Acknowledging uncertainty at all levels of government

This year, we understand that state budget deliberations are occurring in the shadow of the devastation caused by wildfires and the stress of federal instability. We recognize the current environment and associated challenges of this reality, including the effects on programs that serve California's most vulnerable populations. Beyond the wildfire recovery in Southern California, California's fiscal condition will be greatly affected by volatility in federal fiscal policy regarding global trade, the federal-state funding relationship, and growing geopolitical instability. Nonetheless, county leaders are prepared to address the needs of their communities and meet challenges with adaptability and fortitude. Out of the ashes, there is a renewed opportunity for all levels of government in California to come together in defense of our shared priorities.

The future of the state-local relationship

Before, during, and after an emergency, counties are central to delivering the vital services Californians rely on. As such, counties are critical to ensure the state's budget plan is fiscally responsible while equipping county leaders with the tools, funding, and flexibility needed for counties to deliver priorities on behalf of the state. Finally, given the

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aforementioned uncertainty of funding at the federal level, it is more important than ever for the state and counties to partner, especially as it relates to providing safety net services to our vulnerable residents. CSAC believes the 2025-26 state budget should provide counties the opportunity to rebuild in the image of a future that is prepared for the ongoing realities of escalating natural disasters.

For the past decade, CSAC has engaged in statewide conversations about the needs of our diverse communities following the devastation of natural disasters. This includes, among other activities, collaborating with state and federal agencies following a disaster. There are communities across the state that are still recovering from disasters from years past and have yet to receive long-overdue funds from FEMA and other agencies. Without substantial change at the federal level, we expect to see reflections of the challenges that other communities have been trying to overcome plaguing Southern California's recovery. As the state's primary intergovernmental partner, counties are eager to work with your Administration to develop spending strategies that strengthen accountability and deliver the resources needed to address today's urgent challenges while building long-term solutions.

Leadership from county officials is critical to California's success and resiliency. **Counties deliver the state's priorities.** Increasingly, as the impacts of a changing climate are intensified and counties are compelled to manage more frequent and severe emergencies, counties must do so while providing the staff and infrastructure necessary to carry out the state's programs. **Given the state's reliance on counties to deliver essential programs and services, it is in the best interest of California residents for the state to provide the support necessary to deliver in partnership for our communities.** To this end, we offer the following insights to the 2025-26 state budget:

Homelessness

Under your leadership, California has dedicated significant and unprecedented funding to address the state's homelessness crisis. In addition, recent rounds of the Homeless Housing, Assistance, and Prevention (HHAP) program have included strong accountability requirements that are strengthening local collaboration and regional planning, as well as beginning to define roles and responsibilities. These investments and program improvements are demonstrating tangible results as individuals are being successfully transitioned into permanent housing and receiving the services they need to maintain housing.

The recently released point-in-time count results show this progress as the growth in the number of homeless individuals in California continues to slow and is significantly lower than the growth rate for the United States. However, it also demonstrates that there are still challenges because the inflow into homelessness is outpacing our collective efforts due to an escalation in the cost of living and a severe lack of affordable housing.

To maintain and build upon these efforts, CSAC remains committed to advocating for a comprehensive homelessness response system as envisioned in our AT HOME framework (Accountability, Transparency, Housing, Outreach, Mitigation & Economic Opportunity). Californians demand visible progress on homelessness; therefore, while advancing frameworks for shared accountability, we must prioritize flexible funding to deliver real results. A core element of the AT HOME framework is the inclusion of ongoing funding that will allow counties to make long-term investments to address this crisis. To that end, CSAC continues to advocate for \$1 billion ongoing for the HHAP program. Finally, CSAC looks forward to providing county perspectives on the proposed accountability provisions, including the creation of the California Housing and Homelessness Agency and other solutions to expedite progress on housing and homelessness in communities.

Behavioral Health

The state budget must prioritize sustained investments in counties to implement Proposition 1, the CARE Act, conservatorship reform (SB 43), and CalAIM, among other initiatives, to support California's most vulnerable populations. Flexibility and county input are required for these initiatives to succeed. Further, such significant reforms will take time to fully realize their long-term impacts. Importantly, adequate levels of ongoing funding for county costs to annually administer the new and expanded planning, data collection, and reporting requirements of these new initiatives will be needed to successfully and sustainably implement these changes. Given the complexity and sensitivity of these issues, ongoing resources alone is not enough. CSAC appreciates the engagement to date with your Administration as these initiatives have started rolling out, however, ongoing consultation with county leaders is essential to ensure counties are provided with the support necessary to successfully implement the new and ongoing requirements.

Cap-and-Trade

The Cap-and-Trade program, particularly the allocation of the Greenhouse Gas Reduction Fund (GGRF), should be reevaluated to provide greater flexibility in fund utilization. This flexibility would be critical to support innovative programs that reduce greenhouse gas emissions, strengthen local economies, and deliver additional co-benefits through local projects. We believe a portion of cap-and-trade funding should remain dedicated to transportation projects, especially those which reduce greenhouse gas emissions, such as the Active Transportation Program. The flexibility to listen to county voices regarding the most efficient use of these funds will yield overarching benefits to the climate and our communities.

Educational Revenue Augmentation Fund

Consistent with previous budget cycles, CSAC requests that your 2025-26 May Revision budget proposal include an appropriation to backfill the insufficient Educational Revenue Augmentation Fund (ERAF) amounts for affected counties to be held harmless under the Vehicle License Fee reduction agreement made in 2004.

Property Tax Backfill for Counties Impacted by Disasters

CSAC appreciates the Executive Orders that will provide tax relief to individuals affected by the wildfires. Historically, the state has extended tax relief to affected county governments, by appropriating funding to backfill for property tax revenue lost due to wildfires from the previous fiscal year. CSAC requests that the 2025-26 state budget includes lost property tax backfills for all communities affected by wildfires in 2024-25.

Victims of Crime Act (VOCA)

CSAC appreciates the one-time funding included in the 2024-25 Budget Act for the sharp decline in funding through the VOCA. This program helps county departments and community partners sustain life-saving victim services. CSAC, alongside a large and diverse group of impacted stakeholders are once again requesting for consistent and stabilized funding for this program to deliver a wide range of critical victim services.

Proposition 36

CSAC requests adequate, sustained funding for implementation of Proposition 36 to meet the expectations of voters who overwhelmingly approved the initiative. This includes associated costs that will result from increased caseloads impacting multiple county departments, a rise in jail populations, and to meet the increased pressure and demand on counties to provide additional substance use disorder and mental health treatment.

SB 1383 Organic Waste Diversion

Counties have faithfully and diligently worked to carry out the state's organic waste diversion priorities. Since the passage of SB 1383 (Lara, Statutes of 2016), which aims to reduce emissions of short-lived pollutants, counties and cities have faced expensive logistical barriers to meet the state's organic waste goals, while balancing increased costs to California's ratepayers. Reaching these goals is not possible without increased investments in the SB 1383 Local Assistance Grants and the Organic Waste Infrastructure Program.

CSAC appreciates the proposal's emphasis on supporting existing programs and commitments. As budget discussions progress, counties will advocate for clear implementation frameworks to achieve meaningful outcomes across California's diverse communities. Counties appreciate the continued engagement to strengthen state and local relationships, and to realize the opportunities to safeguard fiscal resources to best support the people we collectively serve.

Progress Together

The development of the 2025-26 budget is an opportunity to rebuild the state and local relationship in the image of a future wherein the state and counties are in lockstep. To this end, we look forward to a mutual commitment to embrace partnership sufficient to ensure support and resources to achieve shared priorities. CSAC will follow this letter with

detailed recommendations for consideration across these critical policy areas. In the meantime, should you have any questions regarding these issues, please do not hesitate to contact us.

Respectfully,



Graham Knaus
Chief Executive Officer, CSAC

CC : Nathan Barankin, Chief of Staff, Office of the Governor
Jamie Callahan, Deputy Chief of Staff, Office of the Governor
Christine Aurre, Legislative Affairs Secretary, Office of the Governor
Ann Patterson, Cabinet Secretary, Office of the Governor
Joe Stephenshaw, Director, California Department of Finance
Erika Li, Chief Deputy Director of Budgets, California Department of Finance