

**SOLANO**  
**City-County Coordinating Council**

MEMBERS

Linda J. Seifert  
Chair  
*Supervisor, Solano  
County, District 2*

Elizabeth Patterson  
Vice Chair  
*Mayor, City of Benicia*

Jack Batchelor  
*Mayor, City of Dixon*

Harry Price  
*Mayor, City of Fairfield*

Norman Richardson  
*Mayor, City of Rio Vista*

Pete Sanchez  
*Mayor, City of Suisun  
City*

Len Augustine  
*Mayor, City of Vacaville*

Osby Davis  
*Mayor, City of Vallejo*

Erin Hannigan  
*Supervisor, Solano  
County, District 1*

Jim Spering  
*Supervisor, Solano  
County, District 3*

John Vasquez  
*Supervisor, Solano  
County, District 4*

Skip Thomson  
*Supervisor, Solano  
County, District 5*

SUPPORT STAFF:

Birgitta Corsello  
*Solano County  
Administrator's Office*

Michelle Heppner  
*Solano County  
Administrator's Office*

Daryl Halls  
*Solano Transportation  
Authority*

Jim Lindley  
*City of Dixon*

**AGENDA**

**January 14, 2016**

Location - Solano County Water Agency, Berryessa Room,  
810 Vaca Valley Parkway, Suite 203, Vacaville, CA.

**7:00 P.M. Meeting**

**PURPOSE STATEMENT – City County Coordinating Council**

“To discuss, coordinate, and resolve City/County issues including but not necessarily limited to land use, planning, duplication of services/improving efficiencies, as well as other agreed to topics of regional importance, to respond effectively to the actions of other levels of government, including the State and Federal government, to sponsor or support legislation at the State and Federal level that is of regional importance, and to sponsor or support regional activities that further the purpose of the Solano City-County Coordinating Council.”

*Time set forth on agenda is an estimate. Items may be heard before or after the times designated.*

**ITEM**

**AGENCY/STAFF**

**I. CALL TO ORDER (7:00 p.m.)**

Roll Call

**II. APPROVAL OF AGENDA (7:00 p.m.)**

**III. CONFIRMATION OF THE CHAIR & VICE CHAIR FOR 2016 (7:05 P.M.)**

Bylaws attached.

**IV. OPPORTUNITY FOR PUBLIC COMMENT (7:10 p.m.)**

Pursuant to the Brown Act, each public agency must provide the public with an opportunity to speak on any matter within the subject matter of the jurisdiction of the agency and which is not on the agency's agenda for that meeting. Comments are limited to no more than 5 minutes per speaker. By law, no action may be taken on any item raised during public comment period although informational answers to questions may be given and matter may be referred to staff for placement on future agenda.

This agenda shall be made available upon request in alternative formats to persons with a disability, as required by the Americans with Disabilities Act of 1990 (42U.S.C.Sec12132) and the Ralph M. Brown Act (Cal.Govt.Code Sec.54954.2) Persons requesting a disability-related modification or accommodation should contact Jodene Nolan, 675 Texas Street, Suite 6500, Fairfield CA 94533 (707.784.6108) during regular business hours, at least 24 hours prior to the time of the meeting.

**V. CONSENT CALENDAR**

1. Approval of Minutes for November 12, 2015 (*Action Item*)      Chair  
Seifert

## VI. DISCUSSION CALENDAR

1. Legislative Update – Governor’s FY 2016/17 Proposed State Budget  
(7:15 p.m. – 7:40 p.m.)

Presenters: Michelle Heppner, Legislative, Intergovernmental, and Public Affairs Officer Solano County, and Paul Yoder, Shaw/Yoder/Antwih, Inc.

2. Proposed 2016 CCCC Legislative Platform Discussion (*Action Item*)  
(7:40 p.m. – 8:00 p.m.)

Presenters: Michelle Heppner, Legislative, Intergovernmental, and Public Affairs Officer, Solano County

3. Senior Poverty  
(8:00 p.m. – 8:30 p.m.)

Presenters: Rochelle Sherlock, Consultant, Senior Coalition of Solano County

4. Moving Solano Forward Phase 2 Overview  
(8:30 p.m. – 8:50 p.m.)

Presenters: Sandy Person, President, Solano Economic Development Corporation, Sean Quinn, Project Manager, Dr. Robert Eyler, President, Economic Forensics and Analytics, and Audrey Taylor, President, Chabin Concepts

## VII. ANNOUNCEMENTS

## VIII. CCCC CLOSING COMMENTS

**ADJOURNMENT:** The next City-County Coordinating Council meeting is scheduled for March 10, 2016 at 7:00 p.m. at the Solano County Water Agency – Berryessa Room, 810 Vaca Valley Parkway, Suite 203, Vacaville, CA.

### Future Items for Upcoming Meeting:

- Regional Parks Update
- Local Funding Measures – Maximums and Inventory and Expiration of Existing Measures
- Update on Proposed Joint Land Use Study
- Update on Affordable Care Act - (H&SS)
- Foster Care Implementation (H&SS)

## **Solano City County Coordinating Council**

### **History of City County Coordinating Council:**

On June 18, 1991, the Solano County Board of Supervisors and the Mayors of Solano County's seven cities established the Solano City County Coordinating Council (CCCC). The primary reason provided for its creation was to explore ways to improve city/county communications, coordination and problem resolution. As outlined in the agreement establishing the Solano CCCC, the group was to meet on a regular basis before or after the monthly meeting of the Solano County Water Agency. On April 14, 2005 the City County Coordinating Council approved several changes to formalize the operation of the City County Coordinating Council as outlined below.

### **Purpose Statement:**

"The purpose of the Solano City County Coordinating Council is to discuss, coordinate and resolve City/County issues, including but not necessarily limited to land use planning, duplication of services/improving efficiency, as well as other agreed to topics of regional importance, to respond effectively to the actions of other levels of government, including the State and Federal government, to sponsor or support legislation at the State and Federal level that is of regional importance, and to sponsor or support regional activities that further the purpose of the Solano City County Coordinating Council." ( revised & adopted 1-10-08)

### **GOVERNANCE/SELECTION AND ROTATION OF BOARD CHAIR**

There shall be a Chair and a Vice Chair of the City County Coordinating Council and they shall come from each of the two member organizations. The Chair and Vice-Chair shall rotate on a bi annual basis between the Board of Supervisors and the Mayor's Conference. The Chair and Vice Chair shall serve two year terms. The appointment of the Chair or Vice Chair shall be determined by the respective organization whose turn it is to serve as Chair or Vice Chair the City county Coordinating Council. (I.e. if Mayor's Conference turn to chair, the Mayor's Conference will appoint the chair of the CCCC, and if the Board's turn to chair, then the Board will designate the Chair of the CCCC.) Appointment of the vice chair would follow the same process. (If Mayor's Conference turn as vice chair, the Mayor's Conference will appoint the vice chair for the year, and if the Board's turn as vice chair, then the Board will designate the vice chair for the year).

### **MEETING SCHEDULE**

The City County Coordinating Council shall meet quarterly. Additional meetings may be scheduled if deemed necessary by the Joint Steering Committee. The City County Coordinating Council shall adopt a two year meeting schedule. The City County Coordinating Council has designated the months of February, May, August and November as their quarterly meeting months. The four quarterly meetings shall be scheduled in coordination with the Solano County Water Agency Board meetings and will either be in lieu of the Solano County Water Agency Board meetings or follow a shorter consent item SCWA meeting on the second Tuesday of the quarterly months adopted.

City County Coordinating Council  
Structure & Operation  
Approved update 1 10 08

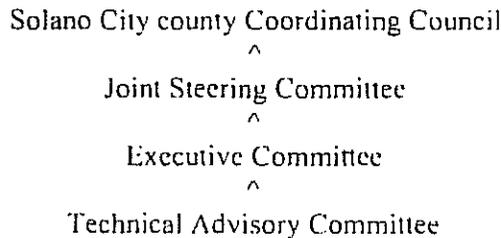
City County Coordinating Council should host a General Assembly once every year or two. The General Assembly would be for the full Board of Supervisors, Mayor's Conference and the city council members of each city.

**PROCESS FOR AGENDIZING TOPICS FOR CCCC MEETINGS**

A specific work plan for meeting agenda topics shall be developed and adopted for the upcoming year with tentative subjects for the second year. The work plan shall be prepared by the Joint Steering committee and presented to the City County Coordinating Council at a meeting annually for confirmation. Agenda topics may be requested/submitted by the following:

- Mayor's Conference
- Board of Supervisors
- Individual Members of the Solano City County Coordinating Council Board
- Other countywide, regional, state or federal agencies
- Other interest groups

**ORGANIZATIONAL STRUCTURE**



**Joint Steering Committee**

There shall be a Joint Steering Committee for the City county Coordinating Council. The Joint Steering Committee will consist of two members of the Mayor's Conference designated by the Mayor's Conference and two member of the Board of Supervisors designated by the Board of Supervisors. The function of the Joint Steering Committee would include developing the draft work plan for the City county Coordinating council, the setting of the meeting agendas, confirming presentations and speakers, and working with staff of respective agencies invited or requested to attend or make presentations at a City County Coordinating Council Meeting. The Joint Steering Committee should consist of the Chair of the Mayor's Conference, the Chair of the Board of Supervisors, and the designated Chair and Vice Chair of the CCCC. The Joint Steering Committee should operate on a consensus basis when developing the proposed work plan and in the preparation of the agenda items.

**Executive Steering Committee**

There shall be an Executive Management Committee ensure continued and effective coordination on regional matters. The Executive Management Committee will support the efforts and future work plan of the Solano City county Coordinating Council. The membership is as follows:

City County Coordinating Council

Structure & Operation

Approved update 1 10 08

- City Managers from Benicia, Dixon, Fairfield, Rio Vista, Suisun City, Vacaville and Vallejo
- County of Solano CAO
- STA Executive Director
- SCWA General Manager
- LAFCo Executive Officer

A prime task for the Executive Committee would be to coordinate with designated agency representatives and the City County Coordinating Council support staff on the development of staff recommendations and reports for Solano CCCC meetings.

**Technical Advisory Committee**

To provide adequate staff support and technical review, and to not overburden County staff, there will be a Technical Advisory Committee (TAC) consisting of the Planning Directors for the seven cities, the County of Solano's Director for Resource Management, and the Planning Directors for STA, SCWA, LAFCo Executive Director and other affected agencies. Other invited participants could be representatives from ABAG, BAAQMD, YSAQMD, ALUC, or representatives from special districts.

**City County Coordinating Council Support Staff**

The coordination of the agenda, scheduling of meetings, and coordination with other agencies on behalf of the Solano CCCC be the responsibility of the County of Solano through the County's Director of Resource Management or designee.

**CITY-COUNTY COORDINATING COUNCIL**  
**November 13, 2015 Meeting Minutes**  
(Summary / Action Notes)

The November 13, 2015 meeting of the Solano City-County Coordinating Council was held in the Berryessa Room at the Solano County Water Agency located at 810 Vaca Valley Parkway, Ste 303, Vacaville, CA 95688.

**I Roll and Call to Order**

**Members Present**

Linda Seifert, Chair	Solano County Board of Supervisors (District 2)
Elizabeth Patterson,	Mayor, City of Benicia
Jack Batchelor	Mayor, City of Dixon
Harry Price	Mayor, City of Fairfield
Pete Sanchez	Mayor, City of Suisun City
Osby Davis	Mayor, City of Vallejo
Curtis Hunt	Vice Mayor, City of Vacaville
Erin Hannigan	Solano County Board of Supervisors (District 1)
Jim Spering	Solano County Board of Supervisors (District 3)
John Vasquez	Solano County Board of Supervisors (District 4)

**Members Absent**

Norm Richardson	Mayor, City of Rio Vista
Skip Thomson	Solano County Board of Supervisors (District 5)

**Staff to the City-County Coordinating Council Present:**

Birgitta Corsello	County Administrator, Solano County
Michelle Heppner	Legislative Officer, Solano County
Andrew Boatright	Office Assistant III, Solano County

**Guest Speakers and Other Staff Present**

Nancy Hall-Bennett	Regional Public Affairs Manager, League of California Cities
Paul Yoder	Legislative Advocate, Shaw/Yoder/Antwih, Inc.
Daryl Halls	Executive Director, Solano Transportation Authority
Lois Rinquist	Co-Chair, Carquinez Village Project
Judie Donaldson	Co-Chair, Carquinez Village Project
Bob Macaulay	Planning Director, Solano Transportation Authority
Colonel George Dietrich	Operations Officer, 60 <sup>th</sup> Air Mobility Wing, Travis Air Force Base

**I. Meeting Called to Order**

The meeting of the City-County Coordinating Council was called to order at 8:05 pm.

**II. Approval of Agenda**

*A motion to approve the Agenda was made by Supervisor Vasquez and seconded by Mayor Price. Agenda approved by 10-0 vote.*

### **III. Opportunity for Public Comment**

No public comments were received.

### **IV. Consent Calendar**

#### **1. Approval of minutes for August 13, 2015**

*Motion to approve the August 13, 2015 minutes was made by Mayor Batchelor and seconded by Mayor Patterson. Consent calendar approved by 10-0 vote.*

### **V. Discussion Calendar**

#### **1. End of Session Legislative Update (Verbal Update)**

Michelle Heppner, Legislative, Intergovernmental, and Public Affairs Officer for Solano County introduced Nancy Hall-Bennett from the League of California Cities (League) and Paul Yoder from Shaw, Yoder, Antwih, Inc.. Ms. Hall-Bennett noted it was a great year for Solano and the North Bay Division due to the leadership of Mayor Patterson, City of Benicia who served as the President, Mayor Sanchez, City of Suisun City, who served on the policy committee, and Vice Mayor Hunt, City of Vacaville who served on the Board of Directors. She noted the Governor finished signing legislation on October 11<sup>th</sup> and the League of California Cities had a 66 percent rate with sign and detail requests. Ms. Hall-Bennett stated the positives included AB 2 relating to community revitalization authority brought back redevelopment to communities. She noted the Governor also signed three bills authorizing the Medical Marijuana Regulation & Safety Act (MMRSA), supported by the League over the last three years to create a regulatory framework. Ms. Hall-Bennett noted the disappointments for the League included no funding for affordable housing but stated it would be a priority for the League in 2016. She also noted that the League opposed a redevelopment bill that the Governor signed. Ms. Hall-Bennett stated the League hoped for transportation dollars but noted the challenges to get a 2/3 vote for a tax increase. She noted the League was hopeful that the Conference Committee would send a proposal to the Governor but given the holidays, it was not likely. She also praised Assemblymember Frazier for his efforts on transportation. Ms. Hall-Bennett noted a recent change that Assemblymember Toni Adkins, who had previously spearheaded the affordable housing conversation, will no longer be the Speaker of the House however the conversation for the need for affordable housing dollars as well as transportation dollars is expected to continue in 2016. She stated that looking ahead to 2016, “new economy” and/or “sharing economy” such as Uber and “Air Bed & Breakfast concepts for short term rentals were potential policy discussions for the League.

Paul Yoder of Shaw/Yoder/Antwih continued the legislative update noting the success of SB 35, the Earthquake Relief bill authored by Senator Wolk to assist residents and businesses impacted by the earthquake as well as SB 762, Best Value Contracting, also authored by Senator Wolk and sponsored by Solano County were signed by the Governor. He noted that as part of the FY 2015/16 State Budget, the Legislature adopted an earned an income tax credit, provided additional Medi-Cal administration money for counties, put more money in the

State's Rainy Day Fund, reimbursed cities and counties for the pre-2004 mandate cost claims, and created additional childcare slots. Mr. Yoder noted that regarding energy, SB 350 initially included a mandate to reduce oil consumption by 50 percent, but ultimately was not included in the bill the Governor signed. Mr. Yoder noted that both the transportation and health special sessions may continue into 2016 as the Legislature and the Governor still need to address the bills on these subjects. He also noted that if the Legislature fails to act on several health care related matters, there would be a \$1.1 billion hole in the state budget. Daryl Steinberg, former Senate Pro-Tem and is running for mayor for the City of Sacramento, who authored Prop 63, has a proposal to fast forward \$2 billion to construct housing for mental health/substance abuse programs using some Prop 63 funding. The MHSA funding request would be an estimated \$120 million for debt funding from the \$1 billion total funds. Mr. Yoder noted that Cap-and-Trade funds have been accruing and only \$200 million was spent by the Governor in late August, 2015. This money may be used to fund transportation projects around the state.

## **2. Senior Mobility Management Program and Aging in Place (Carquinez Village Project)**

### Senior Mobility Program Update

Mr. Daryl Halls, Executive Director for the Solano Transportation Authority provided an update on the senior mobility and the Solano Mobility Management programs currently in place. He noted the aging population is growing and by 2040, the 65 year and older population is estimated to increase to 21 percent. He noted this would create a significant mobility challenge for Solano County when seniors struggle to maintain a vehicle, their limited incomes restrict their ability to purchase bus passes, and many are not aware of the resources available to them. Mr. Halls noted the development of a mobility management program emerged in Solano as a result of community based transportation plans, the Solano County Senior and Disabled Summits conducted, and the transportation study conducted by STA in 2011 for Seniors and People with Disabilities. He noted the implementation of the senior mobility management plan is a priority in Solano County and includes a call center and website, older driver information, standardized Paratransit eligibility process countywide, and an Intercity Taxi Scrip program. Mr. Halls noted the Intercity Taxi Scrip is a popular program and four out of five transit operators sell out within a week. He also noted that phase two of the taxi scrip program will attempt to resolve non-ambulatory issues for seniors. Mr. Halls noted that from 2009 to 2015, the number of seniors using the Intercity Taxi Scrip program increased by from 3,600 to 12,800. He also noted the cost for the various mobility management programs have continued to rise, currently there is \$1.8 million in funding from varied sources such as grant funding, the County, STA funds, and revenue from operators. Mr. Halls noted that about a quarter of the funding is from grant funding which will start to phase out in 2016 creating a major shortfall. Mr. Halls noted that in a 2008 report on seniors in Solano County, that there were a disproportionate number of accidents among seniors and at the same time, are not inclined to use public transit as an alternative. In closing, Mr. Halls noted that a few new programs are being implemented including Phase II of

the Intercity Taxi Scrip for non-ambulatory and the expansion of the Golden Pass program in Vacaville where people 80 years and over ride free however he stated that STA would like to make the program countywide and consider lowering the age to around 60 to increase transit use.

#### Aging-in-Place (Carquinez Village Project) Overview

Judie Donaldson, Co-Chair of the Carquinez Village in Benicia shared the history of how the “Aging-in-Place” concept evolved. She noted that the village project movement started in 2001 in Boston when a group of women became concerned about their neighbors, seniors living alone where becoming frail and vulnerable and needed support. She noted they created the first village which is known as Beacon Hill Village. Seniors became members of the Village and in exchange for membership dues; they were provided services by volunteers. Services ranged from social events to grocery shopping, depending on the need of each individual. Ms. Donaldson noted that this movement has resulted in over 190 villages across the country and another 170 are currently in development. Ms. Donaldson noted that they have formed a National Association and recently held a conference where 350 village leaders were able to share ideas. She noted that locally in Solano there is a non-profit called “Villages of Solano” serving low-income seniors who are home-bound and feeling isolated and alone. Ms. Donaldson also noted that she had read that the senior population in California would double in the next two decades based on the demographics of the “baby boomers” and would contribute to 88 percent of the care needed She stated more seniors want to “age in place” rather than enter into institutions or nursing homes. Ms. Donaldson noted that the Aging-in-Place concept is low-cost; it keeps the seniors engaged and more positive, and contributes back to the community.

Ms. Lois Rinquist, Co-Chair of the Carquinez Village in Benicia provided information on Carquinez Village in Benicia and how it was started. She noted that they launched the program on January 1, 2015 in a three-stage process which included, introducing the program to gain interest, creating a steering committee, and evaluating the feasibility, viability, and sustainability of the program in Benicia. Ms. Rinquist explained the various meetings that were held and the process used to collect donations. She also noted that she coordinated with Rochelle Sherlock from the Senior Coalition of Solano County on existing services. She also talked about developing their website, a mission statement, and starting a fundraising campaign for Carquinez Village.

### **3. Plan Bay Area Update**

Bob Macaulay, Planning Director for Solano Transportation Authority provided an update on the Plan Bay Area Plan and noted the requirement for it to be updated and adopted in 2017. He noted that the Association of Bay Area Governments (ABAG) is responsible for projecting baseline demographics for growth in employment, housing, and population. Mr. Macaulay noted that as part of the update, three development scenarios are being proposed. He noted the first is population and employment growth in the downtowns of every city in the Bay Area and continues the emphasis on Priority Development Areas (PDAs), but assumes

the most distributed growth pattern, the second is population and employment growth emphasized in PDAs in medium sized cities with access to major rail services such as BART and Caltrain, and the third is population and employment growth focused in the three largest cities, with some development in nearby well connected cities.

Mr. Macaulay stated that STA staff believes the three scenarios will provide a sufficient variety of land use to inform the Metropolitan Transportation Authority (MTC) and ABAG in analyzing the impacts of transportation investments on both GHG emissions and congestion.

#### **4. Public-Public / Private-Private (P4) MOU – County/cities/Travis AFB (Verbal Update)**

Supervisor Seifert noted that the Public-Public / Public-Private (P4) partnership is now referred to as the Air Force Community Partnerships (AFCP).

Birgitta Corsello, County Administrator for Solano County noted there are a number of efforts through the AFCP which may need to be brought to some of the City Councils as action items. Ms. Corsello noted the P4 process started in the Department of Defense (DOD) and came to Travis Air Force Base (Travis AFB) about two and a half years ago. She stated that Colonel Dietrich is the new colonel responsible for delivering this effort. She noted there are various projects that are being worked on including water solutions for Travis Air Force Base. Ms. Corsello noted that one project is related to the lack of MILCON (Military Construction) funding over the past few years and the need for construction of facilities at Travis AFB. Ms. Corsello noted the number one project is building a consolidated engineering services building is currently under discussion is using local government financing and recouping the debt through a long-term financial agreement between local government (County likely) and the Department of the Air Force. She noted small successes to date with the AFCP include the City of Vacaville and Travis AFB coordinating senior tours, youth programs, sharing pools, conducting joint exercises for emergency services training, the City of Fairfield who shares the shooting range facility to keep Travis personnel up-to-date on their readiness requirements and training.

Colonel Deitrich, Operations Officer for the 60<sup>th</sup> Air Mobility Wing at Travis Air Force Base noted the engineering services building is a groundbreaking project for the Air Force given the budget constraints in the past few years due to sequestration. He noted that currently the engineering infrastructure is spread across 27 buildings that were built 1950's which are very costly to maintain and that Travis would like to consolidate that function into one facility that would also be more economical. He noted the other issue with the existing 27 buildings is that they are located near the aerial port area which is the heart of the base and would be needed if any new mission, such as a new aircraft fleet that is currently being developed, is announced to come to Travis AFB. Col Dietrich noted the need to demolish the existing buildings and consolidate other areas to free up more airport/hangar space in that area for subsequent base needs and potential future missions.

Ms. Corsello noted there was an internal team coordination meeting on November 14, and the Fairfield City Manager, David White has joined the team. She noted the purpose of the meeting was to determine what tools are available for financing and construction including the County's use of "Design-Build" and the County's current debt capacity. In addition to looking at next steps, Ms. Corsello noted the Air Force is requesting a Memorandum of Understanding (MOU) to work together, to help address the challenge of maintaining continuity when the base commander leadership changes every two years. She stated the MOU will provide documentation to assist with that transition. Ms. Corsello noted the cities of Fairfield, Vacaville, and Vallejo were asked to consider the MOU due to the various projects in those areas however the team may request all the cities to consider the MOU to demonstrate their commitment to work together. Ms. Corsello stated funding from the U.S. Office of Economic Adjustment was secured for the joint land use planning effort now that the Travis Airport Land Use Compatibility Plan has been completed and the new effort for a Joint Land Use Study will commence by soliciting a consultant to facilitate the effort. She noted that the team was working behind the scenes to tie that effort to the concept that the base is working on which is surplus land inside the base that they were looking at doing an enhanced use lease. She noted it would be beneficial to develop a "Specific Plan" around the 75 acres that serves the base, generates a revenue stream, and serves our communities collectively (Travis AFB, cities adjacent, and the County) rather than only a private developer driven plan. Ms. Corsello noted the need to tie to the road system, transit, and is served by water and sewer. Lastly Ms. Corsello noted that the cities planners will be asked to participate in the meetings on the Joint Land Use Study and that the city managers are already engaged.

Supervisor Sperring asked Ms. Corsello to elaborate on the financing of an engineering building on base. Ms. Corsello responded that the building was originally estimated to be \$20 million but is now \$24-25 million. She noted the team is working on how the base pays back the debt as part of the analysis in process. Ms. Corsello stated the concept for the County was that it would use "design build" to expedite the project and ensure a quality building with quality construction. She further noted that the County would finance the building and the base would pay through a 20-year lease purchase agreement and the County would be able to secure COP's or debt financing funds from the state, through the Governor's office. Ms. Corsello noted the County would get reimbursed for the cost of the project over the life of the financing.

#### **5. Proposed 2016 CCCC Meeting Schedule and Work Plan**

No discussion. *A motion was made to adopt the Meeting Schedule and Work Plan by Supervisor Hannigan and seconded by Mayor Price. Approved by a 10-0 vote.*

**VI. ANNOUNCEMENTS:** Ms. Heppner introduced Andrew Boatright, Office Assistant with the County Administrator's Office who would be providing administrative assistance to the CCCC going forward.

**VII. ADJOURNMENT:** The meeting was adjourned at 9:10 p.m. The next meeting will be on January 14, 2016 in the Berryessa Room at the Solano County Water Agency located at 810 Vaca Valley Parkway, Ste 203, Vacaville, CA 95688.

**SOLANO**  
**City County Coordinating Council**  
**Staff Report**

**Meeting of. January 14, 2016**

**Agency/Staff: Michelle Heppner,  
Solano County Administrator's  
Office and Paul Yoder, Shaw,  
Yoder, Antwih Inc.**

**Agenda Item No: V.1**

**Title /Subject: Legislative Update**

**Background:** At each CCCC meeting, staff provides a legislative update to keep members informed of activities at the State and Federal level.

**Discussion:**

CCCC staff and the County's legislative advocate, Paul Yoder of Shaw/Yoder/Antwih, Inc will provide an update on the President's budget proposal and the Governor's budget proposal.

On January 7, Governor Jerry Brown released his proposed 2016-17 state budget, forecasting annual revenues that are \$3.5 billion higher than previously projected for the current fiscal year (2015-16) and \$2.4 billion higher for 2016-17. The Governor's proposal sets aside a portion of 2016-17 revenues – \$3.1 billion – with half deposited in the state's rainy day fund and half used to pay down state debts, as required by Proposition 2 (2014). However, the Governor also proposes to deposit an additional \$2 billion in the rainy day fund beyond Proposition 2's requirements, leaving significantly less funding for other priorities.

The Administration forecasts that California's labor market will continue to improve. The state's unemployment rate is expected to further decline to an annual average of 5.7 percent in 2016, down by more than half since its peak annual average of 12.2 percent in 2010, and California is expected to see continued growth in personal income as well as the labor force. In addition, the Administration expects wages to rise amid a more competitive job market as high-skilled young workers enter the workforce.

More specific information on the Governor's budget is contained in attachments 1 and 2 from California State Association of Counties (CSAC). The Legislative Analyst's Office (LAO) report was not available as of this writing.

**Recommendation:** Receive update on legislative matters of concern.

**Attachments:**

1. CSAC Analysis of the Governor's Budget
2. League of California Cities Analysis of the Governor's Budget
3. Legislative Analyst's Office Overview of the Governor's Budget
4. Waterman & Associates Analysis of the 2016 Omnibus Appropriations Package



**GOVERNOR'S PROPOSED BUDGET FOR 2016-17  
JANUARY 7, 2016**

January 7, 2016

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

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

**RE: Governor's January Budget Proposal for 2016-17**

---

Earlier today, Governor Brown shared a positive budget proposal for counties despite his sharp awareness of the inevitable economic downturn approaching California. The proposed 2016-17 budget totals \$122 billion in General fund expenditures and is noted for fiscal restraint by limiting new on-going commitments.

Instead, it appropriates funds to help mitigate what the Administration has identified as the two biggest liabilities facing the state: infrastructure and state retiree benefits. In addition, the Governor is supporting programs that will help California more readily bounce back from the next recession through workforce training and education transition assistance. He also proposes contributing \$2 billion more than required to the state's rainy day fund to prepare for a future recession.

CSAC is very pleased that the Governor addressed two of CSAC's top budget priorities: transportation funding and the Managed Care Organization (MCO) tax in his budget proposal. For transportation, the Governor maintained the previous \$3.6 billion funding plan, an amount that would be shared between state and local programs.

The expiration of the MCO tax on June 30 of this year is expected to create a \$1.3 billion dollar hole in the state's General fund, which would result in cuts across multiple programs. However, the Governor has instead offered a series of revisions through a tax reform package that would fully cover, if not exceed, the necessary MCO tax revenue. Details are still limited at this time and we will share more information on county

impacts once confirmed. Governor Brown says he plans to commit greater time and attention to the MCO tax extension and the transportation funding package in the next month to make forward progress on securing the necessary support.

With respect to transportation, CSAC continues work with a broader coalition of stakeholders to push for a larger final transportation package. In addition to the Governor's plan, proposals have been introduced in both houses of the Legislature that would commit a higher level of investment. For our part, CSAC remains committed to finding points of consensus to bring all parties together on a final package that is robust enough to not only stop the decline of our freeway and street and road conditions, but also result in improvements.

Other highlights of the Governor's proposal include:

- \$170 million in Medi-Cal Administration funding.
- \$129.7 million for SB 678 recidivism reduction programs.
- \$250 million for partially funded or new jail construction projects.
- \$3.1 billion plan for Cap and Trade auction revenues, including:
  - \$150 million for CAL Fire to address forest health and tree mortality.
  - \$100 million for Climate Communities program for the state's top 5 percent of disadvantaged communities for energy, transportation, water, waste reduction, and other GHG reducing projects.
- \$644,000 to fund the state's PILT program for a year.
- \$4.5 million additional funds to help Lake and Calaveras Counties with fire recovery efforts.

While the Governor has remained fiscally conservative in past budget cycles, especially in determining revenue projections and funding new programs, state tax revenues continue to grow modestly with the improving economy. State Controller Betty Yee reported last month that the state's three major sources of revenue (sales tax, personal income tax, and the corporation tax) were coming in well ahead of projections. The State Legislative Analyst's Office puts the revenue surplus for this fiscal year at about \$3.6 billion so far. However, much of that surplus has to be directed to schools and to the state's rainy day fund. The Governor spent his press conference urging restraint to avoid drastic cuts in the coming years.

The following pages provide statewide revenue and expenditure summary charts and specific budget proposals by policy area.



**2015-16 Governor's Budget  
General fund Budget Summary**  
(\$ in millions)

	<b>2015-16</b>	<b>2016-17</b>
<b>Prior Year Balance</b>	\$3,699	\$5,172
Revenues and Transfers	\$117,537	\$120,633
<b>Total Resources Available</b>	<b>\$121,236</b>	<b>\$125,805</b>
Non-Proposition 98 Expenditures	\$66,072	\$71,637
Proposition 98 Expenditures	\$49,992	\$50,972
<b>Total Expenditures</b>	<b>\$116,064</b>	<b>\$122,609</b>
<b>Fund Balance</b>	<b>\$5,172</b>	<b>\$3,196</b>
Reserve For Liquidation of Encumbrances	\$966	\$966
Special Fund for Economic Uncertainties	\$4,206	\$2,230
<b>Budget Stabilization Account/Rainy Day Fund</b>	<b>\$4,455</b>	<b>\$8,011</b>

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

	<b>2015-16</b>	<b>2016-17</b>	<b>\$ Change</b>	<b>% Change</b>
Personal Income Tax	\$81,354	\$83,841	\$2,487	3.1%
Sales and Use Tax	25,246	25,942	696	2.8%
Corporation Tax	10,304	10,956	652	6.3%
Insurance Tax	2,493	2,549	56	2.2%
Alcoholic Beverage Taxes and Fees	366	373	7	1.9%
Cigarette Tax	84	81	-3	-3.6%
Motor Vehicle Fees	22	22	0	0.0%
Other	517	425	-92	-17.8%
<b>Subtotal</b>	<b>\$120,386</b>	<b>\$124,189</b>	<b>\$3,803</b>	<b>3.2%</b>
Transfer to the Budget Stabilization / Rainy Day Fund	-2,849	-3,556	-707	24.8%
<b>Total</b>	<b>\$117,537</b>	<b>\$120,633</b>	<b>\$3,096</b>	<b>2.6%</b>

**ACTION**

CALIFORNIA STATE ASSOCIATION OF COUNTIES

### Long-Term Revenue Forecast – Three Largest Sources

(General fund Revenue - \$ in billions)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Average Yearly Growth
Personal Income Tax	\$76.1	\$81.4	\$83.8	\$86.4	\$84.5	\$86.4	2.6%
Sales and Use Tax	23.7	25.2	25.9	26.4	27.6	28.9	4.1%
Corporation Tax	9.0	10.3	11.0	11.6	12.1	12.7	7.2%
<b>Total</b>	<b>\$108.8</b>	<b>\$116.9</b>	<b>\$120.7</b>	<b>\$124.4</b>	<b>\$124.2</b>	<b>\$128.0</b>	<b>3.3%</b>
Growth	10.7%	7.5%	3.3%	3.0%	-0.1%	3.0%	

### General fund Expenditures by Agency

(\$ in millions)

	2015-16	2016-17	\$ Change	% Change
Legislative, Judicial, Executive	\$3,227	\$3,330	\$103	3.2%
Business, Consumer Services & Housing	636	434	-202	-31.8%
Transportation	267	222	-45	-16.9%
Natural Resources	2,730	2,909	179	6.6%
Environmental Protection	325	-31	-356	-109.5%
Health and Human Services	31,666	33,742	2,076	6.6%
Corrections and Rehabilitation	10,276	10,620	344	3.3%
K-12 Education	49,859	51,230	1,371	2.7%
Higher Education	14,312	14,567	255	1.8%
Labor and Workforce Development	212	166	-46	-21.7%
Government Operations	761	2,245	1,484	195.0%
General Government:				
Non-Agency Departments	711	729	18	2.5%
Tax Relief/Local Government	445	483	38	8.5%
Statewide Expenditures	637	1,963	1,326	208.2%
<b>Total</b>	<b>\$116,064</b>	<b>\$122,609</b>	<b>\$6,545</b>	<b>5.6%</b>



## Administration of Justice

### 2011 Realignment

The Governor's budget updates revenue assumptions for 2011 Realignment programs and details base and growth estimates for 2016-17. For the Community Corrections Subaccount (AB 109) the Governor's budget confirms that the 2015-16 base is \$1.107 billion and estimates that growth attributable to 2015-16 will be \$96.8 million. The growth estimate will be revisited and revised in this spring's May Revision and again in the fall, at the end of the Realignment fiscal year.

Counties will also note that the Enhancing Law Enforcement Activities Subaccount should achieve its guaranteed funding level of \$489.9 million with VLF alone, with healthy growth available in 2015-16 (an estimated \$80.5 million) and 2016-17 (an estimated \$99.3 million). This subaccount 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, amongst others.

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. 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 (BSCC) regarding AB 109 implementation plans.

### Improve Jail Capacity

The Administration continues its commitment to help counties appropriately serve felony offenders in local custody by investing an additional \$250 million General fund for jail capacity. The funds are determined on a competitive basis for counties that have previously received only a partial award or have never received an award from the state for replacing or renovating county jails. While the state has provided \$2.2 billion in lease revenue authority for local jail construction over the last several years, the \$250 million general fund proposal is intended to address the remaining gaps at the local level.

### 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 \$129.7 million to continue the Community Corrections Performance Incentive Grant Program. The budget recognizes

# ACTION

CALIFORNIA STATE ASSOCIATION OF COUNTIES

5

the significance of this funding stream in supporting probation's evidence-based prevention and intervention efforts.

### **Proposition 47**

Voters passed Proposition 47 in November 2014 and it took effect immediately. It requires a misdemeanor charge rather than felony sentencing for specific property and drug crimes. The state savings estimate for Proposition 47 is \$29.3 million when taking into account the reductions of state inmates in 2015-16 compared to 2013-14. The measure requires that 65 percent of the savings be allocated to the BSCC for mental health and substance abuse treatment, housing, and work force development (\$19.039 million). Another 25 percent of the savings go to the State Department of Education to reduce truancy and support students at risk of dropping out (\$7.3 million). The final 10 percent goes to the Victims Compensation and Government Claims Board supporting trauma recovery centers that serve victims (\$2.9 million).

### **City Law Enforcement Grants**

Working to increase positive outcomes between city police and at risk populations, the budget includes a \$20 million (General fund) grant program to be funded through the BSCC. The BSCC began implementing the program in 2015 and has established detailed guidelines and reporting requirements for cities that apply for these funds.

### **Racial and Identity Profiling Act of 2015**

The budget proposes \$10 million General fund for local law enforcement agencies costs related to the implementation of AB 953 (Weber; 2015), which revises the definition of racial profiling. There are increased costs for law enforcement reporting, as well as funding needed for the Attorney General to report on citizen complaints on racial or identity profiling for state law enforcement agencies. The Administration will work with law enforcement to develop an allocation methodology for these funds and for the overall program.

### **Corrections**

The budget document provides an extensive update on the state's efforts to comply with the three-judge panel orders relative to prison overcrowding. In 2014, the federal court granted the state an additional two years to meet the previously imposed population cap. Before February 28, 2016, the state must reach 137.5 percent of design capacity. As of December 9, 2015, the prison population was at 136.0 percent of design capacity.

The California Department of Corrections and Rehabilitation (CDCR) has implemented many solutions to meet the court order including expanding reentry programs throughout the state. The Governor's budget proposes \$32.1 million to continue the



community reentry program. Reentry programs link offenders to a range of community-based, rehabilitative services that assist with substance abuse disorders, mental health care, medical care, employment, education, and housing. The budget includes resources for a total of 680 beds in 2016-17 and proposes to increase eligibility criteria from 120 days prior to release to 180 days.

### **Siting Incentive Grants**

In an effort to address communities that are reluctant to allow program operations for the rehabilitation of offenders in the criminal justice system, the budget proposes \$25 million general fund for incentive payments to cities and counties that approve, between January 1, 2016, and June 30, 2017, new long-term permits for these hard-to-site facilities that improve public safety.

### **State Hospitals**

The budget proposes \$500,000 in 2015-16 and \$1.5 million in 2016-17 for the Department of State Hospitals to contract with Sonoma County to establish a jail based Restoration of Competency program for Incompetent to Stand Trial.

### **Judicial Branch**

The budget proposes \$146.3 million in judicial branch augmentations, largely focused on innovations to benefit court constituents and develop new ways of doing business, including a \$30 million one-time grant program to improve access to justice. The budget focuses on improving the state's court system by reallocating up to five vacant superior court judgeships and the staffing and security that is needed to support and implement the proposal. The goal would be to shift the judgeships where the workload is highest without needing to increase the overall number of judgeships.

## **Agriculture, Environment and Natural Resources**

The Governor's budget includes a number of proposals to fund environmental protection and natural resources programs. Most notable is the Governor's \$3.1 billion cap and trade spending plan, which includes funds for a new local climate program for disadvantaged communities, increased spending for investments in waste management, and increases to the forestry sector. In addition, this budget includes a one-year allocation for Payment In Lieu of Taxes (PILT), continued funding to support drought relief efforts, increased investments in resource management and wildfire protection,



and funding for the implementation of the state’s new medical marijuana regulatory program.

**Cap and Trade Funding**

The Governor's 2016-17 budget proposes to appropriate \$3.1 billion in cap and trade revenues. This includes approximately \$700 million in unallocated auction revenues from the 2015-16 budget and a total of \$2.4 billion in 2016-17 revenues.

<b>Investment Category</b>	<b>Department</b>	<b>Program</b>	<b>Amount</b>
<b>Continuous Appropriation</b>	High Speed Rail Authority	High Speed Rail Project	\$500
	Transportation Agency	Transit and Intercity Rail Capital Program	\$200
	State Transit Assistance	Low Carbon Transit Operations Program	\$100
	Strategic Growth Council	Affordable Housing & Sustainable Communities	\$400
<b>50 percent in reduction in Petroleum Use</b>	Air Resources Board	Low Carbon Transportation & Fuels	\$500
	CalTrans	Low Carbon Road Program	\$100
	Transportation Agency	Transit and Intercity Rail Capital Program	\$400
	Energy Commission	Biofuel Facility Investments	\$25
	Strategic Growth Council	Transformational Climate Communities Program	\$100
<b>Short-Lived Climate Pollutants</b>	Air Resources Board	Black Carbon Woodsmoke	\$40
	Air Resources Board	Refrigerants	
	Cal Recycle	Waste Diversion	\$100
	Dept. of Food & Agriculture	Climate Smart Agriculture-Healthy Soils & Dairy Digesters	\$55
<b>Safeguarding California/Water Action Plan</b>	Dept. of Food & Ag & Water Resources	Water and Energy Efficiency	\$30



	Energy Commission	Drought Executive Order- Water and Energy Technology Program & Appliance Rebates	\$60
	Dept. of Fish & Wildlife	Wetlands and Watershed Restoration/CalEcoRestore	\$60
<b>Safeguarding California/Carbon Sequestration</b>	CAL Fire	Healthy Forests	\$150
		Urban Forestry	\$30
	Natural Resources Agency	Urban Greening	\$20
<b>Energy Efficiency &amp; Clean Energy</b>	Department of General Services	Energy Efficiency for Public Buildings	\$30
	I Bank	California Lending for Energy and Environmental Needs Center	\$20
	Conservation Corps	Energy Corps	\$15
	Department of Community Services and Development	Energy Efficiency Upgrades/Weatherization	\$75
	University of California/California State University	Renewable Energy & Energy Efficiency Projects	\$60
<b>TOTAL</b>			<b>\$3,090 B</b>

### Transformational Climate Communities Program

The Governor's cap and trade spending plan dedicates \$100 million to a new cross-cutting Climate Communities Program that will 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 new program to be administered through the Strategic Growth Council and largely reflects our advocacy work over the past several years to create a dedicated, cross-sector local climate funding program. Both CalEPA and the Natural Resources Agency have stated they are aware of the need for technical assistance and capacity building support in these communities and resources will be available to help these jurisdictions develop grant applications. In addition, the Cal Environ Screen Tool, which is the state's method for



determining the disadvantaged communities within the context of cap and trade funding, will be updated this year.

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

The cap and trade funding plan includes a new category for the reduction of short-lived climate pollutants, which include black carbon, methane, and fluorinated gases. The plan increases funding to the waste diversion sector, which would, in return, result in an overall reduction in methane emissions from our landfills. The plan dedicates \$100 million to Cal Recycle to provide financial incentives for capital investments that expand waste management infrastructure by investing in new or the expansion of clean composting, anaerobic digestion, fiber, plastic, and glass facilities.

### **Forestry and Wildfire Management**

The Governor's budget makes a significant investment in resource management and wildfire protection services, including dedicated funding to address the Governor's Executive Order on tree mortality. Part of this investment comes from cap and trade auction revenues, totaling \$150 million for projects that reduce wildfire risk, improve carbon sequestration potential of California's forests through fuels reduction and reforestation projects and the removal of diseased and dead trees. CAL Fire has indicated that these funds will potentially be available to help mitigate the risk of wildfire on private lands as well as public lands. In addition to cap and trade funds, the California Conservation Corps has funding to partner with CAL Fire to work on forest health improvement projects, targeting the highest fire risk areas of the state. CAL Fire's budget also includes increased funding for fire protection and operational enhancements, the Professional Standards Program, Fire Safety, and Helicopter Replacement.

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

The Governor's proposed budget includes \$644,000 in Payment in Lieu of Taxes funding to local governments. The Department of Fish and Wildlife (DFW) operates wildlife management areas throughout the state. Existing law (Fish and Game Code §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" (PILT) 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 2015-16 budget and this allocation is consistent with that appropriation.



**Emergency Drought Response**

Given the likelihood of the state entering into a fifth year of drought, the Governor’s budget includes \$323.1 million (\$212.1 million General fund) on a one-time basis to continue the critical drought response efforts. Highlights include: proposals to allocate \$5 million for provide emergency drinking water support for small communities, including those that rely on private wells; an increase in funding by \$5.4 million for enforcement of drought-related water rights and curtailment actions; and increased General fund support by \$26.7 million to the Office of Emergency Services for drought-related technical guidance and disaster recovery support they provide to local communities.

The proposed allocation is as follows:

<i>Investment Category</i>	<i>Department</i>	<i>Program</i>	<i>Amount</i>
<b>Protecting Water Supplies</b>	Department of Water Resources	Emergency Salinity Barriers in the Delta	\$42.0
	Department of Water Resources	Local Assistance for Small Communities	\$5.0
	Water Board	Water Curtailment	\$5.4
	Water Board	Emergency Drinking Water Projects	\$16.0
<b>Water Conservation</b>	Department of Water Resources	Urban Water Conservation & Save Our Water Campaign	\$15.0
	Energy Commission	Rebates for Appliances	\$30.0
	Energy Commission	Water and Energy Technology Program	\$30.0
	Department of Food and Agriculture	Agricultural Water Conservation	\$20.0
<b>Emergency Response</b>	Department of Forestry and Fire Protection	Enhanced Fire Protection	\$77.4
	Department of Water Resources	Drought Management and Response	\$12.0
	Department of Fish & Wildlife	Protection of Fish & Wildlife	\$17.7
	Department of Social Services	Drought Food Assistance	\$18.4
	Office of Emergency	California Disaster	\$22.7



	Services	Assistance Act	
	Office of Emergency Services	State Operations Center	\$4.0
	Department of Community Services & Development	Farmworker Assistance	\$7.5
<b>TOTAL</b>			<b>\$323.1</b>

**California Water Action Plan**

The California Water Action Plan, which was released by the Governor in January 2014, identifies a broad suite of actions to secure reliable water supplies, restore important species and habitat, and construct a more resilient water system. The Governor’s Budget proposes various General fund and Proposition 1 (2014 Water Bond) allocations to implement the Action Plan that address issues ranging from the repairing levees in the Central Valley to Salton Sea and wetland restoration projects and water delivery operational improvements.

**Medical Marijuana Regulation**

The Medical Marijuana Regulation and Safety Act of 2015 (MMRSA) created a statewide regulatory framework for licensing and enforcing rules governing the medical marijuana industry in California. The new law assigns various state agencies responsibility to develop regulations implementing the provisions of MMRSA. CSAC, in collaboration with the Regional Council of Rural Counties (RCRC) and the Urban Counties of California (UCC), has already initiated discussions with the affected state agencies to ensure that counties remain an active partner throughout the MMRSA regulatory administrative process.

The Governor’s budget proposes the following allocations to the state agencies with regulatory and/or licensing responsibilities under MMRSA:

- Department of Consumer Affairs: \$1.6 million in 2015-16 and \$3.8 million from the Medical Marijuana Regulation and Safety Act Fund (MMRSA Fund) and 25 positions in 2016-17 to create the Bureau of Medical Marijuana Regulation within the Department of Consumer Affairs. The Bureau will be responsible for overseeing the MMRSA multiagency licensing and regulatory effort.
- Department of Public Health (DPH): \$457,000 in 2015-16 and \$3.4 million from the MMRSA Fund and 14 positions in 2016-17. DPH is responsible for developing the regulations affecting medical marijuana product manufacturing and testing.
- Department of Food and Agriculture (CDFA): \$3.3 million in 2015-16 and \$3.4 million from the MMRSA Fund and 18 positions in 2016–17. CDFA will be responsible for developing regulations concerning the cultivation of medical marijuana.



- Department of Pesticide Regulation (DPR): \$700,000 Pesticide Regulation Fund and 3 positions in 2016-17. MMRSA requires DPR to develop guidelines for the use of pesticides in the cultivation of medical marijuana.
- Department of Fish and Wildlife (DFW): \$7.6 million General fund and 31 positions in 2016-17. The proposed budget indicates that these funds will be used by DFW to fulfill their role in regulating water diversions related to marijuana cultivation, and to expand and make permanent the statewide multi-agency task force established in 2014 to address environmental impacts of medical marijuana cultivation.
- State Water Resources Control Board (Water Board): \$5.7 million (\$5.2 million General fund and \$472,000 Waste Discharge Permit Fund) and 35 positions in 2016-17. These funds are to be utilized by the Water Board to develop and implement regulations that address the environmental impacts of medical cannabis cultivation, including water diversions related to marijuana cultivation.

### **Parks and Recreation**

The Governor’s budget continues to strengthen the state park system. The proposed budget includes several proposals that build on these existing efforts to address outstanding issues, including repayment of the Off-Highway Vehicle loan, an increase of \$60 million General fund for high-priority deferred maintenance projects and outreach to urban communities to help facilitate better relationships with community-based organizations to ultimately increase urban access to parklands.

## **Government Finance and Operations**

Unlike previous years, there was little proposed in the Governor’s budget related to local government organization, authority, or operations. Similar to other areas, however, the Governor is focused on implementing programs and systems already enacted in statute through previous sessions or adopted budgets.

### **EMPLOYEE RELATIONS**

Once again, the Governor’s proposal directs focus to unfunded liabilities associated with retirement costs of state and University of California employees, which comprise over 98 percent (\$220 billion) of the state’s long-term debt.

**ACTION**

CALIFORNIA STATE ASSOCIATION OF COUNTIES

1

### **State Employees and Retirees**

The Governor's budget proposal provides \$5.5 billion (\$3.2 billion General fund) in state employee pension contributions. This includes the final phase-in of rate increases due to changes in demographic assumptions that were adopted by the California Employees' Retirement System (CalPERS) Board in 2014. The budget proposal additionally focuses attention on the state's \$72 billion in unfunded retiree health care obligations, citing the Governor's plan to eradicate that debt through collectively bargaining the following: 1) equal sharing in the prefunding of normal costs for future retiree health care benefits, and 2) making changes to contribution and vesting schedules for retiree health care for future employees.

### **Public Employment Relations Board (PERB)**

The Governor proposes an increase of \$885,000 and five positions to reduce backlogs within PERB, is a quasi-judicial administrative agency that administers the eight collective bargaining statutes covering employees of California's public schools, colleges and universities, employees of the State of California, employees of local public agencies (cities, counties and special districts), trial court employees, trial court interpreters, employees covered by the In-Home Supportive Services Employer-Employee Relations Act, and supervisory employees of the Los Angeles County Metropolitan Transportation Authority.

## **REVENUE AND TAXATION**

### **Redevelopment Dissolution Work Continues**

Following the passage of last year's Senate Bill 107, the redevelopment agency (RDA) dissolution budget trailer bill, the Administration anticipates carrying out the changes to ensure the proper return of tax increment to counties, cities, and other taxing entities. The budget proposal anticipates that in 2015-16 and 2016-17, counties will receive an additional \$684 million in general-purpose revenues,

The proposed budget anticipates Proposition 98 General fund savings resulting from the dissolution of RDAs will be \$1.1 billion in 2015-16. For 2016-17, Proposition 98 General fund savings are expected to be \$1 billion. This amount should grow over the next three decades as the former RDAs' debts and other legal obligations are paid off and property tax revenues grow.

### **Elections Funding Limited to "Motor Voter" Program**

Last year the Legislature enacted an automatic voter registration program upon application for, or renewal of, a drivers' license through the Department of Motor Vehicles. The Governor proposes to appropriate \$3.9 million to bring the system online. No additional allocations are made for other elections reform efforts, such as the SB 450 (Allen) "vote center" model supported by CSAC now before the Legislature.



### **Mandate Reimbursement and Reform**

As anticipated, the January budget did not address the outstanding payments for state mandated services and programs already delivered by counties and other local agencies. CSAC will work with the Administration and Department of Finance in 2016 to determine a workable plan to pay down the debt, as well as future steps that will secure timely, dependable payments and reduce the possibility of future backlogs.

The prior year funded and suspended mandate status is proposed to continue in the next fiscal year for all mandates, including the Interagency Child Abuse and Neglect Investigation Reporting mandate and several important elections-related services.

### **Other Local Finance Provisions**

- The Governor proposes to fully fund the state's insufficient ERAF backfill to the counties of Alpine, Amador, and San Mateo, totaling \$393,000.
- The proposal would also continue the Pilot Program to Improve Property Tax Administration in the third and final year with review of the program to determine if continuation or expansion is warranted.

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

Sales and use tax is one of the state's "Big Three" revenues and 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.

The Governor's budget estimates that the sales tax will generate \$25.2 billion in General fund revenues in 2015-16 and \$25.9 billion in 2016-17. Taxable sales increased by an estimated 6.1 percent in 2014-15 and the budget estimates growth of 5.7 percent in 2014-15 and 5.8 percent in 2016-17. However, the budgeted revenue projections do not mirror these increases due to the expiration of temporary Proposition 30 taxes at the end of calendar year 2016.

### **Property Tax 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 5.6 percent increases in both 2015-16 and 2016-17 for statewide property tax revenues.

# ACTION

CALIFORNIA STATE ASSOCIATION OF COUNTIES

1

Also of note: the August 2015 final payment on the 2004 Economic Recovery Bonds resulted in the end of the notorious “Triple Flip,” a complicated shift among local government revenue streams to pay debt service on the Economic Recovery Bonds.

## Health and Human Services

### **MEDI-CAL**

The state’s Medi-Cal costs continue to rise, with increased enrollment and decreases in federal funding beginning in 2017. However, while the net Medi-Cal budget of \$85.1 billion represents more than 60 percent of the overall health and human services budget, the state’s General fund obligation is estimated to be \$19.1 billion in 2016-17. The budget also estimates that Medi-Cal caseload will increase by 727,000 recipients in the current year and 62,000 in 2016-17. Total caseload is expected to top 13.5 million in 2016-17.

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

The Governor’s budget includes \$169 million in the current year for county Medi-Cal administration costs, plus that amount over baseline in the 2016-17 budget year. The County Welfare Directors Association has indicated that this amount is reasonable for county costs. Once the state has stabilized the CalHEERS portal and automated the eligibility system, Governor Brown indicates that the state will conduct a time-study to create a Medi-Cal county administration budgeting methodology.

### **Expansion for Undocumented Children**

The 2016-17 budget includes \$145 million General fund (\$182 million total funds) for the expansion of full-scope Medi-Cal to undocumented children in the state. Children will be eligible starting May 1 2016, and the budget estimates that up to 170,000 children will become eligible. This expansion was signed into law last year under SB 75 (Lara).

### **MANAGED CARE ORGANIZATION TAX**

The Managed Care Organization (MCO) tax currently provides roughly \$1.1 billion for Medi-Cal services, including administrative funding for the Coordinated Care Initiative (\$130 million) and other critical health care services. The Governor is proposing a new three-year tiered MCO tax plan based on the type of health plan (either commercial, closed-system such as Kaiser, or Medi-Cal). Some plans, including local health plans, would fall under both the commercial and Medi-Cal tiers. To help plans with the costs



associated with the new proposed tax, the state is offering concurrent relief in the Gross Premiums Tax and Corporations Tax that some plans pay.

The Governor's new proposal would raise about \$1.7 billion total, but after the other tax policy changes are taken into account, would net the state about \$1.3 billion.

This funding would be placed into a special fund and be used to fund current Medi-Cal activities, including parts of the Coordinated Care Initiative plus the full-year restoration of the 7 percent across-the-board cuts in In-Home Supportive Services hours (\$236 million). Not included yet in that funding picture are additional priorities that have been discussed during the Second Extraordinary Session on Health Care: increases for Medi-Cal providers and developmental services providers.

## **AFFORDABLE CARE ACT IMPLEMENTATION/AB 85**

### **County Reimbursements**

The Governor indicates that the state will need to reimburse counties \$151.7 million in 2016-17 for AB 85 redirections from 2013-14. How and when those reimbursements are made are still under discussion.

### **Redirection Estimate**

The estimate for county AB 85 redirections is \$741.9 million for the current year (2015-16) and \$564.5 million in the budget year (2016-17).

### **CalWORKs Grant Costs**

As for the AB 85 redirections that help fund the cost of state CalWORKs grants, the state estimates that it will need \$319.8 million total for 2016-17. The Governor projects \$302.4 million in AB 85 deposits into the Child Poverty and Family Supplemental Support Subaccount in 2016-17, with the state backfilling \$17.4 million General fund for the increased grant costs.

## **COORDINATED CARE INITIATIVE**

The Governor has opted to maintain the Coordinated Care Initiative (CCI) dual-eligible project for 2016-17, but continues to strike a cautious note regarding the project's future. The fact that participation continues to vary, with an average 69 percent opt-out rate, and the lack of clarity on a new MCO tax, are both threats to the project's continuation past calendar year 2017. CSAC will continue to work with the Administration, health plans, and counties to increase CCI enrollment and efficiencies, as well as support a new MCO tax.

# ACTION

CALIFORNIA STATE ASSOCIATION OF COUNTIES

1

### **CONTINUUM OF CARE REFORM (AB 403 Group Home Reform)**

The Governor's budget proposal includes \$94.9 million (\$60.9 million General fund) for the Department of Social Services (DSS), Department of Health Care Services (DHCS), county child welfare agencies, and county probation departments to implement the Continuum of Care Reform as set forth by last year's AB 403 (Stone; 2015). County behavioral health plans will also be part of the implementation efforts.

Last January, DSS released their [report on the Continuum of Care Reform](#), which outlined a comprehensive approach to improving the experience and outcomes of children and youth in foster care. Since then, DSS' sponsored legislation AB 403 was signed into law. The new law reclassifies juvenile treatment facilities and transitions from the use of group homes for children in foster care and probation to the use of short-term residential treatment centers. CSAC, along with our county affiliates—CWDA, CBHDA, and CPOC—worked collaboratively with DSS on the language of AB 403 and also conveyed the need for reasonable timelines and upfront investments to efficiently and effectively implement this reform.

CSAC is pleased with the Governor's recognition of these reforms as a massive undertaking by proposing funding to aid in implementation efforts. While the Governor's budget did not specifically earmark funding for the various state and county entities involved, CSAC and our county affiliates will continue to work with the Administration to ensure counties receive sufficient funding to build capacity and implement the new practice requirements.

### **IN-HOME SUPPORTIVE SERVICES**

The Governor's budget includes \$9.2 billion (\$3 billion General fund) in 2016-17 for the In-Home Supportive Services (IHSS) program, which has grown due to caseload growth.

Additionally, the Governor is proposing to restore the 7 percent cut in service hours—estimated to cost \$236 million in fiscal year 2016-17—with proceeds from the pending Managed Care Organization (MCO) tax in lieu of General fund (see MCO tax section above).

The Governor's budget estimates that IHSS overtime will cost \$700.4 million (\$331.3 million General fund) in fiscal year 2015-16 and \$942 million (\$443.8 million General fund) ongoing beginning in fiscal year 2016-17. In August 2015, the U.S. Court of Appeals upheld the U.S. Department of Labor regulations requiring overtime pay for domestic workers. The Administration is anticipating the implementation of federal overtime rules to begin February 1, 2016. Increased rates for these providers took effect December 1, 2015.



## **2011 REALIGNMENT**

For the latest estimates for 2011 Realignment revenues, please see the table at the end of this document for the Department of Finance’s “2011 Realignment Estimate at 2016-17 Governor’s Budget” chart.

## **HUMAN SERVICES**

### **Supplemental Security Income/State Supplementary Payment**

Governor Brown included \$2.9 billion General fund for the Supplemental Security Income/State Supplementary Payment (SSI/SSP) program. Also included is \$40.7 million General fund for cost-of-living increases to the SSP portion of the grant equivalent to the California Necessities Index (estimated at 2.96 percent). This is the first SSI/SSP grant increase proposed since the Great Recession. The Legislature may seek additional SSI/SSP increases.

### **CalWORKs**

Despite an estimated 5.5 percent decline in the average monthly CalWORKs caseload from the 2015 Budget Act, the Governor’s budget proposal still estimates \$7.5 billion in expenditures for the federal Temporary Assistance for Needy Families (TANF) program in fiscal year 2016-17. Of the \$7.5 billion, \$5.4 billion is for CalWORKs program expenditures and \$2.1 billion is for other programs.

### **CalFresh Assistance and Training**

The Governor proposes \$804,000 (\$261,000 General fund) for the Department of Social Services to provide CalFresh assistance and training to California’s 19 largest counties. The training will be coordinated with the Medi-Cal and Women, Infants, and Children (WIC) programs to provide appropriate nutrition assistance for young children.

## **BEHAVIORAL HEALTH**

The Governor’s budget projects \$32.5 million General fund (\$90.9 million total funds) for expanded residential treatment services under the new Drug Medi-Cal Organized Delivery System waiver. The Department of Health Care Services is basing that projection on at least 50 counties opting into the waiver.

The 2016-17 budget also includes \$11.9 million General fund for implementation of a new Performance Outcomes System to track outcomes in mental health services for children and youth. This will help with some county costs related to data collection and training for the new system.

# ACTION

CALIFORNIA STATE ASSOCIATION OF COUNTIES

1

## **CALIFORNIA'S SECTION 1115 FEDERAL WAIVER RENEWAL**

The Governor's budget highlights the agreement between the Centers for Medicare and Medicaid Services (CMS) and California on the latest iteration of the Section 1115 Waiver, deemed "Medi-Cal 2020." CMS approved another five-year waiver effective January 1, 2016 through December 31, 2020. The waiver will provide \$6.2 billion in federal funding, with the potential for additional funding within the new Global Payment program.

The Governor noted core elements of the waiver agreement in his budget release, including:

- A delivery system transformation and alignment incentive program (PRIME), which will draw down roughly \$3.3 billion for county public hospitals and district and municipal hospitals.
- A Global Payment program for the county public hospitals to serve the remaining uninsured. Federal funds for this program include \$1 billion in Disproportionate Share Hospital Funding annually and an initial \$276 million uncompensated care funding.
- Whole Person Care county-based pilots for high-risk, vulnerable populations. CMS has agreed to \$1.5 billion in funding over the 5 years.
- A dental transformation incentive program totaling \$750 million in federal funds.

## **PUBLIC HEALTH**

### **Disease Detection and Prevention**

The Governor's budget includes \$1.6 million General fund and 14 positions to build laboratory capacity and increase disease surveillance and testing.

## **CHILD CARE**

### **2015 Budget Act Investments**

The Governor's budget proposes an increase of \$16.9 million General fund outside of Proposition 98 and \$30.9 million Proposition 98 General fund to reflect the full-year implementation of child care and preschool investments made in the 2015-16 Budget Act. These investments include:

- 7,030 additional full-day slots for State Preschool (starting January 1, 2016).
- An increase of 4.5 percent to the Regional Market Reimbursement Rate (starting October 1, 2015).
- A five percent rate increase for license-exempt providers (starting October 1, 2015).



### **Stage 2 Child Care**

The Governor's budget proposes an increase of \$1.8 million non-Proposition 98 General fund in fiscal year 2016-17, bringing the total costs for Stage 2 to \$422.3 million.

### **Stage 3 Child Care**

The Governor increased CalWORKs Stage 3 funding by \$33.4 million non-Proposition 98 General fund in 2016-17, bringing the total costs for Stage 3 to \$315.9 million.

### **Child Care and Development Funds**

The Governor's budget includes a net increase of \$10.4 million in federal funds in 2016-17 to reflect a projected increase in the base grant amount. Total federal funding is projected to be \$593.2 million.

### **DEVELOPMENTAL SERVICES**

Advocates for developmental services have waged a raucous campaign over the last year to secure additional funding for service provider rates, which have not been raised in more than ten years. Increases in these rates have also been a topic within the Health Care Special Session, but to no avail. The Governor's revised MCO tax proposal does not specifically include funds for raising these rates, but leaves the door open to potentially using some MCO funding for this purpose. However, the Governor included \$50 million General fund to establish four-bed Alternative Residential Model rates, increase case managers, and ensure compliance with the Home and Community-Based Services Waiver.

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

### **TRANSPORTATION**

The Governor's 2016 January Budget Proposal continued to emphasize reinvesting in California's infrastructure, particularly in the transportation sector. This is a positive starting point for our efforts to secure new, robust, and sustainable funding for local streets and roads in the Special Session on Transportation and Infrastructure Development still underway. For his part, the Governor noted his optimism that the special session conference committee will be able to reach consensus on a transportation package that reflects his top six principles, including:

- A "fix-it-first" approach to repairing state highways and local streets and roads.
- Investing in key trade corridors.
- Providing funds to match locally generated funds for high-priority projects.

# ACTION

CALIFORNIA STATE ASSOCIATION OF COUNTIES

2

- Improving performance, accountability, and efficiency at Caltrans.
- Investing in passenger rail and public transit.
- Avoiding an impact on the “precariously balanced” General fund.

While consistent with the Administration’s earlier position, the last priority is particularly interesting, as Republican members in both houses and some moderate Democrats continue to push transportation funding solutions that include returning truck weight fees to transportation projects—a direct \$1 billion General fund hit.

Transportation funding remains a top priority for CSAC in 2016 and we will continue to work 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**

The budget proposal included a reintroduction of the [Governor’s September 2015 transportation funding and reform package](#). That 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, innovative procurement methods, and reforms at Caltrans related to workload and hiring.

The plan stabilizes the gas excise tax by eliminating the complicated adjustment process from the fuel tax swap and instead indexing it to inflation, spends \$500 million a year from cap and trade funds, increases the excise tax on diesel fuel, and adds a \$65 per year “highway user fee” per vehicle. In addition to supporting local street and road maintenance and rehabilitation through approximately \$1.05 billion in new subventions allocated to jurisdictions by formula, the plan would provide \$250 million for a state-local partnership program for those counties that have passed sales tax measures to fund transportation projects.

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. For more information on the Governor’s comprehensive cap and trade proposal, please see the Agriculture, Environment, and Natural Resources section.

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. The [Senate Republican Caucus](#) and [Assembly](#)



[Republican Caucus](#) have funding proposals on the table, as does [Senator Jim Beall](#). Most recently, Assembly Member Jim Frazier introduced a [nearly \\$8 billion transportation funding plan](#). CSAC will continue to evaluate the various proposals and potential compromises against our [adopted coalition principles](#).

### **Gas Tax Trends and Anticipated 2016-17 Funding for Counties**

While overall state revenues continue to improve, funding to maintain and repair state highways and local roads will continue to deteriorate in 2016-17 without an infusion of new funding. Due to low prices, the Department of Finance estimates that the gasoline excise tax will be reduced 2.2 cents in July to maintain revenue neutrality with the former sales tax on gasoline. The overall state excise rate would decrease to 27.8 cents from a high of 39.5 cents in 2013-14.

CSAC will continue to advocate for an administrative fix to the price-based excise tax rate-setting process to incorporate historical gasoline price data and increase revenue stability. This adjustment would decrease the magnitude of this year's reduction, but it would also slow the revenue increases when gasoline prices inevitably rise.

Increases in fuel consumption will partially offset decreases in the tax rate. Gasoline consumption was up 2 percent in 2014-15, and the Department of Finance estimates further increases of 1.5 percent in 2015-16 and 0.5 percent in 2016-17. Diesel consumption is projected to increase even more: 2.3 percent in 2015-16 and 1.3 percent in 2016-17.

Despite consumption increases, revenues in the Highway User Tax Account, the primary source of funding for local street and road maintenance, will decrease by more than 25 percent in only two years. County shares of this revenue have decreased by an even greater amount, as the funding transferred out to pay for transportation bond debt service has continued to grow as overall gas tax revenue decreases.

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

***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

2

Figure HHS-03  
**2011 Realignment Estimate at 2016-17 Governor's Budget**  
(Dollars in Millions)

	2014-15	2014-15 Growth	2015-16	2015-16 Growth	2016-17	2016-17 Growth
<b>Law Enforcement Services</b>	<b>\$2,078.3</b>		<b>\$2,289.1</b>		<b>\$2,418.2</b>	
Trial Court Security Subaccount	518.1	14.5	532.5	12.9	545.4	13.8
Enhancing Law Enforcement Activities	489.9	57.8	489.9	80.5	489.9	99.3
Community Corrections Subaccount	934.1	173.4	1,107.5	96.8	1,204.3	103.4
District Attorney and Public Defender	15.8	8.5	24.3	6.5	30.8	6.9
Juvenile Justice Subaccount	120.4	14.5	134.9	12.9	147.8	13.8
<i>Youthful Offender Block Grant Special Account</i>	(113.8)	(13.7)	(127.5)	(12.2)	(139.6)	(13.0)
<i>Juvenile Reentry Grant Special Account</i>	(6.6)	(0.8)	(7.4)	(0.7)	(8.2)	(0.8)
<b>Growth, Law Enforcement Services</b>		<b>268.7</b>		<b>209.6</b>		<b>237.2</b>
<b>Mental Health<sup>2</sup></b>	<b>1,120.6</b>	13.4	<b>1,120.6</b>	12.0	<b>1,120.6</b>	12.8
<b>Support Services</b>	<b>3,022.1</b>		<b>3,277.6</b>		<b>3,505.2</b>	
Protective Services Subaccount	1,970.7	138.5	2,109.2	107.8	2,217.0	115.2
Behavioral Health Subaccount <sup>3</sup>	1,051.4	117.0	1,168.4	119.8	1,288.2	128.0
<i>Women and Children's Residential Treatment Services</i>	(5.1)	-	(5.1)	-	(5.1)	-
<b>Growth, Support Services</b>		<b>268.9</b>		<b>239.6</b>		<b>256.0</b>
<b>Account Total and Growth</b>	<b>\$6,758.6</b>		<b>\$7,136.5</b>		<b>\$7,537.2</b>	
<b>Revenue</b>						
1.0625% Sales Tax	6,210.9		6,566.1		6,948.0	
Motor Vehicle License Fee	547.7		570.4		589.2	
<b>Revenue Total</b>	<b>\$6,758.6</b>		<b>\$7,136.5</b>		<b>\$7,537.2</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> Base Allocation is capped at \$489.9 million. Growth does not add to the base.

<sup>2</sup> Base Allocation is capped at \$1,120.6 million. Growth does not add to the base.

<sup>3</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.

*Strengthening California Cities  
through Advocacy & Education*



[Home](#) > [News](#) > [News Articles](#) > [2016](#) > [January](#) > Governor Releases Balanced FY 2016-17 Budget Stressing Fiscal Prudence, Proper Planning for Future R 

Governor Releases Balanced FY 2016-17 Budget Stressing Fiscal Prudence,  
Proper Planning for Future Recession  
Proposal Includes \$3.6 Billion for Road System Maintenance and Repair

*January 7, 2016*

Gov. Jerry Brown this morning released his proposed [\\$170.7 billion budget](#) (\$122.6 billion General Fund spending) for the fiscal year that begins July 1 in a short press conference where he repeatedly warned that California must not be lulled into a false sense of security by the economic recovery.

Similar to last year, Governor Brown, now in his fourth term, cautioned that there have been 10 recessions since World War II. He supported his argument with charts demonstrating the rise and fall of revenues and years of massive deficits followed by small surpluses. Economic expansions typically last five years, but California is now in its seventh year. Thus he stressed that while the state should enjoy another year of a balanced budget, new programs cost money, stating: "This is not a candy store where you can pick out whatever you want."

California's financial picture is in a dramatically different place than when Governor Brown assumed his third term of office in 2011. At that time, California was struggling with a \$26.6 billion budget deficit. Today, California has paid off much of its accumulated debts from past budgetary borrowing and is building a strong Rainy Day fund strengthened by voters in through Proposition 2 of 2014. The state now has a projected \$4.7 billion in reserves, which will increase to \$6 billion by the end of FY 2016-17. Governor Brown is proposing to add an additional \$2 billion to the account by the end of FY 2016-17, for a total of \$8 billion.

A stable and disciplined state budget with growing reserves is good for both the larger economy and for cities. California cities have had long experience with the tendency of the state to look to local governments to help patch its budget gaps.

Rather than proposed takeaways, the budget has many positive aspects for cities, including proposed allocations of \$3.1 billion in cap and trade funds, allocation of water bond funds, drought and disaster assistance proposals, a proposed \$25 million incentive fund to encourage the siting or reentry facilities and implementation steps on the recently-enacted medical marijuana regulatory package. No new proposals are made affecting redevelopment dissolution.

It was disappointing that the Governor did not include a significant funding proposal for affordable housing. However, when asked if he supported the California Senate's [No Place Like Home](#) proposal that would use Prop 63 dollars for permanent supportive housing for homeless mentally ill, Governor Brown carefully said it was worth looking into while also commenting on the high cost to build one unit of affordable housing.

Of major importance to the League and cities, the Governor's budget contains the \$3.6 billion transportation funding proposal he introduced late last year. The Fix Our Roads Coalition, of which the League is a member, issued a [statement](#). The coalition thanked the Governor for his leadership and commitment to this urgent issue at the state and local levels and commended the conference committee and stakeholders who continue to work tirelessly on making fixing our roads a priority. Additional details on the Governor's transportation proposal are below.

## **Transportation**

### **Funding**

The Governor's transportation funding proposal remains essentially the same as his criteria released in early [September 2015](#). The proposal would provide an annual amount of funding of \$3.6 billion, and represents a solid baseline for ramping up Legislative discussions in 2016.

One-half of the funding (\$1.8 billion) would go to cities and counties for street maintenance, complete street projects, public transit and state-local partnership funding projects. Of this amount, \$1.01 billion would be allocated by formula for local streets and roads maintenance, \$523 million of which will go to cities each year based on population. An additional \$100 million would be set aside for a complete streets competitive grant program.

The revenue package required to fund the proposal relies on adjusting the variable gas tax to reflect historical averages, indexing the entire gas tax for inflation and \$2 billion from a \$65 per-vehicle highway user fee. Additional elements include \$500 million in Cap-and-Trade revenues, \$100 million in CalTrans efficiencies, and \$500 million from an 11-cent increase in the diesel tax indexed for inflation (to support the trade corridor enhancement program and other highway and road improvements). The Governor also proposes to speed up repayment of \$879 million in transportation-related loans from special funds, including \$148 million to the Traffic Congestion Relief Program.

Benefits to California residents will exceed the costs. Although the Administration projects the package will cost vehicle owners approximately \$10/month, these same vehicle owners are paying an average of \$762 annually to fix their vehicles due to poor road conditions.

The Governor's budget proposal assumes adoption of the proposal. Cities, however, should note that if a funding package is not adopted, transportation revenues are expected to decrease. Details on funding estimates, to reflect available revenues if the Governor's proposal is not adopted, will be released in the coming weeks.

### **Motor Vehicle Account Fix**

The Governor also proposes a \$10 increase to the vehicle registration fee to address an ongoing deficit in the Motor Vehicle Account (MVA). MVA funds activities of the Department of Motor Vehicles, California Highway Patrol, and Air Resources Board.

### **Green Decal Program**

The Green Decal program allows transitional and partial zero-emission vehicles use of High Occupancy Vehicles (HOV) lanes as single-occupancy vehicles. The state reached the statutory cap of 85,000 decals last year, and the Governor plans to ask for an extension. Details were not released.

### **Redevelopment Dissolution**

The Governor's proposed budget summary reports that since FY 2011-12 and projected through FY 2016-17, redevelopment dissolution will have returned a total of \$6.8 billion in property taxes to K-14 schools. This consequently allows the state to reduce its General Fund expenditures under Proposition 98 education funding requirements by a similar amount.

The cumulative total received by counties, special districts and cities over this same period is projected to be \$5.1 billion. Cities are anticipated to receive \$643 million over FY 2015-16 and FY 2016-17. The budget document also summarizes the comprehensive changes to the redevelopment dissolution process made by SB 107, Chapter 325 of 2015, which was placed into print and passed by the Legislature on the final day of the 2015 legislative session. The Administration makes no new proposals in this area for FY 2016-17.

### **Cap and Trade Allocations**

The budget proposes to allocate \$3.1 billion from Cap-and-Trade auction proceeds, which includes the balance of auction proceeds that were not allocated in FY 2015-16. The Cap-and-Trade expenditure plan proposes:

Continuous Appropriation (60 percent of annual auction proceeds)

- \$500 million for High-Speed Rail Projects
- \$100 million for Low Carbon Transit Operations
- \$200 million Transit and Intercity Rail projects
- \$400 million Affordable Housing and Sustainable Communities program

One-time Appropriation (40 percent of annual auction proceeds in plus balance of FY 2015-16 auction proceeds)

- \$400 million for Transit and Intercity Rail Capital program for additional competitive grants to support capital improvements to integrate state, local and other transit systems, including those located in disadvantaged communities, and to provide connectivity to high-speed rail. (See Transportation Funding section above.)
- \$100 million for the Department of Transportation to administer the Low Carbon Road Program, which will prioritize disadvantaged communities, and provide competitive grants for improvements to local streets and roads that encourage active transportation, such as walking and bicycling, transit, and other carbon-reducing road investments. (See Transportation Funding section above.)
- \$500 million for the Air Resources Board's Low Carbon Transportation Program to provide incentives for low carbon freight and passenger transportation, including rebates for zero emission cars, vouchers for hybrid trucks and zero-emission trucks and other uses.
- \$25 million for the Energy Commission for Biofuel Facility Investments.
- \$100 million for the Strategic Growth Council to administer the Transformational Climate Communities Program to support local climate actions in the state's top 5 percent of disadvantaged communities. Funding will support projects that integrate multiple, cross-cutting approaches to reduce GHG emissions.
- \$40 million for the Air Resources Control Board for black carbon woodsmoke.
- \$20 million for the Air Resources Control Board refrigerants.
- \$100 million for the Department of Resources, Recycling and Recovery to provide financial incentives for capital investments that expand waste management infrastructure, with a priority in disadvantaged communities. Investment in new or expanded clean composting, anaerobic digestion, fiber, plastic, and glass facilities is necessary to divert more materials from landfills.
- \$30 million for the Department of Food and Agriculture for water and energy efficiency.
- \$60 million for the Energy Commission for water and energy technology programs and appliance rebates.
- \$60 million for the Department of Fish and Wildlife for wetland and watershed restoration.
- \$150 million for CAL FIRE to support forest health programs that reduce GHG emissions through fuel reduction, reforestation projects, pest and diseased tree removal, and long-term protection of forested lands vulnerable to conversion.

- \$30 million for CAL FIRE to Urban Forestry programs.
- \$20 million for the Natural Resources Agency for urban greening projects.
- \$30 million for the Department of General Services to implement Executive Order B-18-12 that requires state agencies to reduce GHG emissions by 10 percent by 2015 and 20 percent by 2020.
- \$20 million for the California Infrastructure and Economic Development Bank (I Bank) to leverage private investments in energy efficiency and renewable energy projects in public buildings that will save money by using less energy.
- \$15 million for the Conservation Corps for Energy Corps. This funding will support 10 crews and approximately 100 corps members to conduct energy audits and install energy efficiency and water conservation upgrades in public buildings over the next several years.
- \$75 million for the Department of Community Services and Development for energy efficiency upgrades and weatherization.
- \$60 million for UC and CSU for renewable energy and energy efficiency projects.

## **Environmental Quality**

### **Emergency Drought Response**

The Governor's budget proposes to provide an additional \$323.1 million (\$212.1 million General Fund) on a one-time basis to continue immediate response to the ongoing drought.

Key allocations would include:

- \$77.4 million for CALFIRE for enhanced fire protection.
- \$42 million for the Department of Water Resources Emergency Salinity Barriers in the Delta.
- \$5 million for the Department of Water Resources to provide emergency drinking water support for small communities, including addressing private wells.
- \$21.4 million for the State Water Resources Control Board to continue enforcement of drought-related water rights and water curtailment actions and provide grants for emergency drinking water projects.
- \$18.4 million for the Department of Social Services to continue the Drought Food Assistance Program.
- \$7.5 million for the Department of Community Services and Development to provide emergency assistance to unemployed farmworkers, including housing, utility and job training assistance.
- \$15 million for the Department of Water Resources for urban water conservation and Save Our Water Campaign.

- \$12 million for the Department of Water Resources to implement statewide actions, including operation of the drought management operations center, water transfer support and water supply modeling.
- \$26.7 million to continue to provide local communities with technical guidance and disaster recovery support related to the drought, distribution of bottled water, and response and recovery training and credentialing program for local agencies.

### **California Water Action Plan**

In furtherance of the California Water Action Plan, which was released in 2014, the budget would allocate:

- \$385 million Prop. 1 for multiple agencies to support projects that meet the state's commitments under the Klamath Agreements (\$250 million), the Central Valley Project Improvement Act (\$90 million), and the San Joaquin River Settlements (\$45 million).
- \$100 million for the Department of Water Resources to enhance flood protection in the Central Valley by repairing levees.
- \$80 million Prop. 1 for the Department of Water Resources to design and implement projects that expand habitat and suppress dust at the Salton Sea, a critical resting stop for migratory birds.
- \$3.6 million for the Delta Stewardship Council to implement the Delta Science Plan and incorporate the WaterFix Delta conveyance project into the Delta Plan.
- \$3 million for the Department of Water Resources to identify water delivery operational improvements in extreme conditions and evaluate long-term climate change impacts on statewide water supplies.
- \$1.2 million for the Department of Water Resources to strengthen coordination and performance evaluation across state and regional agencies and develop a long-term investment and financing strategy for the Water Action Plan.

### **Department of Toxic Substances Control**

The budget proposes an additional \$1.2 million for the Hazardous Waste Control Account and continuation of eight limited-term positions on a permanent basis to support timely permitting actions and improve the clarity, consistency, protectiveness, and enforceability of permits issued.

### **Department of Forestry and Fire Protection**

In addition to providing resource management and wildfire protection services, CALFIRE also staffs local fire departments through reimbursement agreements with local governments. The budget proposes the following allocations:

- \$17 million and 95.9 positions to increase staffing levels in CALFIRE's 21 Emergency Command Centers, along with the two regional and Sacramento Command Centers, to address the increased volume of emergency calls during periods of historic increased fire activity.
- \$7 million and 12.8 positions to acquire, install, and support Automated Vehicle Location and Mobile Data Computer devices in all CAL FIRE emergency response equipment.

### **Department of Parks and Recreation**

The Department of Parks and Recreation has undergone significant reform over the last few years. The budget proposes to continue to strengthening the State Parks System by allocating the following:

- \$112 million repayment to the Off-Highway Vehicle Trust Fund.
- \$60 million for high-priority deferred maintenance projects in the state parks system.
- \$690,000 for a two-year pilot project to implement a community liaison project within the two largest urban population centers in the state, Los Angeles and the Bay Area. These liaisons will work with community-based organizations and nonprofit groups to create culturally relevant interpretive and environmental programs.

### **Department of Conservation**

The Department of Conservation administers programs responsible for the sustainable management and development of the state's land, energy, and mineral resources. The budget would allocate \$1.4 million to enable the Department to test sensitive gas pipelines on a more periodic basis and accurately map pipelines to identify potential threats.

### **Proposition 39**

Voters approved Prop. 39 in 2012 to increase state corporate tax revenues. For FY 2013-14 through FY 2017-18, the measure requires half of the increased revenues, up to \$550 million per year, to be used to support energy efficiency. The budget proposes the following:

- \$365.4 million to support school district and charter school energy efficiency projects.
- \$45.2 million to support community college energy efficiency projects and clean energy job development programs.

### **Public Works**

The Governor's budget summary outlines efforts to renew its focus on the California Conservation Corps, a program the Governor created in 1976. It makes the following adjustments:

- \$15 million increase from Cap and Trade funds for the Energy Corps Program. (See Cap and Trade Allocations section above.)
- \$5 million for Forest Health Improvement Projects in the highest fire risk areas of the state.
- \$2.6 million from the General Fund for a Butte Fire Center.
- \$400,000 General Fund increase for residential center site selection evaluation in Pomona, Napa, and Ukiah.
- \$19.7 million General Fund increase for renovation at the Auburn Center.

In conjunction with the release of the proposed FY 2016-17 budget, the Governor also released the state's [2016 Five-Year Infrastructure Plan](#). Cities should note that the Infrastructure Plan focuses solely on the needs of State-owned and operated facilities, and does not include the needs of local facilities.

### **Medical Marijuana Regulation and Safety Act Implementation**

The Governor's budget proposes \$30 million and 126 positions in various state agencies to implement and regulate the newly created Medical Marijuana Regulation and Safety Act. Specific allocations would include:

- **Department of Consumer Affairs:** \$1.6 million in FY 2015–16 and \$3.8 million from the Medical Marijuana Regulation and Safety Act Fund and 25 positions in FY 2016-17 to create the Bureau of Medical Marijuana Regulation within the Department, to regulate transportation, storage, distribution and sale of medical marijuana, in addition to licensing, investigation, enforcement, and coordination with local governments.
- **Department of Public Health:** \$457,000 in FY 2015-16 and \$3.4 million in FY 2016-17 to add 14 positions to the Department to undertake regulatory responsibilities associated with the Medical Marijuana Regulation and Safety Act.
- **Department of Food and Agriculture:** \$3.3 million in FY 2015-16 and \$3.4 million from the Medical Marijuana Regulation and Safety Act Fund and 18 positions in FY 2016-17 for the following activities:
  - Provide administrative oversight for the Medical Cannabis Cultivation Program.
  - Promulgate regulations, issue cultivation licenses, and perform an Environmental Impact Report.
  - Establishing a “seed-to-sale” tracking program with assistance from the Board of Equalization to use unique identifiers to track movement of medical marijuana and related products throughout the distribution chain.

### **Local Public Safety**

#### **City Law Enforcement Grants Totaling \$26 million**

- \$20 million for increasing positive outcomes between local police and the homeless community, persons with mental health issues, and high-risk youth populations.
- \$6 million for competitively awarded grants to local law enforcement agencies for programs strengthening relationships between law enforcement and local communities.

### **Racial and Identity Profiling Act of 2015**

- \$10 million to local law enforcement agencies for costs incurred through June 2017 related to increased citizen complaint reporting activities as required by AB 953 (2015). The Administration plans to work with law enforcement entities to develop an allocation methodology for these funds and the overall program that limits future mandate reimbursement claims related to AB 953.

### **Community Corrections Performance Incentive Grants**

- \$127.9 million to provide incentives for counties to reduce the felony probationers that are returned to prison

### **Continuum of Care Reform**

- \$26.8 million (including \$18.1 million from the General Fund) for county probation departments to implement reforms required by AB 403 (2015) to support the foster youth system.

### **Local Criminal Justice Facility Construction**

- \$250 million in competitively awarded grants to counties that previously received only a partial award or no award from the state, to replace or renovate county jails and improve custodial housing, re-entry, rehabilitative programming, mental health services, and other treatment space, particularly for offenders with longer term sentences. The grants will entail a 10 percent county match requirement, reduced to 5 percent for smaller counties. This is part of an on-going state effort to invest in and support local criminal justice system needs in the wake of AB 109/Public Safety Realignment and Prop. 47.

### **Office of Emergency Services**

- \$35.2 million increase to support the Office of Emergency Services' responsibility for emergency preparedness and response. This proposal includes a one-time \$20 million General Fund augmentation to purchase wildland fire engines, which will be placed throughout the state as part of the State Fire and Rescue Mutual Aid System. In addition, this proposal includes \$4.2 million General Fund for both the Fire and Rescue Branch and the Law Enforcement Branch to expand the capacity to respond to major fires and other natural and man-made disasters throughout the state. This also includes \$5 million General Fund to support Statewide Disaster Programs.

## **Department of Corrections and Rehabilitation**

### **Prop. 47 Funds**

- \$19 million allocation in Prop. 47 funds for the Board of State and Community Corrections (BSCC) to use for mental health treatment, substance use disorder treatment, and diversion programs.
- Prop. 47, combined with court-ordered and self-imposed county jail population caps, and Public Safety Realignment, have reduced average daily inmate population by 8,700. In FY 2015-16, that population will be reduced by an additional 4,700 as a result of resentencing and avoided new admissions.
- Prop. 47 requires state savings to be redirected to the Safe Neighborhoods and Schools Fund, to reduce truancy, support drop-out prevention programs in K-12 schools, increase substance abuse treatment services, and increase victim services grants. The Department of Finance estimates a net savings of \$29.3 million, and the first transfer of these savings is due to occur in August 2016.

### **Inmate Rehabilitation and Re-entry**

- \$400 million to the Division of Rehabilitative Programs. This division operates 13 prison-based re-entry hubs for offenders who are within four years of release and have been assessed as moderate-to-high risk re-offenders and moderate-to-high need for services. These programs focus on behavioral treatment programming, including substance abuse treatment, anger management, family relationships, and criminal thinking.
- \$15.2 million for expansion of substance abuse treatment programs to correctional institutions that currently lack such a program.
- \$32.1 million to continue the Community Re-entry Program, linking offenders to community-based rehabilitative services (including employment, education, medical care, mental health care, housing, family reunification, and social support). This is a voluntary program allowing eligible male inmates to complete their sentences in the community in lieu of confinement in prison.

### **Siting Incentive Grants for Cities and Counties**

The budget proposes \$25 million General Fund for incentive payments to cities and/or counties that approve, between Jan. 1, 2016 and June 30, 2017, new long-term permits for hard-to-site facilities that improve public safety and support the criminal justice system through the provision of services, such as substance use disorder treatment, mental health, and reentry programming. The Administration will work with city and county stakeholders during the spring to develop an allocation methodology while also safeguarding existing permitted facilities.

### **Drug Contraband and Interdiction**

- \$7.9 million for expanded efforts to reduce illegal drugs and contraband at 11 prisons, including Calipatria, Solano, and the facility in Los Angeles County.

### **Lifer Population: Expanded Programs and Services**

The Department will begin efforts to develop a program that provides six-month transitional housing locations closest to communities in which life-term inmates will be released. Additionally, the Department has taken steps to allow offenders placed in transitional housing immediate access to community leave passes, phones and visitation, and to place these parolees in an appropriate service or treatment program based on their needs assessment.

- \$10 million is proposed to be allocated for the following program expansions:
  - \$3.1 million for Parolee Service Center Beds (these centers provide a host of services including employment, job search, placement training, computer supported literacy, victim awareness, and substance abuse education)
  - \$3.4 million for In-Prison Long Term Offender Program – covering a variety of services including substance abuse treatment, anger management, family relationships, victim impact, employment readiness, and criminal thinking. This will increase the number of available slots by 1,700.
  - \$423,000 for the Offender Mentor Certification Program, a voluntary 10-month program in which long-term and life-term inmates are trained and certified as mentors for alcohol and drug counseling.
  - \$3.1 million for the Pre-Employment Transitions Program, focusing on employment preparation, job readiness, job search skills, and education on community resources designed to help with transitioning back into society.

### **Reduction of Segregated Housing Units (SHU) at Pelican Bay State Prison**

- As a result of the settlement in the *Ashker v. Brown* lawsuit, the Budget contains a reduction of \$28 million to reflect a reduction by several thousand beds, which will be converted to a lower, appropriate housing security level, as part of the Department's move away from indeterminate terms for inmates assigned to the SHU, to determinate terms for behavior-based violations. This includes implementation of plans to allow inmates to transition from the SHU into the general inmate population on an accelerated basis.
- \$5.8 million for additional investigative staff to monitor gang activity in prisons as the new segregated housing policy is implemented.

### **Compliance with Three-Judge Panel Population Cap**

- As part of its ongoing oversight of the state prison system, the federal court ordered the state to downsize its total prison population to 137.5 percent of design capacity by Feb. 28, 2016. As of Dec. 9, 2015, the prison population was at 136 percent of population.

- To help the state remain in compliance, the Administration plans to maintain the current levels of in-state and out-of-state contract beds in private correctional facilities, and will seek legislative authorization for this beyond Dec. 31, 2016.

### **Additional Population Reduction Measures**

The Board of Parole Hearings implemented the Youthful Offender Parole Program as required by SB 260 (2013), which provides youth offender parole hearings for those convicted of a felony offense prior to their 18th birthday and sentenced to state prison.

- The Governor's budget includes a \$3.7 million allocation to implement an expansion of this program.
- There is a separate \$3.3 million allocation (FY 2015-16) and a \$6 million allocation (FY 2016-17) to expand the existing female Alternative Custody Program to males, in compliance with the outcome of the *Sassman v. Brown* lawsuit.

### **Department of Industrial Relations (DIR)**

The Governor proposes the following increases for the Department of Industrial Relations:

- Nine positions and \$1.4 million to the Labor and Workforce Development Fund to review and investigate additional cases associated with the Private Attorney General Act.
- 19.5 positions and \$3.2 million to the Labor Enforcement and Compliance Fund to address increases in caseload.
- Nine positions and \$1.8 million to the Labor Enforcement and Compliance Fund to address a backlog of wage claim adjudication hearings.

### **State Retiree Health and Pension Costs**

Following the 2012 Public Employees' Pension Reform ACT (PEPRA), the Administration remains focused on addressing the current \$72 billion unfunded liability that exists for retiree health care benefits. If left unchecked, the cost of unfunded healthcare liability is projected to grow to \$300 billion by FY 2047-48.

Strategies suggested by the Administration include: State and employees equally sharing in the prefunding of normal costs for future retiree health care for future workers. The Administration successfully negotiated a prefunding agreement with Bargaining Unit 9 (professional engineers). The Administration is now entering contract negotiations with state public services agencies (e.g. police and fire) to move in the same direction for future employees. Although there are no direct proposals to local governments, the Administration is encouraging municipalities to move towards a shared cost model for future retiree healthcare benefits.

### **Community Services**

## **Child Care**

The budget proposal increases funding subsidized child care programs, including an increase of 7,030 slots for full-day State Preschool, a 4.5-percent increase to the Regional Market Reimbursement Rate, and a five-percent increase for license-exempt providers.

## **Libraries**

Increase ongoing funding to the California Library Services Act by \$1.8 million and invest an additional \$3 million on a one-time basis. These funds will be used to strengthen statewide and regional services for public libraries.

## **Workforce Development**

- \$200 million in support to expand career technical education courses through the Strong Workforce Program at California Community Colleges.
- \$48 million for career technical education programs that expand on existing regional capacity and labor market demands for the Career Technical Education Pathways Program at California Community Colleges.

## **Special Needs Housing**

### **Developmental Disabilities**

The budget includes \$80 million for targeted investments in the developmental services system. Specifically establishes a four bed Alternative Residential Model Homes Rate - \$46 million (\$26 million Gen Fund). The rates for these homes are old and were originally based on a six-bed model. The smaller four bed model is increasingly used by regional centers.

## **Next Steps**

The Department of Finance will begin releasing draft trailer bill language in the next month that will include details of the proposal. The Assembly and Senate Budget Committees will also begin hearings to review program-specific details. In May the Governor will release his revised budget proposal for the coming fiscal year that must be passed by June 15 to take effect July 1.

Print

© 2016 League of California Cities®. All rights reserved.

1400 K Street Suite 400, Sacramento, CA 95814 • Phone: (916) 658-8200 • Fax: (916) 658-8240

[Contact Us](#) • [Site Map](#) • [NEW Privacy Policy](#) • [NEW Terms of Use](#) • [Website by PMC](#)

LAO   
**75**  
YEARS OF  
SERVICE

The 2016-17 Budget:

# Overview of the Governor's Budget



MAC TAYLOR • LEGISLATIVE ANALYST • JANUARY 11, 2016

LAO 

## Legislative Analyst's Office

www.lao.ca.gov (916) 445-4656

### Legislative Analyst

Mac Taylor

### State and Local Finance

Jason Sisney  
Carolyn Chu  
Justin Garosi  
Ann Hollingshead<sup>a</sup>  
Seth Kerstein  
Ryan Miller  
Nick Schroeder  
Brian Uhler  
Brian Weatherford

### Education

Jennifer Kuhn  
Ryan Anderson  
Edgar Cabral  
Natasha Collins  
Jason Constantouros  
Virginia Early  
Paul Golaszewski  
Judy Heiman  
Dan Kaplan  
Kenneth Kapphahn

### Administration and Information Services

Larry Castro  
Sarah Kleinberg  
Karry Dennis Fowler  
Michael Greer  
Vu Chu  
Sandi Harvey  
Rima Seilova-Olson

### Corrections, Transportation, and Environment

Anthony Simbol  
Brian Brown  
Drew Soderborg  
Ashley Ames  
Ross Brown  
Aaron Edwards  
Rachel Ehlers  
Paul Jacobs  
Helen Kerstein  
Anita Lee  
Shawn Martin  
Jessica Peters  
Jonathan Peterson

### Health and Human Services

Mark C. Newton  
Ginni Bella Navarre  
Amber Didier  
Callie Freitag  
Ben Johnson  
Lourdes Morales  
Ryan Woolsey  
Meredith Wurden

### Support

Tina McGee  
Izet Arriaga  
Sarah Scanlon  
Jim Stahley  
Anthony Lucero

<sup>a</sup> *The 2016-17 Budget: Overview of the Governor's Budget* publication coordinator.

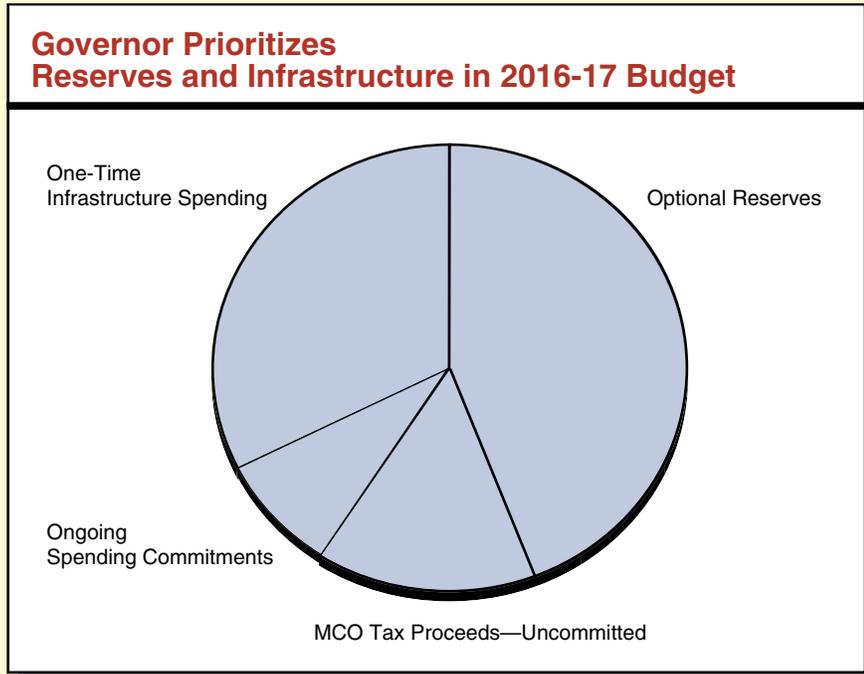
## EXECUTIVE SUMMARY

This publication is our office’s initial response to the 2016-17 Governor’s Budget proposal, which was presented to the Legislature on January 7, 2016.

**Significant Increases in Revenues and School Funding.** The administration’s revenue estimates for 2015-16 and 2016-17 are billions of dollars higher than they were in last year’s budget act. Higher revenues generate significant increases in Proposition 98 funding—\$4.3 billion over the 2014-15 through 2016-17 period. After satisfying Proposition 98 and Proposition 2 requirements and funding adjustments to existing programs, the Governor’s plan allocates about \$7 billion in discretionary General Fund resources.

**Governor’s Budget Prioritizes Reserves and Infrastructure.** As shown in the figure below, in allocating discretionary resources for the 2016-17 budget, the Governor prioritizes reserves. Specifically, he proposes increasing total reserves to more than \$10 billion. He allocates most other discretionary resources to one-time infrastructure spending. Outside the General Fund, the Governor plans to: (1) spend \$3.1 billion cap-and-trade auction revenues, (2) provide additional revenues for transportation, and (3) extend the managed care organization (MCO) tax.

**Plan for Next Economic Downturn.** California has enjoyed remarkable economic growth over the past year. That said, the state may be reaching the peak of this long expansion. In crafting this year’s budget, the Legislature will choose a mix of reserves, one-time spending, and ongoing budget commitments based on its priorities. We encourage the Legislature to begin this process with a robust target for reserves for the end of 2016-17 and concentrate spending on one-time purposes. This would still leave some funds available for targeted ongoing commitments—particularly if the Legislature passes an extension of the MCO tax. Such a measured approach would better position the state for any near-term economic downturn.



2016-17 BUDGET

# OVERVIEW

On January 7, 2016 the Governor presented his 2016-17 budget proposal to the Legislature. As shown in Figure 1, the budget package proposes spending \$168 billion in 2016-17, an increase of 2 percent over revised levels for 2015-16.

**Budget Position Continues to Improve.**

Figure 2 (see next page) displays the administration’s summary data for the General Fund, the state’s main operating account. As shown in the figure, the General Fund is on steady footing. The administration’s revised revenue estimates for 2015-16 and 2016-17 are up by billions of dollars compared to last year’s budget act, similar to our office’s most recent projections for 2015-16 and 2016-17. (For more information about these revenue estimates, please see our January 7 comment on the LAO Economy and Taxes blog.) After satisfying constitutional requirements for higher reserves and spending on education, the Governor proposes significant extra reserve deposits. He then uses the remaining money for new spending commitments, primarily one-time infrastructure spending.

**Major Features of the Governor’s Budget**

Figure 3 (see page 7) summarizes the major features of the Governor’s budget.

**Reserves Total Over \$10 Billion.** The Governor proposes contributions to both state budget reserves: the Special Fund for Economic Uncertainties (SFEU), the state’s discretionary reserve, and the Budget Stabilization Account (BSA), the state’s constitutional rainy day fund. The budget increases the balance of

the SFEU by \$1.1 billion over the level assumed in the 2015-16 Budget Act. Pursuant to Proposition 2 (2014), the budget makes a constitutionally required deposit of \$2.6 billion to the BSA for 2015-16 and 2016-17 combined. (We note that, by May, the Proposition 2 revised “true-up” deposit for 2015-16 could increase by hundreds of millions or more for various reasons.) In addition, the Governor proposes that the Legislature approve an optional deposit of \$2 billion to the BSA. Under the Governor’s plan, by the end of 2016-17 reserves would total \$10.2 billion, consisting of \$2.2 billion in the SFEU and \$8 billion in the BSA. This total does not include over \$1 billion in proposed, but unallocated, revenues from the tax on managed care organizations (MCOs), which the Legislature could use to benefit the General Fund.

**Budget Also Focuses on Infrastructure.** In addition to building reserves, the Governor’s budget commits spending to infrastructure using both General Fund and special fund sources. This includes funding for maintenance, repair, and construction of state office buildings, the state highway system, local roads, university campuses, and county jails.

**Other Significant Proposals on Education, Health, and the Environment.** The Governor

Fund Type	2014-15 Revised	2015-16 Revised	2016-17 Proposed	Change From 2015-16	
				Amount	Percent
General Fund <sup>a</sup>	\$112,974	\$116,064	\$122,609	\$6,544	5.6%
Special funds	41,702	47,636	45,032	-2,604	-5.5
<b>Budget Totals</b>	<b>\$154,676</b>	<b>\$163,700</b>	<b>\$167,641</b>	<b>\$3,941</b>	<b>2.4%</b>
Selected bond funds	\$5,145	\$7,847	\$3,086	-\$4,761	-60.7%
Federal funds	90,049	99,761	91,899	-7,861	-7.9

<sup>a</sup> Includes Education Protection Account created by Proposition 30 (2012).

also makes other proposals. He uses most of the constitutionally required increase in Proposition 98 spending to continue implementing the state’s formula for funding school districts. The Governor also has a revised proposal to restructure the tax on MCOs while cutting other taxes on affected health plans. The Governor uses a small portion of the revenues from this tax for the In-Home Supportive Services program. He also proposes a plan to spend cap-and-trade auction revenues.

**LAO Comments**

**Governor’s Emphasis on Reserves Is Appropriate.** After meeting constitutional requirements on education spending and debt payments, the Governor proposes using a large portion of the remaining funds to grow the state’s budget reserves. We believe this general approach is prudent as a large budget reserve is the key to weathering the next recession with minimal disruption to public programs.

**Focus on Infrastructure Makes Sense, but Specific Proposals Raise Several Issues.** Much of

the state’s infrastructure is aging and needs to be renovated, adapted, or improved to meet current and future needs. As such, we think the Governor’s focus on infrastructure makes sense. However, the Governor’s specific proposals raise several issues that merit legislative consideration. For example, the Legislature will want to consider the appropriateness of the proposed funding sources, ensure such funding is allocated to the highest priority and most cost-effective infrastructure needs, and allow for sufficient legislative oversight.

**Governor Allocates About \$7 Billion in Discretionary Resources.** In assembling this budget, the Governor was faced

**Figure 2  
Administration’s General Fund Summary**

(In Millions)

	2014-15 Revised	2015-16 Revised	2016-17 Proposed
<b>General Fund<sup>a</sup> Condition</b>			
Prior-year fund balance	\$5,356	\$3,699	\$5,172
Revenues and transfers	111,318	117,537	120,633
Expenditures	112,974	116,064	122,609
Ending fund balance	\$3,699	\$5,172	\$3,196
Encumbrances	966	966	966
SFEU balance	2,733	4,206	2,230
<b>Reserve Balances at the End of the Fiscal Year</b>			
SFEU balance	\$2,733	\$4,206	\$2,230
BSA balance	1,606	4,455	8,011
<b>Total Reserves</b>	<b>\$4,339</b>	<b>\$8,661</b>	<b>\$10,241</b>
<b>Revenues and Transfers<sup>a</sup></b>			
Personal income taxes	\$76,079	\$81,354	\$83,841
Sales and use taxes	23,709	25,246	25,942
Corporation taxes	9,007	10,304	10,956
Other revenues	4,503	4,562	4,340
Subtotal, Revenues	(\$113,298)	(\$121,466)	(\$125,078)
Transfers to BSA	-\$1,606	-\$2,849	-\$3,556
Other transfers (net)	-374	-1,080	-889
<b>Totals</b>	<b>\$111,318</b>	<b>\$117,537</b>	<b>\$120,633</b>
<b>Spending<sup>a</sup></b>			
Proposition 98 (General Fund)	\$49,554	\$49,992	\$50,972
Non-Proposition 98	63,420	66,072	71,637
<b>Totals</b>	<b>\$112,974</b>	<b>\$116,064</b>	<b>\$122,609</b>

<sup>a</sup> Includes Education Protection Account created by Proposition 30 (2012).  
SFEU = Special Fund for Economic Uncertainties and BSA = Budget Stabilization Account.

with decisions about how to allocate roughly \$7 billion of discretionary General Fund resources. (“Discretionary,” in this context, excludes billions of dollars controlled by constitutional funding requirements, such as Proposition 98 and Proposition 2, and added costs to maintain existing policies.) As shown in Figures 4 and 5 (see next page), the Governor prioritizes reserves and one-time spending. Specifically, he uses a significant portion of the discretionary resources to increase total reserves to over \$10 billion. This

doubles the size of budget reserves. He proposes allocating most remaining discretionary funds to one-time infrastructure spending. Finally, he proposes ongoing budget commitments of around \$600 million.

***Legislature Can Allocate These Funds Differently.*** The Governor has communicated his priorities for the budget: more reserves and new money for infrastructure. The California Constitution, however, entrusts the Legislature to craft the annual state budget. As such, the

**Figure 3**

**Major Features of the Governor’s Proposed Budget**

**Revenues**

- Increases revenue estimates by \$5.9 billion for 2014-15 through 2016-17 combined.

**Reserves**

- Makes required deposit of \$2.6 billion into rainy day reserve.
- Proposes extra deposit of \$2 billion into rainy day reserve.
- Increases discretionary reserve by \$1.1 billion.<sup>a</sup>

**Infrastructure**

- Proposes \$1.5 billion to replace and renovate state office buildings.
- Provides \$807 million (\$500 million non-Proposition 98 General Fund) for statewide deferred maintenance projects.
- Proposes \$250 million grant program for replacing or renovating county jails.
- Continues to propose transportation package of \$3.6 billion in annualized funding.

**Education**

- Augments LCFF by \$2.8 billion.
- Shifts \$1.7 billion from existing preschool programs into new preschool block grant.
- Provides \$1.2 billion for K-14 discretionary one-time purposes (counts against K-14 mandate backlog).
- Augments UC and CSU by a combined \$250 million.
- Designates \$200 million for new community college workforce program.

**Health and Human Services**

- Raises \$1.3 billion (on net) annually with restructured MCO tax, while reducing other taxes on affected health plans.
- Uses \$236 million from MCO tax to maintain restoration of IHSS service hours.
- Includes augmentations in DDS and SSI/SSP.

**Other**

- Proposes to allocate \$3.1 billion in cap-and-trade auction revenues.
- Meets Proposition 2 debt payment requirement (\$1.6 billion in 2016-17) by repaying special fund loans and other obligations.
- Sets aside \$350 million (including \$300 million General Fund) for 2016 collective bargaining process.
- Provides \$323 million (\$212 million General Fund) for various drought-related response activities.

<sup>a</sup> Amount by which the Special Fund for Economic Uncertainties grows relative to *2015-16 Budget Act*.  
LCFF = Local Control Funding Formula; MCO = managed care organization; DDS = Department of Developmental Services; IHSS = In-Home Supportive Services; and SSI/SSP = Supplemental Security Income/State Supplementary Payment.

**Figure 4**  
**Governor’s Key Choices in Allocating Discretionary General Fund Resources**

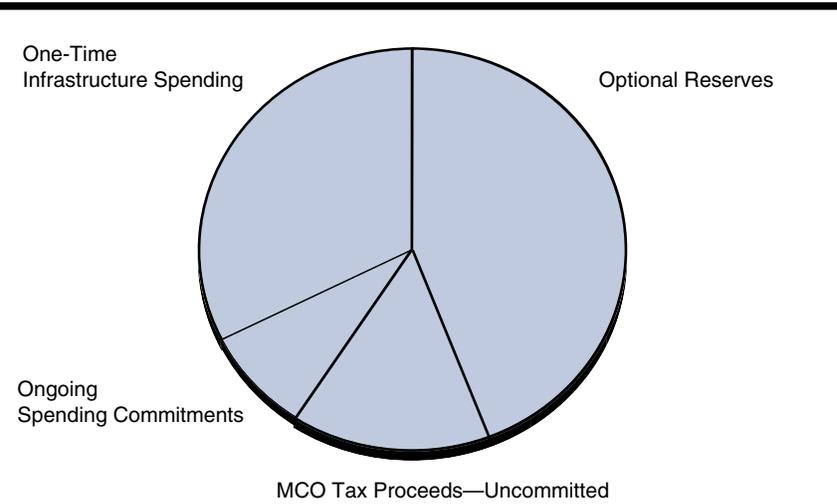
(In Billions)

	Amount
<b>Reserves</b>	
Makes extra rainy day fund deposit	\$2.0
Grows discretionary reserve balance	1.1
Subtotal	(\$3.1)
<b>MCO Tax Proceeds—Uncommitted<sup>a</sup></b>	<b>\$1.1</b>
<b>One-Time Spending</b>	
Replaces and maintains state office buildings	\$1.5
Funds statewide deferred maintenance projects	0.5
Provides grants for replacing and renovating county jails	0.3
Subtotal	(\$2.3)
<b>Ongoing Budget Commitments</b>	
Sets aside funds for 2016 collective bargaining process	\$0.3
Augments funding for UC and CSU	0.3
Makes augmentations for CDCR and courts	0.1
Makes augmentations for SSI/SSP and DDS	0.1
Subtotal	(\$0.8)
<b>Total</b>	<b>\$7.3</b>

<sup>a</sup> While the Governor places proceeds of this tax in a special fund, he chose not to use most of these to benefit the General Fund or augment other programs. As a result, we include the unallocated proceeds in this figure. Note: Excludes spending on K-14 education, reserves, and debt (required by the California Constitution), and added costs to maintain existing policies. Figure also excludes some smaller spending proposals. MCO = managed care organization; CDCR = California Department of Corrections and Rehabilitation; SSI/SSP = Supplemental Security Income/State Supplementary Payment; and DDS = Department of Developmental Services.

Legislature will now choose its preferred mix of reserves, one-time spending, and ongoing budget commitments. Figure 6 shows some key questions for the Legislature to consider in its deliberations on these matters. For example, when reviewing the Governor’s proposal to deposit an extra \$2 billion in the BSA, the Legislature may want to consider whether it prefers to keep those reserves in a discretionary reserve over which it has more control. We discuss other budgetary issues for consideration later in this document, and we will identify others in our upcoming budget analysis publications.

**Figure 5**  
**Governor Prioritizes Reserves and Infrastructure in 2016-17 Budget**



Note: Excludes spending on K-14 education, reserves, and debt (required by the California Constitution), and added costs to maintain existing policies. Figure also excludes some smaller spending proposals.

**Plan for Next Economic Downturn.** California has enjoyed remarkable economic growth over the past year. The state, however, may be reaching the peak of a long economic expansion. Planning for the next downturn—including setting aside budget reserves—is an important priority. As the Legislature considers the trade-offs among different budget priorities, we encourage it

**Figure 6****Key Questions for Legislative Consideration in Crafting the 2016-17 Budget****Reserves**

- What is the level of total reserves (SFEU and BSA combined) desired prior to next downturn?
- Does the Legislature want to reach that targeted reserve level in 2016-17? 2017-18? Later?
- Does the Legislature want to put extra reserves in the constitutionally restricted BSA or in the SFEU?<sup>a</sup>
- Would the Legislature prefer other alternatives that prepare the state for the next economic downturn while preserving legislative control? (For example, the Legislature could reject the Governor's proposal to deposit extra funds in the BSA and instead prepay some 2017-18 bond debt service.)

**One-Time Spending**

- Does the Legislature believe there are other infrastructure projects that are more important to fund now?
- If state building improvements are funded, should other buildings in Sacramento and elsewhere be considered?
- What is the appropriate financing approach to fund state infrastructure needs—direct appropriation, renting or leasing, or borrowing (typically through bonds)?
- Given the high growth rate of unfunded pension liabilities, should one-time pension payments take priority over some of the proposed infrastructure spending?

**Ongoing Budget Commitments**

- What is the Legislature's tolerance for the risk of future budget problems?
- Considering the future budget risks involved, does the Legislature want to make more ongoing commitments than the Governor proposes?
- Which new ongoing commitments have the highest priority?
- What should be the mix of one-time and ongoing spending commitments within Proposition 98?
- If a downturn were to emerge soon, is there a plan for these new commitments (or other budget items) to be adjusted to help keep the budget in balance?

<sup>a</sup> The sales tax rate temporarily declines in certain instances if reserve balances reach a particular level, pursuant to Sections 6051.4 and 6051.45 of the Revenue and Taxation Code. The quarter-cent sales tax reductions would amount to around \$1.5 billion for each year that they are in effect. SFEU = Special Fund for Economic Uncertainties and BSA = Budget Stabilization Account.

to begin with a robust target for budget reserves for the end of 2016-17 and concentrate spending on one-time purposes. This approach would still leave some funds available for targeted ongoing

commitments—particularly if the Legislature passes an extension of the MCO tax. Such a measured approach would better position the state for any near-term economic downturn.

## PROPOSITION 98

Below, we highlight the major features of the Governor's Proposition 98 package and offer our preliminary assessment of it.

### Major Features of Governor's Plan

***Minimum Guarantees for 2014-15 and 2015-16 Revised Upward.*** As shown in Figure 7 (see next page), the administration's revised estimate of the 2014-15 minimum guarantee is

\$66.7 billion, an increase of \$387 million compared with the budget plan adopted last June. This upward revision is due primarily to an increase in the amount of local property tax revenue received by schools and community colleges. (Because Test 1 is operative in 2014-15, increases in property tax revenue result in a higher overall Proposition 98 funding level rather than offsetting General Fund costs.) The administration's revised estimate of the

**Figure 7**  
**Tracking Changes in the Proposition 98 Minimum Guarantee**

(In Millions)

	2014-15			2015-16		
	June 2015 Estimate	January 2016 Estimate	Change	June 2015 Estimate	January 2016 Estimate	Change
<b>Minimum Guarantee</b>						
General Fund	\$49,608	\$49,554	-\$54	\$49,416	\$49,992	\$575
Local property tax	16,695	17,136	441	18,993	19,183	191
<b>Totals</b>	<b>\$66,303</b>	<b>\$66,690</b>	<b>\$387</b>	<b>\$68,409</b>	<b>\$69,175</b>	<b>\$766</b>

2015-16 guarantee is \$69.2 billion, an increase of \$766 million compared with the June budget plan. This increase is due primarily to an increase in General Fund revenue, which requires the state to make a larger maintenance factor payment. Upon making this maintenance factor payment, the state will have paid off all maintenance factor created during the last recession, leaving no maintenance factor outstanding for the first time since 2005-06.

**2016-17 Minimum Guarantee Increases Notably Over 2015-16 Budget Act Level.** As

shown in Figure 8, the Governor’s budget includes \$71.6 billion in total Proposition 98 funding in 2016-17. This funding level is \$3.2 billion above the 2015-16 Budget Act level and \$2.4 billion over the revised 2015-16 level. Under the Governor’s budget, Test 3 is operative in 2016-17, with the higher guarantee primarily resulting from a 2.4 percent increase in per capita General Fund revenue and the higher prior-year level carrying forward. The administration estimates that the state creates \$548 million in new maintenance factor in 2016-17.

**Figure 8**  
**Proposition 98 Funding by Segment and Source**

(Dollars in Millions)

	2014-15 Revised	2015-16 Revised	2016-17 Proposed	Change From 2015-16	
				Amount	Percent
<b>K-12 Education<sup>a</sup></b>					
General Fund	\$44,496	\$44,536	\$45,442	\$906	2.0%
Local property tax	14,834	16,560	17,802	1,242	7.5
Subtotals	(\$59,330)	(\$61,096)	(\$63,244)	(\$2,148)	(3.5%)
<b>California Community Colleges<sup>b</sup></b>					
General Fund	\$4,979	\$5,373	\$5,447	\$74	1.4%
Local property tax	2,302	2,624	2,812	188	7.2
Subtotals	(\$7,281)	(\$7,997)	(\$8,259)	(\$262)	(3.3%)
<b>Other Agencies<sup>c</sup></b>	\$80	\$82	\$83	—	0.3%
<b>Totals</b>	<b>\$66,690</b>	<b>\$69,175</b>	<b>\$71,585</b>	<b>\$2,410</b>	<b>3.5%</b>
General Fund	\$49,554	\$49,992	\$50,972	\$980	2.0%
Local property tax	17,136	19,183	20,613	1,430	7.5

<sup>a</sup> Includes State Preschool in 2014-15 and 2015-16 and proposed early education block grant in 2016-17.

<sup>b</sup> Includes \$500 million for adult education regional consortia in 2015-16 and 2016-17.

<sup>c</sup> Consists entirely of General Fund.

**Significant New Proposition 98 Spending.**

Under the Governor's budget, the combined increases in the minimum guarantees for the three-year period result in \$4.3 billion in additional Proposition 98 spending. In addition, the Governor proposes to make a \$257 million settle-up payment related to meeting the 2009-10 guarantee. The Governor scores this amount as a Proposition 2 payment. After making this payment, the state would have \$1 billion in outstanding settle-up. Under the Governor's budget, K-12 Proposition 98 funding per pupil increases from a revised 2015-16 level of \$10,237 to \$10,605 in 2016-17, an increase of \$368 (3.6 percent). Proposition 98 funding for community colleges increases from a revised 2015-16 level of \$6,878 per full-time equivalent (FTE) student to \$7,003 per FTE student in 2016-17, an increase of \$125 (1.8 percent). Below, we highlight the Governor's major Proposition 98 spending proposals.

**Dedicates Most New Ongoing K-12**

**Proposition 98 Funding to Local Control Funding Formula (LCFF).** The Governor's budget proposes a \$2.8 billion augmentation to LCFF, reflecting a 6 percent per-pupil increase over the 2015-16 LCFF level. The Governor estimates this increase will close 49 percent of the remaining gap to the LCFF target rates. Under the Governor's proposal, the LCFF would be approximately 95 percent funded in 2016-17.

**Restructures Preschool Programs.** The Governor proposes to redirect \$1.7 billion in Proposition 98 funds to create a new block grant intended to benefit low-income and at-risk preschoolers (four year olds and young five year olds). Specifically, the proposal would redirect all Proposition 98 funds from State Preschool (\$878 million), Transitional Kindergarten (\$726 million), and the State Preschool Quality Rating and Improvement System (QRIS) Grant (\$50 million). The block grant would be given to

local education agencies (LEAs) and potentially other entities that currently offer State Preschool. The Governor indicates the funds would be distributed based upon population and need, but the proposal also includes a hold harmless provision for LEAs and potentially other preschool providers. The Governor proposes developing the details of the new preschool program through a stakeholder process, with more details released at the May Revision. Key details to be addressed include eligibility criteria, curriculum requirements, funding rates, staffing requirements, child-to-staff ratios, and the possibility of non-LEA grant recipients. The Governor's intent is that the block grant provide considerable local discretion.

**Dedicates Substantial One-Time Funding to Paying Down Education Mandate Backlog.** The Governor's budget provides \$1.4 billion to pay down the K-14 mandate backlog (\$1.3 billion for K-12 and \$76 million for community colleges). Although the Governor outlines several areas that the funding could support (including professional development and deferred maintenance), LEAs would be allowed to use the funds for any purpose. As in previous years, the funding would be distributed to school districts, county offices of education, charter schools, and community colleges on a per-student basis. The administration estimates about 60 percent of the amount allocated (\$786 million) would reduce the backlog, with many LEAs receiving funding in excess of their existing claims. After making this payment, the administration estimates the state would have a remaining mandate backlog of \$1.8 billion.

**Creates New Workforce Program, Makes Another Permanent.** The budget includes \$200 million in new ongoing funding to implement recommendations of the Board of Governors Task Force on Workforce, Job Creation, and a Strong Economy. The new "Strong Workforce Program" would require community colleges to collaborate

with education, business, labor, and civic groups to develop regional plans for career technical education (CTE). The regions would be based on existing planning boundaries for the federal Workforce Innovation and Opportunity Act. The budget also includes \$48 million in ongoing funding to support the CTE Pathways Program. Over the last 11 years, this program has supported regional collaboration among schools, community colleges, and local businesses to improve career pathways and linkages. The state had scheduled to sunset the program at the end of 2014-15 but extended it in 2015-16 using one-time funding. The Governor proposes that future CTE Pathway funding align with the regional plans developed under the Strong Workforce Program, but the Pathway program would continue to have separate categorical requirements.

***Initiates Five-Year Plan for Transitioning All Subsidized Child Care to Voucher System.***

In addition to his major Proposition 98 preschool restructuring proposal, the Governor has a major non-Proposition 98 child care restructuring proposal. Currently, the state offers child care through a mix of direct contracts with providers and vouchers that families can use for various child care arrangements. The Governor proposes trailer bill language that would require the California Department of Education (CDE) to develop a five-year plan for eliminating direct contracts and transitioning all subsidized child care to a voucher system.

**LAO Comments**

***Administration's Estimate of Local Property Tax Revenue Too Low.*** The administration estimates that local property tax revenue counting toward Proposition 98 will be \$19.2 billion in 2015-16 and \$20.6 billion in 2016-17. We think these estimates are about \$1 billion too low across the two-year period. Of the \$1 billion difference between the administration's estimates and our

estimates, roughly \$700 million is related to the dissolution of redevelopment agencies. The administration's lower estimate does not appear to reflect growth in the tax increment associated with former redevelopment agencies or the reduction in redevelopment-related debt. The remaining roughly \$300 million difference is due to the administration having lower estimates of assessed property values. Whereas the administration estimates that assessed property values will grow by 5.6 percent in 2015-16 and 2016-17, we estimate growth rates of 6 percent in 2015-16 (based on the latest data submitted by county assessors) and at least 6 percent in 2016-17 (based on continuing growth in housing prices). If local property tax revenue comes in higher than the administration estimates, Proposition 98 General Fund costs will be correspondingly lower and available non-Proposition 98 General Fund will be higher.

***Budget Plan Provides Modest Cushion Against Potential Downturn.*** Though we anticipate the state's economic growth will continue in the near term, the minimum guarantee could decrease in 2017-18 or future years if stock market prices were to drop or growth in the economy and personal income were to decline. Such a scenario serves as a caution against the state committing all available Proposition 98 funding for ongoing purposes. The Governor's budget dedicates \$520 million of the funding within the 2016-17 minimum guarantee for one-time activities. This effectively reflects a cushion of less than 1 percent (0.7 percent). If the guarantee were to decline by more than this amount in 2017-18, the Legislature might have to reverse its progress toward LCFF implementation or make reductions to other ongoing programs. The Legislature could consider dedicating a larger share of 2016-17 funding for one-time activities to minimize the likelihood of such future reductions.

***Prioritizing LCFF Implementation Consistent With State's Prior-Year Actions.*** The Governor's

plan to dedicate most additional ongoing K-12 funding to LCFF implementation is consistent with the Legislature's approach over the past three years. By continuing to prioritize LCFF implementation in 2016-17, both the Governor and the Legislature would be fostering greater local control and flexibility while simultaneously making progress toward providing additional funding for disadvantaged students.

***Recommend Legislature Adopt Governor's Basic Preschool Restructuring Approach.*** We believe consolidating preschool funding and prioritizing funds for low-income children would be a major improvement over the state's existing preschool policies. Consolidating existing funding streams into one funding stream that has uniform application would simplify and streamline the existing system while potentially allowing for greater consistency in service. Prioritizing funds for low-income children would ensure that the state's available resources are directed to those most in need of the support, as low-income families are less likely than higher-income families to be able to afford preschool on their own. Moreover, one of the more consistent research findings is that preschool provides greater initial benefits to children from low-income than high-income families.

***Ensure New Preschool Program Upholds Key Principles.*** In developing a new preschool program for low-income children, we recommend the Legislature keep certain key principles in mind. Of primary importance, we recommend the Legislature establish a clear objective for the new program. California's existing preschool programs have tended to suffer from a lack of both clarity and unity of overarching objectives. Without clear objectives, the state would not be able to assess whether a new program is functioning as intended and producing desired public benefits. In building the new preschool program, we also recommend the Legislature build off the tenets of

the LCFF by keeping funding linked to children and treating similar children similarly—meaning the state would provide the same or about the same amount of funding per low-income child regardless of district and expect the same or about the same type and quality of service. As with LCFF, having this type of transparency and equity does not have to come at the expense of flexibility. Preschool providers still could build their programs consistent with local interests and priorities (such as using different learning content or emphasizing different wraparound services). In building the new preschool program, we also recommend the Legislature minimize initial disruption to preschool providers while avoiding permanently locking in funding allocations that would undermine other key principles, including transparency, equity, and accountability.

***Recommend Legislature Consider Most Appropriate Way of Retiring Existing Mandate Backlog.*** We believe the Governor's basic mandate backlog approach of providing a per-student allocation to all LEAs is reasonable, as all LEAs were required to undertake specified mandated activities in previous years. A per-student approach, however, very likely will never eliminate the existing backlog entirely because the amount of remaining claims per student varies significantly across the state, with a few LEAs having much higher per-student claims than other LEAs. We estimate the state would need to provide more than \$150 billion to eliminate the existing backlog using such an approach. We recommend the Legislature consider ways to eliminate the backlog entirely without necessarily rewarding a few LEAs that filed much higher claims than all other LEAs. One such approach would be to provide an amount equal to or in excess of the remaining backlog, distribute on a per-student basis, but make a condition of receipt that participating LEAs accept the funding in lieu of all outstanding claims.

***Better Regional Alignment of Workforce Education a Laudable Goal but Governor's Approach Further Fragments Already Fragmented System.***

By creating a new workforce education program and making permanent an otherwise expiring one, the Governor's proposals would hinder the state's goal of creating a more coherent and integrated workforce development system. In 2015-16, the state budgeted \$6 billion for more than 30 workforce programs administered across nine state agencies. Of these amounts, \$2.6 billion and nine programs were administered or co-administered by community colleges. To comply with the requirements of these existing workforce programs, community colleges already participate in numerous local and regional consortia of education, business, labor, and civic groups. Each of these programs also has unique service and accountability requirements. The new workforce program the Governor proposes would add another set of rules to the current mix. Continuing the otherwise expiring CTE Pathways program would retain a separate set of rules permanently. Rather

than adding to the complexity and fragmentation of the state's workforce system, we recommend the Legislature remain focused on the overarching vision of moving toward a more coherent and integrated system. The Legislature could work toward this end by further consolidating and streamlining existing workforce programs rather than creating new ones.

***Recommend Legislature Adopt Child Care Restructuring Approach and Provide Guidance to CDE in Developing Transition Plan.*** Shifting all subsidized child care to a voucher system would have many benefits, including allowing more low-income, working families to have flexibility in finding helpful child care arrangements. We recommend that the Legislature adopt the Governor's basic approach and provide guidance to CDE as it develops a transition plan. Specifically, we recommend that the Legislature task CDE with creating a plan that would provide one child care reimbursement rate structure, one set of minimum statewide standards, and one streamlined set of associated administrative processes.

## INFRASTRUCTURE

### **Governor's Proposals**

The Governor's budget includes various proposals to improve public infrastructure, such as the state highway system, state office buildings, schools, local streets and roads, and county jail facilities. We describe each of these—and other—proposals below.

***Transportation Funding Package (\$3.6 Billion Special Funds).*** On the day the Governor signed the *2015-16 Budget Act*, he called a special legislative session on transportation funding. As part of this special session, the Governor proposed last fall a package of proposals to increase funding

for transportation programs. These proposals are generally reflected in the Governor's proposed budget for 2016-17. Specifically, the Governor's transportation funding package proposes to provide an estimated \$3.6 billion annual increase for state and local transportation infrastructure programs. Revenue from the funding package would phase in during 2016-17 and 2017-18 and provide a permanent ongoing increase thereafter. The funding package includes primarily new tax revenues, but also redirects certain existing revenues. Specifically, the funding package includes:

- \$2 billion annually from a new \$65 vehicle registration tax.
- \$1 billion annually from increases in gasoline and diesel excise tax rates, including indexing these rates for inflation.
- \$500 million annually from cap-and-trade auction revenues.
- \$100 million from efficiencies at the California Department of Transportation (Caltrans) resulting from various minor changes to streamline project delivery processes.

In addition, the budget assumes that \$879 million in prior loans from transportation accounts are repaid over a four year period from 2016-17 through 2019-20.

The proposed budget allocates about half of the new transportation revenues to the state and half to local agencies to support various existing and new programs. Specifically, the Governor proposes to allocate about \$1.5 billion to rehabilitate state highways, about \$1.4 billion for local streets and roads, \$400 million for transit, \$200 million to improve trade corridors, and \$120 million for state highway maintenance.

**State Office Buildings (\$1.5 Billion General Fund).** The Governor's budget proposes one-time funding of \$1.5 billion from the General Fund to be deposited into a new State Office Infrastructure Fund (SOIF). Under the proposal, monies in this fund would be continuously appropriated for the replacement and renovation of various state office buildings in the Sacramento area. The Governor proposes spending \$10.1 million from SOIF in 2016-17 to initiate the replacement or renovation of three state buildings: the Food and Agriculture Annex, the State Capitol Annex, and the Natural Resources Building. The SOIF could enable the administration to fund the renovation

or replacement of some buildings up front on a "pay-as-you-go" basis, rather than financed by borrowing through the use of long-term bonds. We note, however, that the administration envisions constructing the new Natural Resources Building using a lease-to-purchase approach.

The Governor's proposal follows the July 2015 release of a long-range planning study of office space in the Sacramento region that was required as part of the 2014-15 budget package. The study identified various deficiencies at 29 state-owned office buildings and ranked the Natural Resources Building, Personnel Building, and Paul Bonderson Building as those in most critical need of renovation or replacement. The study excluded several buildings not considered as typical office space, including the Food and Agriculture Annex and State Capitol Building and Annex.

**UC Merced Campus Expansion (\$1.1 Billion State and Nonstate Funds).** Pursuant to Chapter 50 of 2013 (AB 94, Committee on Budget), the Department of Finance (DOF), rather than the Legislature, approves the University of California's (UC's) capital outlay requests. For 2016-17, Chapter 50 requires DOF to submit an initial list of approved projects to the Legislature by February 1, 2016 and a final list no earlier than April 1, 2016. On September 1, 2015, UC submitted a proposal to DOF to expand the Merced campus significantly. Specifically, the proposal seeks to grow enrollment on the campus from 6,200 to 10,000 students by 2020. The project would cost \$1.1 billion and add 917,500 square feet of facility space to the campus (more than doubling existing space). The UC is requesting from DOF the authority to use its main General Fund appropriation to pay for debt service on about half the project's total costs (with nonstate funds used for debt service on the remainder). The UC plans to enter into a public-private partnership to finance, design, build, operate, and maintain the project's facilities.

**Deferred Maintenance (\$807 Million Various Funds).** The Governor’s budget and the associated five-year infrastructure plan identify state infrastructure deferred maintenance needs of \$77 billion, the large majority of which is related to the state’s transportation system and addressed by the transportation funding package discussed above. The budget proposes one-time spending totaling \$807 million from various sources toward addressing these needs. Of the total, the Governor proposes \$500 million in non-Proposition 98 General Fund support for various entities as shown in Figure 9. The proposal also includes \$289 million from budget-year and prior-years’ Proposition 98 funds for the California Community Colleges. Under the proposal, this funding could be used to address deferred maintenance, instructional

equipment, and water conservation projects. The remaining \$18 million is from the Motor Vehicle Account for the deferred maintenance needs at the California Highway Patrol and Department of Motor Vehicles. (By comparison, the 2015-16 Budget Act included \$120 million in one-time, non-Proposition 98 General Fund support for deferred maintenance and \$148 million in Proposition 98 funds for deferred maintenance projects and certain other one-time purposes at the community colleges.)

**County Jail Construction (\$250 Million General Fund).** Since 2007, the state has approved three measures authorizing a total of \$2.2 billion in lease-revenue bonds to fund the construction and modification of county jails. For example, the 2014-15 budget package authorized \$500 million in lease-revenue bonds for jail construction.

The Governor’s budget for 2016-17 proposes an additional \$250 million from the General Fund for jail construction. According to the administration, the proposed funds would be awarded to counties that have either (1) not received any of the above \$2.2 billion or (2) received less funding than they requested. Under the proposal, counties would be subject to a 10 percent match requirement, except that small counties (population of 200,000 or less) would be subject to a 5 percent match requirement.

**School Facilities.** The Governor continues to express interest in working with the Legislature to improve the state’s existing school facility program and revisit how the state and schools share facility costs. While emphasizing the need for a revamped program, the Governor notes that the proposed \$9 billion school bond for the November 2016 ballot makes no changes to the existing school facility program. Despite raising various concerns with both the existing school facility program and the already eligible school bond measure, the Governor’s budget package contains no specific alternative.

**Figure 9**  
**Administration’s General Fund**  
**(Non-Proposition 98) Deferred Maintenance**  
**Proposal**

(In Millions)

Department/Program	Proposed Amount
Water Resources	\$100.0
State Hospitals	64.0
Judicial Branch	60.0
Parks and Recreation	60.0
Corrections and Rehabilitation	55.0
California State University	35.0
University of California	35.0
Developmental Services	18.0
Fish and Wildlife	15.0
Military Department	15.0
General Services	12.0
Veterans Affairs	8.0
Forestry and Fire Protection	8.0
State Special Schools	4.0
California Fairs	4.0
Science Center	3.0
Hastings College of the Law	2.0
Emergency Services	0.8
Conservation Corps	0.7
Food and Agriculture	0.3
San Joaquin River Conservancy	0.2
<b>Total</b>	<b>\$500.0</b>

## LAO Comments

Much of the state's infrastructure is aging and needs to be renovated, adapted, or improved to meet current and future needs. Thus, we think the Governor's attention to infrastructure makes sense. However, the Governor's specific proposals raise several issues that merit legislative consideration. Specifically, in reviewing the proposals the Legislature will want to consider (1) its priorities for funding infrastructure, (2) the appropriate sources of funding to address the identified infrastructure needs, (3) the appropriate financing approach to address the identified infrastructure needs, (4) the extent to which funding will be allocated to the highest priority and most cost-effective projects, (5) whether the proposals include adequate long-term plans for addressing infrastructure needs, and (6) whether the proposals allow for sufficient legislative oversight.

### *Assess Priorities for Funding Infrastructure.*

In reviewing the Governor's infrastructure proposals, the Legislature will want to consider how it prioritizes infrastructure spending compared to other important state needs, as well as which types of infrastructure spending are of highest priority. As it considers these priorities, the Legislature will want to think about whether there are other ways to meet state infrastructure needs, such as by adopting strategies to reduce demands for infrastructure through policies that increase utilization, encourage less costly alternatives, or improve efficiency. Similarly, the Legislature will want to consider how recent policies have impacted the demand for certain infrastructure, such as the passage of Proposition 47 (2014), which reduced workload for county jails by reducing jail terms for certain offenders. Additionally, the Legislature will want to determine the extent to which the state should bear responsibility for costs related to local infrastructure. This will be a particularly important

consideration with regard to any school facility funding changes.

### *Consider Appropriateness of Funding Sources.*

In addition, the Legislature will want to consider the appropriate sources of funding to address the identified infrastructure needs. For example, the Governor proposes a mix of permanent tax increases and one-time and ongoing uses of existing special fund and General Fund resources to fund the various infrastructure proposals. The Legislature may want to ensure that permanent funding sources (such as new tax revenues) are used to meet ongoing needs, whereas one-time funding sources are aligned with one-time needs (such as reducing backlogs of required maintenance work).

*Weigh Trade-Offs of Proposed Financing Approaches.* The Legislature will want to consider the appropriate financing approach for infrastructure projects—whether direct appropriations (pay-as-you-go), renting or leasing, or borrowing (typically through the issuance of bonds). For example, the proposed SOIF could enable the administration to fund some renovations and replacements of state office buildings on a pay-as-you-go basis rather than through bonds. It is reasonable to fund projects that provide services over many years, such as building replacements, through bonds that are repaid over time. While bonds are somewhat more expensive than direct appropriations, as the state must pay interest on them, the difference in costs is less significant in the current low-interest rate environment. Thus, the Legislature will have to weigh the benefits of spreading costs out over time (thus freeing up funding for other legislative priorities) against the modest extra cost of using bonds. Additionally, the Legislature will want to consider whether a public-private partnership is the preferred approach for undertaking the UC Merced project, given that the

state has experienced some challenges with using public-private partnerships in the past.

**Ensure Funding Allocated to Most Cost-Effective and Highest Priority Projects.** The Legislature will also want to ensure that funding is allocated to the most cost-effective and highest priority projects. For example, the Governor's deferred maintenance proposal does not include a specific list of proposed projects, which makes it difficult to evaluate whether the administration prioritized the distribution of deferred maintenance funds to the highest priorities. Additionally, funding highway maintenance is significantly more cost-effective than allowing highways to deteriorate such that major rehabilitation is needed. However, the Governor's plan provides only a minor increase for highway maintenance. Moreover, we note that the Governor's transportation proposals would create additional and more complex formulas for allocating funds among programs. The Legislature could consider simplifying the system of allocating transportation revenues to better ensure funding is allocated to the highest priorities. The Legislature also faces challenges in ensuring any new school facility funding goes to the most cost-effective and highest priority projects, as the Governor and many other groups believe the state's existing allocation approach is seriously flawed.

**Require Long-Term Planning.** Long-term planning is required to ensure that infrastructure is well constructed and maintained. Accordingly, the Legislature will want to make sure that the administration has provided sufficient information on long-term plans to help ensure that the funds will be spent in the most effective manner. For instance, while allocating one-time funding for deferred maintenance is a step in the right direction, the Governor has not identified a long-term plan to address the overall backlog or the underlying causes of deferred maintenance. Additionally, the long-range planning study of

Sacramento office space did not include a required funding and sequencing plan for the renovation or replacement of state office buildings over the next 25 years. Without such a plan, it can be difficult for the Legislature to adequately evaluate the Governor's proposal for funding state office buildings.

**Allow for Sufficient Legislative Oversight.** For any new funding provided, the Legislature will want to have accountability measures in place to ensure that funds are spent in a manner that best meets the state's needs. For example, we have recommended in the past that the Legislature establish project-level accountability for Caltrans projects by requiring the independent California Transportation Commission to oversee the cost, scope, and schedule of all state highway rehabilitation projects.

Additionally, we have recommended in the past that the Legislature evaluate projects through the typical state budget process. Some 2016-17 proposals circumvent routine legislative oversight. For example, by being continuously appropriated, the Legislature would not have an opportunity to evaluate SOIF projects through the typical state budget process. We strongly recommend the Legislature not take this approach to allocating SOIF funds as it would greatly reduce the Legislature's ability to ensure that funds are allocated to the highest priority projects and are adequately overseen. Additionally, by requiring only DOF approval, the Legislature would not have an explicit opportunity to evaluate the UC Merced project, despite it being a major, complex, and costly campus expansion. The Legislature likely will want to consider what the appropriate process is for reviewing these types of projects, allocating associated funds, and maintaining adequate accountability. The Governor's deferred maintenance proposal also limits legislative oversight by not identifying the specific projects

that would be funded. Rather, the proposal is to notify the Legislature of projects *after* enactment of the budget. This process essentially limits the

Legislature's ability and time to ensure that the funded projects are aligned with its priorities.

## HEALTH AND HUMAN SERVICES

### MCO Tax

**Proposes Revised MCO Tax.** The state's existing MCO tax leverages federal Medicaid funds that offset General Fund spending for Medi-Cal local assistance by over \$1.1 billion in 2015-16. Under current law, this MCO tax expires on July 1, 2016. The federal government issued guidance that California's MCO tax is likely incompatible with federal Medicaid requirements for health-care related taxes and California must make changes necessary to bring the tax structure into compliance by no later than the end of this legislative session. While the administration and the Legislature have considered different approaches to structuring a permissible MCO tax, to date no legislation has been enacted to authorize such a replacement tax. The Governor's budget includes a revised MCO tax structured with the intent of complying with federal Medicaid requirements.

**Governor's Plan Structured to Meet Several Goals.** The Governor's proposed MCO tax plan is structured to meet three administration goals:

- **Meet Federal Requirements.** According to the administration, the proposed MCO tax is structured so as to meet federal requirements. However, the state would still need to seek formal federal approval of any restructured MCO tax the state ultimately adopts.
- **Aid General Fund and Pay for Restored In-Home Supportive Services (IHSS) Hours.** Under the Governor's proposal,

revenues from the restructured MCO tax would draw down sufficient federal funds to maintain the current \$1.1 billion "offset" for Medi-Cal costs that otherwise would be paid from the General Fund. Pending legislative approval of a revised MCO tax, the Governor's budget proposal holds most of the 2016-17 MCO tax revenues in a special fund reserve. Therefore, the expenditure authority would need to be granted to spend these revenues on Medi-Cal or other purposes if an MCO tax is approved. The restructured tax would also raise an additional \$236 million in 2016-17. This amount would provide the nonfederal share of the Medicaid funding needed to continue the restoration of IHSS hours that were eliminated as a result of the previous 7 percent reduction in service hours. (The 2015-16 budget restored these IHSS hours on a one-time basis using General Fund resources.)

- **Limit Financial Impact of the Tax on MCOs.** While exact details are not yet available, the administration indicates its plan would cut other taxes paid by some MCOs—specifically, their corporation and insurance taxes that are paid to the state General Fund. The administration reports that its plan would reduce corporate and insurance taxes by about \$370 million per year. After these tax cuts are taken into account, the administration estimates

the MCO industry overall would receive a \$90 million net benefit annually. (We understand that some individual plans may receive a net benefit under the plan, while others may be worse off financially.)

**Possible Effects on Other Budget Items.** Under the Governor’s proposal, revenues from the MCO tax are not currently proposed to be spent in the Department of Developmental Services (DDS) budget in 2016-17. The Governor’s budget summary indicates “additional targeted spending proposals” in DDS would likely be funded from a revised MCO tax. The budget summary also indicates the administration may seek to end the state’s Coordinated Care Initiative for persons eligible for both Medi-Cal and Medicare if a revised MCO tax is not approved.

**Issues for Legislative Consideration.** Given the need to seek federal approval, the administration has indicated it seeks swift approval of a revised MCO tax. Below, we suggest several issues for legislative consideration in reviewing the Governor’s proposal:

- **Distributional Impact on MCOs.** While the administration considers that its proposal would result in a net benefit to the MCO industry overall, the net financial effects for individual plans would vary. Some plans would face a net fiscal liability while other plans would benefit. The market impacts of the uneven distribution of tax liability across plans should be considered to assess whether there may be unintended negative consequences for the industry and consumers.
- **Required Federal Approval Is Not Certain.** In addition to obtaining authority from the Legislature to enact the proposed MCO tax, the state must also seek approval from the federal government. The structure

of the proposed MCO tax would require the state to formally request the federal government to waive certain federal requirements for health care-related taxes in seeking federal approval for the MCO tax. While the administration is of the view the proposed MCO tax is permitted under federal Medicaid rules, federal approval is not certain. Accordingly, if the Legislature passes a revised MCO tax, it should consider contingency budget plans in the event that the federal government rejects the state’s plan.

- **General Fund Revenues and School Funding.** The Governor’s proposal would cut taxes that MCOs pay to the state’s General Fund. Reductions in General Fund tax revenues result in lower Proposition 98 school funding requirements in most years. Accordingly, the Governor’s plan could reduce school funding requirements in some future years—perhaps by a couple hundred million dollars, based on the administration’s estimates of General Fund revenue loss. The administration’s budget estimates do not consider these effects. In addition, the administration’s estimates do not consider the possible effects of recent appellate court and Franchise Tax Board determinations related to certain health plans’ tax obligations. Most notably, a September 2015 state appellate court decision (*Myers v. State Board of Equalization*) found that certain managed care plans could potentially be regarded as insurers, which would subject them to the state’s insurance tax. If the Governor’s MCO tax plan relieves those plans of their future obligations to pay insurance taxes, the resulting General Fund revenue

loss—and the related reduction in school funding requirements—may be larger than discussed above.

### **Developmental Services**

The 2016-17 budget provides for several new spending proposals in the DDS. These major budget proposals are primarily to support community services and their development, as described below. The budget also includes a proposal for additional headquarters staff resources to improve DDS' fiscal oversight of services provided to persons with developmental disabilities.

***Budget Assumes a New Rate for Certain Residential Facilities.*** The Governor's budget proposes \$46 million (\$26 million General Fund) to allow for the development and implementation of a new rate for certain residential facilities serving four or fewer individuals. These facilities are currently funded through a rate methodology—known as the Alternative Residential Model (ARM) rate—which has not been updated in many years. This rate methodology was established based on the assumption that each home would support six residents. Therefore, the current individual rate-per-consumer paid to facilities assumes that overhead and staffing costs is spread across six placements, even though Regional Centers (RCs) are increasingly using facilities with fewer placements, which is generally consistent with federal policy direction. The new rate would be based on a four-bed model. Because many individuals residing in DDS-funded residential homes are in ARM-rate facilities, we think the Governor's proposal merits consideration. However, the Governor's budget does not include any other proposed rate adjustments or reforms for any other community service provider rates, which continue to be of significant interest to the Legislature and part of ongoing stakeholder and legislative discussions.

***Funding to Begin Compliance Efforts With New Federal Regulations.*** The Governor's budget provides \$17.1 million (\$12.2 million General Fund) to support compliance by March 2019 with new federal requirements related to Medicaid-funded community-based services. California receives about \$1.7 billion in federal funds annually for these services in the DDS budget. The new federal rules require that services are provided in settings that are integrated with the larger community. The proposed funding would support 21 Program Evaluator positions within the RCs to evaluate and monitor compliance and would provide resources to providers for service modifications and staffing needs to meet compliance. Noncompliance with these regulations could put federal funding at risk. While the Governor's proposal shows the administration's commitment to bringing California into compliance, it is unclear how this proposal would be implemented and the extent to which the funding levels provided for service changes move the state toward full compliance with the federal regulations.

### ***Additional Service Development Funds Support Developmental Center Closures.***

In May 2015, the administration announced plans to initiate closure of the state's remaining developmental centers, with some exceptions. The 2015-16 spending plan reflects the Legislature's approval of the Governor's intent in concept. On October 1, 2015, DDS submitted to the Legislature a plan to close Sonoma Developmental Center and in November 2015 announced intent to submit similar closure plans for Fairview Developmental Center and the general treatment area at Porterville Developmental Center. The Governor's budget includes \$78.8 million (\$73.9 million General Fund) in one-time resources for service development targeted for individuals transitioning from these centers. The state is at risk of losing additional federal funding related to these developmental

centers due to violations generally related to clients' health, safety, and rights. The state was able to reach a settlement agreement with the federal government that would continue funding if certain terms are met, which include a commitment to transition individuals out of Sonoma Developmental Center. The state is in similar negotiations related to the other developmental centers proposed for closure.

***Budget Includes Funds to Support Improvements in RC Caseload Ratios.*** Current reports to DDS indicate that all RCs were out

of compliance with one or more caseload-ratio requirements for the past two years. The Governor's budget includes \$17 million (\$13 million General Fund) to support an estimated 200 additional RC service coordinator positions. Caseload reports show RCs have had a longstanding noncompliance in meeting caseload-ratio requirements. We note that the Governor's proposal does not appear to provide adequate funding to bring RCs into full compliance with these ratios, and to the extent that RCs are out of compliance with federal caseload ratios, some federal funding could be at risk.

2016-17 BUDGET

### **LAO Publications**

---

The Overview section of this report was prepared by Ann Hollingshead and Ryan Miller, and many other LAO staff members also contributed to the publication. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

To request publications call (916) 445-4656. This report and others, as well as an e-mail subscription service, are available on the LAO's website at [www.lao.ca.gov](http://www.lao.ca.gov). The LAO is located at 925 L Street, Suite 1000, Sacramento, CA 95814.



## MEMORANDUM

**TO:** Solano County Board of Supervisors

**FROM:** Joe Krahn, Tom Joseph, and Hasan Sarsour  
Solano County Washington Representatives

**CC:** Birgitta Corsello, County Administrator, Solano County  
Michelle Heppner, Legislative, Intergovernmental and Public Affairs Officer, Solano County

**DATE:** December 18, 2015

**SUBJECT:** Analysis of the Fiscal Year 2016 Omnibus Appropriations Bill

---

On December 18, despite objections from conservative Republicans and progressive Democrats, the House easily approved a fiscal year 2016 omnibus spending plan (HR 2029) by a vote of 316 to 113. The bipartisan compromise, which is the product of weeks of closely held and hard-fought negotiations between the two chambers and parties, provides fresh line-by-line guidance to every agency through September 30, 2016. Overall, HR 2029 sets discretionary funding at \$1.15 trillion, adhering to the nondefense and defense spending caps that were established as part of the November budget agreement (PL 114-74). The measure also provides nearly \$74 billion in war-related Overseas Contingency Operations funding.

With the top-line funding levels in place for fiscal year 2016, the biggest battles in the spending package were over policy riders. Throughout the negotiations, Republicans urged their leaders to use the must-pass legislation as a vehicle to advance their legislative agenda on issues ranging from abortion to Syrian refugees to environmental regulations. However, Democrats stood firm in their opposition to such a strategy. While some of the more contentious policy issues – including a proposal to delay the administration's controversial Waters of the United States (WOTUS) regulation – were dropped from the final bill, Republicans were successful in lifting a longstanding ban on crude oil exports.

In a separate vote, the House also approved a package of tax extenders that was negotiated in tandem with the omnibus. The measure, which permanently renews a number of tax provisions and temporarily extends a range of other tax breaks, also passed by a wide margin. Of particular

interest to Solano County, the bill will delay for two years the *Affordable Care Act's* excise tax on high cost employer-sponsored health plans.

While the lower chamber voted on each measure separately, the two bills were combined into one package prior to Senate consideration. Following the House action and with little drama, the Senate quickly cleared the package by a vote of 65 to 33. For its part, the Obama administration has signaled its support for the legislation, and the president is expected to sign the package into law before the current funding patch expires on December 22.

Below are a few key highlights of the legislation.

### **TRANSPORTATION**

The budget package provides nearly \$42.4 billion (an increase of approximately \$2.1 billion) in obligation limitation funding for the Federal Highway program, consistent with the newly enacted transportation law (FAST Act). The legislation also includes \$500 million for the competitive TIGER grant program, which is consistent with the fiscal year 2015 level. It does not provide funding for high-speed rail.

Notably, HR 2029 does not include a provision that would allow longer double trailer trucks on the national highway system. Instead, the legislation will simply require the Department of Transportation to transmit to Congress its final Comprehensive Truck Size and Weight Limits Study within 60 days of enactment.

### **WATER RESOURCES**

While no comprehensive drought package was ultimately included in the final package, the legislation does include \$100 million to address drought relief efforts in the West. The funding will help support the Bureau of Reclamation's Drought Response program, which is a comprehensive approach to drought planning and implementation actions. The program includes such actions as water marketing solutions to address municipal water shortages, installing water measurement devices to improve efficiency and measure drought impacts, and other small-scale improvements to increase water supply reliability.

In addition, HR 2029 extends CALFED until 2017 and directs the Bureau of Reclamation to complete feasibility studies of CALFED storage projects by a date certain. Specifically, it directs the Bureau to complete the studies for: (1) Shasta Dam and Temperance Flat by December 31, 2015; (2) Los Vaqueros and Sites Reservoir by November 30, 2016; and, San Luis Reservoir by December 31, 2017. The language, which also requires the Bureau to provide regular progress reports to Congress, will help ensure that these projects are able to compete for Proposition 1 funding.

### **CADILLAC TAX**

As noted above, the final deal will delay for two years the *Affordable Care Act's* excise tax on high cost employer-sponsored health plans. The so-called "Cadillac Tax" will now be implemented in 2020. While there is bipartisan legislation in both chambers to fully repeal the provision, such a

change would add more than \$87 billion to the federal deficit over the next decade. In addition, the Obama administration has indicated that it would be opposed to full repeal.

**STATE CRIMINAL ALIEN ASSISTANCE PROGRAM (SCAAP)**

HR 2029 includes \$210 million for the State Criminal Alien Assistance Program (SCAAP) – an increase of \$25 million from the fiscal year 2015 enacted level. Solano County received \$144,280 in fiscal year 2015 SCAAP funding to help partially offset the cost of housing undocumented criminals.

**MORATORIUM ON INTERNET ACCESS TAXES**

The legislation temporarily extends (through October 1, 2016) a law that prevents local governments from taxing broadband internet access. It should be noted that a group of lawmakers attempted to attach a permanent extension of the access tax moratorium to an unrelated customs bill. However, as a result of its inclusion in the spending package, the provision will likely be removed from the final customs bill.

To follow are charts that compare fiscal year 2015 and fiscal year 2016 funding levels for a number of key programs. The numbers in the charts are in millions of dollars.

**KEY PROGRAMMATIC FUNDING LEVELS  
FISCAL YEAR 2015 VS. FISCAL YEAR 2016**

<b>WATER RESOURCES</b>		
	<b>FY 2015 ENACTED</b>	<b>FY 2016 OMNIBUS</b>
<b>WESTERN DROUGHT RESPONSE</b>	---	\$100
<b>SOLANO PROJECT (Bureau of Reclamation (BoR))</b>	\$3.7	\$3.7
<b>CALIFORNIA BAY-DELTA RESTORATION (BoR)</b>	\$37	\$37
<b>SJ RIVER RESTORATION FUND</b>	\$32	\$35
<b>WATER RECLAMATION &amp; REUSE PROJECTS (BoR)</b>	\$21.5	\$23.4
<b>WATERSMART GRANTS (BoR)</b>	\$19	\$20
<b>ESA RECOVERY IMPLEMENTATION (EPA)</b>	\$22.7	\$24.4
<b>CLEAN WATER STATE REVOLVING FUND (EPA)</b>	\$1,450	\$1,394
<b>DRINKING WATER STATE REVOLVING FUND (EPA)</b>	\$907	\$863

<b>DEPARTMENT OF JUSTICE</b>		
	<b>FY 2015 ENACTED</b>	<b>FY 2016 OMNIBUS</b>
<b>SCAAP</b>	\$185	\$210
<b>COPS HIRING GRANTS</b>	\$180	\$187
<b>METHAMPHETAMINE ENFORCEMENT</b>	\$7	\$11
<b>COMPREHENSIVE SCHOOL SAFETY INITIATIVE</b>	\$75	\$75

IMPROVING POLICE-COMMUNITY RELATIONS	---	\$70
GRANT PROGRAM FOR BODY-WORN CAMERAS	---	\$22.5
BYRNE/JAG	\$376	\$476*
RESIDENTIAL SUBSTANCE ABUSE TREATMENT	\$10	\$12
OFFENDER REENTRY PROGRAMS	\$68	\$68
PART B - STATE FORMULA GRANTS	\$55.5	\$58
TITLE V - DELINQUENCY PREVENTION	\$15	\$17.5
PRISON RAPE PREVENTION/PROSECUTION	\$13	\$10.5
YOUTH MENTORING GRANTS	\$90	\$90
VICTIMS OF TRAFFICKING	\$42.25	\$45
DRUG COURTS	\$41	\$42
MENTAL HEALTH COURTS	\$8.5	\$10

\* \$100 million is set aside for law enforcement activities associated with presidential nominating conventions.

<b>DEPARTMENT OF TRANSPORTATION</b>		
	<b>FY 2015 ENACTED</b>	<b>FY 2016 OMNIBUS</b>
HIGHWAY FUNDING	\$40,256	\$42,361
TIGER GRANTS	\$500	\$500
TRANSIT FORMULA PROGRAM	\$8,595	\$9,348
CAPITAL INVESTMENT GRANTS	\$2,120	\$2,177
AIRPORT INFRASTRUCTURE	\$3,350	\$3,350
ESSENTIAL AIR SERVICES PROGRAM	\$263	\$283
SMALL COMMUNITY AIR SERVICE DEVELOPMENT	\$5.5	\$5
HIGH SPEED RAIL	---	---

<b>HUMAN SERVICES</b>		
	<b>FY 2015 ENACTED</b>	<b>FY 2016 OMNIBUS</b>
TANF	\$16,500	\$16,500
FOSTER CARE	\$4,289	\$4,772
SSBG	\$1,700	\$1,700
LIHEAP	\$3,390	\$3,390
CHILD SUPPORT ENFORCEMENT	\$3,654	\$4,071
HEAD START	\$8,599	\$9,168
CHILD CARE DEVELOPMENT FUND	\$2,435	\$2,761
OLDER AMERICANS ACT PROGRAMS	\$1,354	\$1,381
ELDER JUSTICE ACT	\$4	\$8
COMMUNITY SERVICES BLOCK GRANT	\$674	\$715
SNAP/FOOD STAMPS	\$81,837	\$80,849
WORKFORCE INVESTMENT ACT PROGRAMS	\$2,624	\$2,710

<b>HEALTH PROGRAMS</b>		
	<b>FY 2015 ENACTED</b>	<b>FY 2016 OMNIBUS</b>
<b>MEDICAID</b>	\$338,081	\$356,818
<b>RYAN WHITE HIV/AIDS PROGRAM</b>	\$2,319	\$2,322
<b>MATERNAL &amp; CHILD HEALTH BLOCK GRANT</b>	\$637	\$638
<b>PREVENTIVE HLTH/HEALTH SERVICES GRANT</b>	\$160	\$160
<b>PREVENTION AND PUBLIC HEALTH FUND</b>	\$927	\$932

<b>HOUSING AND URBAN DEVELOPMENT</b>		
	<b>FY 2015 ENACTED</b>	<b>FY 2016 OMNIBUS</b>
<b>CDBG</b>	\$3,000	\$3,000
<b>HOME INVESTMENT PARTNERSHIPS PROGRAM</b>	\$900	\$950
<b>CHOICE NEIGHBORHOODS INITIATIVE</b>	\$80	\$125
<b>HOMELESS ASSISTANCE GRANTS</b>	\$2,135	\$2,250
<b>SECTION 8 HOUSING CHOICE VOUCHERS</b>	\$19,304	\$19,629

<b>DEPARTMENT OF HOMELAND SECURITY</b>		
	<b>FY 2015 ENACTED</b>	<b>FY 2016 OMNIBUS</b>
<b>ASSISTANCE TO FIREFIGHTER GRANTS</b>	\$680	\$690
<b>EMERGENCY MGMT PERFORMANCE GRANTS</b>	\$350	\$350
<b>STATE HOMELAND SECURITY PROGRAM</b>	\$446	\$467
<b>URBAN AREA SECURITY INITIATIVE</b>	\$600	\$600

<b>DEPARTMENT OF AGRICULTURE</b>		
	<b>FY 2015 ENACTED</b>	<b>FY 2016 OMNIBUS</b>
<b>USDA RURAL DEVELOPMENT PROGRAMS</b>	\$2,400	\$2,800
<b>USDA WATER &amp; WASTE DISPOSAL GRANTS</b>	\$465	\$522
<b>RURAL COMMUNITY FACILITIES GRANTS</b>	\$26.8	\$38.8
<b>RURAL BROADBAND GRANTS</b>	\$10.4	\$10.4
<b>DISTANCE LEARNING AND TELEMEDICINE</b>	\$22	\$22

We hope this information is useful to you. Please do not hesitate to contact us if you have any questions.

**SOLANO  
City County Coordinating Council  
Staff Report**

**Meeting of:** January 14, 2016

**Agency/Staff:** Michelle Heppner, Solano County, Legislative, Intergovernmental, & Public Affairs Officer

**Agenda Item No:** VI.2

**Title /Subject:** Provide Input and Adopt the City-County Coordinating Council's Revised Proposed 2016 State and Federal Legislative Platform.

**Background/Discussion:**

The Solano City County Coordinating Council (CCCC) began adopting annual State and Federal legislative platforms in 2006 and has continued this practice.

The CCCC legislative platforms represent a compilation of shared concepts and priorities created with input from Solano cities, the County, the Solano Transportation Authority, and the Travis Community Consortium with the goal of capturing all of the significant regional priorities, as well as the priorities established by the League of Cities and the California State Association of Counties.

The proposed CCCC Legislative Platform contained in Attachment 1 includes input received from the City Manager's Group, the County's departments, and Paul Yoder, Solano County's State Legislative Advocate. Staff is requesting additional input from the CCCC and approval of the 2016 State and Federal Legislative Platform.

While the Proposed 2016 State and Federal Legislative Platform seeks to accurately reflect the current challenges and threats imposed by both the state and federal governments, should unanticipated issues arise, additional modifications may be required in future.

**Recommendation:** Provide input and approve the CCCC's Proposed 2016 State and Federal Legislative Platform.

**Attachments:**

- 1 - Revised City-County Coordinating Council's 2016 State and Federal Legislative Platform (Redline)
- 2 - Revised City-County Coordinating Council's 2016 State and Federal Legislative Platform (Final)

**SOLANO**  
**City-County Coordinating Council**  
**2016 State & Federal Legislative Platform**

**Overview**

The Solano City-County Coordinating Council (CCCC) consists of the Mayors of all seven cities in Solano County – Benicia, Dixon, Fairfield, Rio Vista, Suisun, Vacaville and Vallejo - and the five members of the County Board of Supervisors. On an annual basis, the CCCC adopts a legislative platform; recommending positions and strategies on both state and federal legislative and budget related issues. The platform takes into consideration and seeks to support the legislative priorities of all seven cities, the County of Solano, Solano Transportation Agency (STA), Solano County Water Agency (SCWA), Travis Community Consortium (TCC), Yolo-Solano Air Quality Management District and our public higher education institutions (Solano College, UC Davis and CSU Maritime Academy).

Listed below are the CCCC's highest State and Federal legislative priorities as well as other significant policy issues. These are issues that CCCC believes are important to support and partner on. These priorities are extracted from other regional entities and are not intended to conflict or compete, but rather support and compliment efforts to improve funding of regional needs and priorities.

**2016 State and Federal Legislative Priorities (Listed Alphabetically)**

1. **Funding for Key Water Infrastructure Projects.** Support efforts to authorize and fund key water infrastructure projects in Solano cities and the County, including dredging, water reuse and recycling, and flood control projects.
2. **Protect the Sacramento-San Joaquin Delta.** Ensure that Solano cities and the county is adequately represented in efforts to develop policy impacting the Sacramento-San Joaquin Delta, including policies to address water quality and supply, flood protection, environmental preservation and emergency response. Support legislation that protects Solano County water sources and supplies and provides for mitigation with regard to disaster preparedness, water rights, North Delta Water Agency Contract with the California Department of Water Resources, socio-economic vitality, water quality, water elevations, levee protection, loss of agricultural production, aquaculture, and access to fresh water supplies. Support efforts to develop other water supply options outside the areas-of-origin so as to reduce stresses in the Delta region. In general, support legislation that would provide for assurances and mitigations to the County, local Districts, and our residents and ensure sustainable funding outside of the General Fund for existing and future obligations created by State / Federal water projects and their Habitat Conservation Plans. Support appropriations from Proposition 1 that will facilitate key water infrastructure projects.
3. **Public Safety and Emergency Preparedness.** Support funding for programs that assist Solano cities and the county with efforts aimed at reducing crime and enhancing public safety through community partnerships and multi-jurisdictional efforts, such as the Community Oriented Policing Services (COPS) program and the Justice Assistance Grant (JAG) program. In addition, support funding for programs that assist the County and cities with disaster response and preparedness and homeland security-related needs, including efforts aimed at achieving communications interoperability. Monitor legislation and state budget actions regarding the implementation of Proposition 47 to ensure that proper resources exist at the local level. Also monitor the implementation of state legislation such as AB 403 (Stone), which will significantly revamp placement options for foster youth.
4. **State Realignment & Cost-Shifts.** Oppose proposals to restructure, realign, or otherwise shift the cost of state programs to local government, without commensurate compensation and a legislative ability for counties to draw down available federal funding. Support efforts

to constitutionally guarantee continued funding for realigned programs. Support efforts to obtain and improve the stability of current Solano cities and the county's revenue sources. Oppose any realignment initiatives which fail to fully fund services shifted to the County and cities. Advocate for funding for local police agencies and the Sheriff's Office dealing with the increase in specific crimes in Solano cities and the county due to realignment.

## **2016 State and Federal Legislative Principles (Sections Listed Alphabetically)**

### **Agriculture, Natural Resources, and Water**

1. Support efforts to protect the Suisun Marsh consistent with the Suisun Marsh Preservation Act and the Suisun Marsh Plan;
2. Support improved mapping of flood hazard areas and advocate for the US Army Corps of Engineers and other federal and state agencies to protect Solano cities and the county from these hazards, either directly or via funding and technical assistance.
3. Support, develop, or seek out legislation that protects the Solano cities and the county's quality of life, its diverse natural resources, and preserves the essence and history of Solano.
4. Support legislation to establish the Sacramento-San Joaquin Delta National Heritage Area to protect and promote the economic vitality and cultural, historical, and natural assets of the region.
5. Support protections and assurances to assure a reliable supply and access to high quality water for drinking, agriculture and recreation in the County.
6. Support funding for an alternate intake to the North Bay Aqueduct; monitor and advocate for the appropriate and timely allocation of resources from Proposition 1
7. Support legislative or regulatory efforts to maintain local control/involvement in allocation of water resources.
8. Support new funding to support local priorities for implementing water storage, recycling, and conservation measures.
9. Support funding for efforts to mitigate or adapt to sea-level rise impacts, including shoreline restoration, flood mitigation, and recreation projects.

### **General Government**

1. Support efforts to realign government services with necessary funding in order to improve the delivery of services and make government more accountable and efficient to the people they serve.
2. Seek out, develop, and support legislative, regulatory, and budget efforts that protect and/or enhance local governments' revenues, maximize Solano cities and the county's access to Federal funding sources, and/or increases local funding flexibility.
3. Support legislation that provides tax and funding formulas and regulations for the equitable distribution of Federal monies while opposing attempts to decrease, restrict, or eliminate Solano cities special districts and the county's revenue sources.
4. Support any expansion, continuation, and/or increased flexibility in the bidding/procurement, delivery, and management of construction projects.
5. Oppose legislative or administrative actions that would create State or Federal unfunded mandates and/or preempt local decision-making authority.
6. Oppose attempts to restrict local authority with respect to issues that affect local communities.
7. Oppose any effort to balance the state budget through the taking of local government resources.
8. Support the enactment of legislation to allocate statewide bond funding based on objective criteria developed with local input.
9. Support budgetary efforts for outstanding Payment-in-Lieu-of-Taxes (PILT) funding that is owed to the County and support legislative and budgetary efforts to continue PILT funding based on the allocation provided in the 2015-16 State Budget.

## **Housing, Community and Economic Development, and Workforce Investment**

1. Support additional flexibility for Proposition 63 that could provide a one-time statewide infusion of funding for supportive housing in California.
2. Support Housing Element reform that provides for self-certification process for all jurisdictions that have a housing allocation, and that provides greater flexibility to agencies with limited urban services and strong city centered development policies.
3. Support continued funding for existing programs including the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships Program (HOME), and the Neighborhood Stabilization Program (NSP). Oppose efforts to reduce funding and operational flexibility for these programs.
4. Encourage and seek legislation to facilitate orderly economic expansion and growth, and increase the opportunity for discretionary revenues, programmatic and financial flexibility for Solano cities and the county.
5. Support funding and incentives for smart growth and sustainable development, including infrastructure funding.
6. Oppose Federal legislation that would reduce U.S. Economic Development Administration (EDA) funds and support the expanded eligibility and access to these funds.
7. Support legislation that encourages job growth and the success of the business community.
8. Support legislation that provides a stable national-level appropriation for workforce development programs as a longer-term investment strategy for the nation's economy. Support or seek federal grant funding opportunities that advance and improve housing, community and economic development, and workforce investment opportunities for disadvantages individuals and families including the homeless.
9. Support and/or advocate for funding programs that would provide funding for community youth programs, including programs targeting underserved youth.
10. Oppose Federal legislation that would reduce funding to the Department of Housing and Urban Development (HUD) that provides rent subsidies and administrative funding to the Housing Choice Voucher (Section 8) Programs.
11. Support State legislation that would create a new funding mechanism for local governments to provide funding for affordable housing (new construction, acquisition and rehabilitation).
12. Support State legislation that would create funding for local governments for economic development purposes.
13. Support efforts to increase employment opportunities and linking training programs to local available employment.

## **Public Safety and Emergency Disaster Preparedness**

1. Support the preservation of funding levels for existing public safety programs such as the Byrne Justice Assistance Grant (Byrne/JAG) Program, California State Law Enforcement Funding (SLEF), California Fire Fighter Joint Apprenticeship Committee (CFFJAC), Office of Traffic Safety (OTS) grant funding, Department of Alcohol and Beverage Control programs, and the Community Oriented Policing Services (COPS) program. Oppose efforts to reduce or divert funding away from these programs.
2. Support continued or new funding for emergency disaster preparedness programs such as FEMA - Emergency Management Performance Grants (EMPG), the Urban Areas Security Initiative (UASI), and emergency disaster preparedness and infrastructure damage recovery programs. Oppose efforts to reduce or divert funding away from these programs.
3. Support funding for the State Office of Emergency Services to enhance Disaster Preparedness by linking local Emergency Operations Centers and by providing training.
4. Support funding to integrate climate change and sea level rise impacts into Local Hazard Mitigation Plans and Emergency Operation Plans. Support funding for regional hazard mitigation planning.

5. Support funding to address emergency preparedness needs, particularly those that include communications equipment, training/exercises, or ongoing operations and maintenance costs.
6. Support the preservation of funding for the State's Police Officer Standards and Training program that reimburses local agencies for training.
7. Support changes to US Corps of Engineer's current flood control inspection standards that have resulted in the loss of Public Law 84-99 eligibility for post disaster restoration funding for local governments.
8. Support legislation that improves the availability, affordability and coverage for earthquake and flood insurance. Support legislation to improve the affordability of fire coverage in California's more forested areas.
9. Support efforts to improve safety of hazardous materials transported by rail, including crude by rail and enhance capacity of local emergency responders to appropriately respond to potential emergency events resulting from derailment or releases.

### **Resource Management, Environmental Health, and Sustainability**

1. Support measures and funding for County, city, and special district programs and projects that address sustainability issues such as air quality improvement, energy efficiency, water efficiency, renewable energy, fuel efficiency, energy adequacy, and security while balancing the reduction of emissions with impacts on business.
2. Support legislation and administrative action that further the goals of the Solano cities and the county's climate protection and sustainability efforts, including programs that promote energy-efficient home improvements like the Property Assessed Clean Energy (PACE) program and as referenced in their approved Climate Action Plans.
3. Support Federal and state climate change legislation and policies that include local government funding and consideration for implementation at the local level.
4. Support legislation and grant funding opportunities that improve land use planning for major economic drivers and infrastructure projects in Solano cities and the county.
5. Support sensible CEQA reform that streamlines processes for broader range of infill development while maintaining strong analytic and mitigation requirements for large projects that clearly have significant environmental consequences at a regional or statewide level.
6. Support regulatory processes that are not a one-size-fits-all approach and maintain flexibility for Solano cities, special districts, and the County to determine the best means of achieving water conservation mandates.
7. Support legislation that fosters, establishes or expands regional purchasing capabilities and inter-jurisdictional infrastructure development to achieve local environmental and sustainability goals/requirements.
8. Support legislation that enhances funding options for sustaining and expanding a countywide parks system.
9. Support efforts to direct Cap and Trade revenues to reduce greenhouse gas emissions in communities disproportionality impacted by large sources of industrial pollution. Support the more timely and regular allocation of Cap and Trade funds.
10. Support restored State Parks funding and legislation that facilitates implementation of the recommendations of the Parks Forward Commission and the State Parks Transformation Team.

### **Transportation**

1. Support efforts to reduce requirements and restrictions on the use of street maintenance funding by local agencies.
2. Support efforts to maintain existing or increased funding for transportation programs and projects within the County.
3. Support legislative efforts for Federal transportation reauthorization measures that reflect the needs of Solano cities and the county and project priority in funding streams.

4. Support consideration of an increase or the indexing of the Federal gasoline tax and alternative sources of funding for pavement maintenance.
5. Support legislation and budget action that provides additional and continuing funding for local infrastructure, including local roads, bridges, and transit priorities.
6. Ensure that existing transportation funding sources are retained.
7. Seek to reverse the current diversion of the Off Highway Vehicle funding so that it returns to local source.
8. Continue to seek funding from Cap and Trade for enhancements to the county's transportation network that reduce greenhouse gas emissions including regionally integrated transit, active transportation, congestion relief, trade corridor improvements, and clean vehicle deployment consistent with the region's sustainable communities strategy - Plan Bay Area.
9. Support or sponsor legislation that provides for the establishment, extension, or increase of a special tax for the purpose of providing funding for local transportation projects, including pavement maintenance, and lowers the threshold for voter approval to 55%.
10. Support legislation and administrative rule making that improves rail and rail car safety, including positive train control (PTC) technologies, for transport of hazardous material including crude oil.
11. Seek funding and maximize opportunities to develop, support, and maintain a robust active regional transportation strategy, with particular attention to transportation and health equity issues.

#### **Other Agency Interests**

1. Travis Community Consortium. Support the mission of all military organizations located within the County. Support the 2014-2018 strategy adopted by the Travis Community Consortium. Work with the Governor's Military Council to protect California's interest with the decline in defense spending and the probable realignment of missions and closure of bases. Support Travis AFB moving forward in 2016 with the Air Force Community Partnership (AFCP). Support additional assets/missions such as C-17, KC-46 squadrons, modernization of existing aircraft, and gaining other aviation and non-aviation missions.
2. Solano Transportation Authority. Support the 2016 legislative state priorities and programs as outlined and adopted by the Solano Transportation Authority.

## Overview

The Solano City-County Coordinating Council (CCCC) consists of the Mayors of all seven cities in Solano County – Benicia, Dixon, Fairfield, Rio Vista, Suisun, Vacaville and Vallejo - and the five members of the County Board of Supervisors. On an annual basis, the CCCC adopts a legislative platform; recommending positions and strategies on both state and federal legislative and budget related issues. The platform takes into consideration and seeks to support the legislative priorities of all seven cities, the County of Solano, Solano Transportation Agency (STA), Solano County Water Agency (SCWA), Travis Community Consortium (TCC), Yolo-Solano Air Quality Management District and our public higher education institutions (Solano College, UC Davis and CSU Maritime Academy).

Listed below are the CCCC's highest State and Federal legislative priorities as well as other significant policy issues. These are issues that CCCC believes are important to support and partner on. These priorities are extracted from other regional entities and are not intended to conflict or compete, but rather support and compliment efforts to improve funding of regional needs and priorities.

### 2015~~6~~ State and Federal Legislative Priorities (Listed Alphabetically)

1. **Funding for Key Water Infrastructure Projects.** Support efforts to authorize and fund key water ~~for~~-infrastructure projects in Solano cities and the eCounty, including dredging, water reuse and recycling, and flood control projects.~~key water infrastructure initiatives pursuant to the newly authorized Army Corp's project selection process under the Water Resources Reform and Development Act (WRRDA).~~
2. **Protect the Sacramento-San Joaquin Delta.** Ensure that Solano cities and the county is adequately represented in efforts to develop policy impacting the Sacramento-San Joaquin Delta, including policies to address water quality and supply, flood protection, environmental preservation and emergency response. Support legislation that protects Solano County water sources and supplies and provides for mitigation with regard to disaster preparedness, water rights, North Delta Water Agency Contract with the California Department of Water Resources, socio-economic vitality, water quality, water elevations, levee protection, loss of agricultural production, aquaculture, and access to fresh water supplies. Support efforts to develop other water supply options outside the areas-of-origin so as to reduce stresses in the Delta region. In general, support legislation that would provide for assurances and mitigations to the County, local Districts, and our residents and ensure sustainable funding outside of the General Fund for existing and future obligations created by State / Federal water projects and their Habitat Conservation Plans. Support appropriations from Proposition 1 that will facilitate key water infrastructure projects.
3. **Public Safety and Emergency Preparedness.** Support funding for programs that assist Solano cities and the county with efforts aimed at reducing crime and enhancing public safety through community partnerships and multi-jurisdictional efforts, such as the Community Oriented Policing Services (COPS) program and the Justice Assistance Grant (JAG) program. In addition, support funding for programs that assist the County and cities with disaster response and preparedness and homeland security-related needs, including efforts aimed at achieving communications interoperability. Monitor legislation and state budget actions regarding the implementation of Proposition 47 to ensure that proper resources exist at the local level. Also monitor the implementation of state legislation such as AB 403 (Stone), which will significantly revamp placement options for foster youth.

4. **State Realignment & Cost-Shifts.** Oppose proposals to restructure, realign, or otherwise shift the cost of state programs to local government, without commensurate compensation and a legislative ability for counties to draw down available federal funding. Support efforts to constitutionally guarantee continued funding for realigned programs. Support efforts to obtain and improve the stability of current Solano cities and the county's revenue sources. Oppose any realignment initiatives which fail to fully fund services shifted to the County and cities. Advocate for funding for local police agencies and the Sheriff's Office dealing with the increase in specific crimes in Solano cities and the county due to realignment.

## 20156 State and Federal Legislative Principles (Sections Listed Alphabetically)

### Agriculture, Natural Resources, and Water

1. Support efforts to protect the Suisun Marsh consistent with the Suisun Marsh Preservation Act and the Suisun Marsh Plan;
2. Support improved mapping of flood hazard areas and advocate for the US Army Corps of Engineers and other federal and state agencies to protect Solano cities and the county from these hazards, either directly or via funding and technical assistance.
3. Support, develop, or seek out legislation that protects the Solano cities and the county's quality of life, its diverse natural resources, and preserves the essence and history of Solano.
4. Support legislation to establish the Sacramento-San Joaquin Delta National Heritage Area to protect and promote the economic vitality and cultural, historical, and natural assets of the region.
5. Support protections and assurances to assure a reliable supply and access to high quality water for drinking, agriculture and recreation in the County.
6. Support funding for an alternate intake to the North Bay Aqueduct; monitor and advocate for the appropriate and timely allocation of resources from Proposition 1-
7. Support legislative or regulatory efforts to maintain local control/involvement in allocation of water resources.
8. Support new funding to support local priorities for implementing water storage, recycling, and conservation measures.
9. Support funding for efforts to mitigate or adapt to sea-level rise impacts, including shoreline restoration, **flood mitigation**, and recreation projects.

### General Government

1. Support efforts to realign government services with necessary funding in order to improve the delivery of services and make government more accountable and efficient to the people they serve.
2. Seek out, develop, and support legislative, regulatory, and budget efforts that protect and/or enhance local governments' revenues, maximize Solano cities and the county's access to Federal funding sources, and/or increases local funding flexibility.
3. Support legislation that provides tax and funding formulas and regulations for the equitable distribution of Federal monies while opposing attempts to decrease, restrict, or eliminate Solano cities special districts and the county's revenue sources.
4. Support any expansion, continuation, and/or increased flexibility in the bidding/procurement, delivery, and management of construction projects.
5. Oppose legislative or administrative actions that would create State or Federal unfunded mandates and/or preempt local decision-making authority.
6. Oppose attempts to restrict local authority with respect to issues that affect local communities.
7. Oppose any effort to balance the state budget through the taking of local government resources.
8. Support the enactment of legislation to allocate statewide bond funding based on objective criteria developed with local input.

9. Support budgetary efforts for outstanding Payment-in-Lieu-of-Taxes (PILT) funding that is owed to the County and support legislative and budgetary efforts to ~~reinstate~~continue ongoing future PILT funding based on the allocation provided in the 2015-16 State Budget.

### **Housing, Community and Economic Development, and Workforce Investment**

1. Support additional flexibility for Proposition 63 that could provide a one-time statewide infusion of funding for supportive housing in California.
- ~~4.2.~~ Support Housing Element reform that provides for self-certification process for all jurisdictions that have a housing allocation, and that provides greater flexibility to agencies with limited urban services and strong city centered development policies.
- ~~2.3.~~ Support continued funding for existing programs including the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships Program (HOME), and the Neighborhood Stabilization Program (NSP). Oppose efforts to reduce funding and operational flexibility for these programs.
- ~~3.4.~~ Encourage and seek legislation to facilitate orderly economic expansion and growth, and increase the opportunity for discretionary revenues, programmatic and financial flexibility for Solano cities and the county.
- ~~4.5.~~ Support funding and incentives for smart growth and sustainable development, including infrastructure funding.
- ~~5.6.~~ Oppose Federal legislation that would reduce U.S. Economic Development Administration (EDA) funds and support the expanded eligibility and access to these funds.
- ~~6.7.~~ Support legislation that encourages job growth and the success of the business community.
- ~~7.~~ Support legislation that provides a stable national-level appropriation for workforce development programs as a longer-term investment strategy for the nation's economy.
8. Support or seek federal grant funding opportunities that advance and improve housing, community and economic development, and workforce investment opportunities for disadvantages individuals and families including the homeless. Solano cities and the county.
9. Support and/or advocate for funding programs that would provide funding for community youth programs, including programs targeting underserved youth.
10. Oppose Federal legislation that would reduce funding to the Department of Housing and Urban Development (HUD) that provides rent subsidies and administrative funding to the Housing Choice Voucher (Section 8) Programs.
11. Support State legislation that would create a new funding mechanism for local governments to provide funding for affordable housing (new construction, acquisition and rehabilitation).
12. Support State legislation that would create funding for local governments for economic development purposes.
13. Support efforts to increase employment opportunities and linking training programs to local available employment.

### **Public Safety and Emergency Disaster Preparedness**

1. Support the preservation of funding levels for existing public safety programs such as the Byrne Justice Assistance Grant (Byrne/JAG) Program, California State Law Enforcement Funding (SLEF), California Fire Fighter Joint Apprenticeship Committee (CFFJAC), Office of Traffic Safety (OTS) grant funding, Department of Alcohol and Beverage Control programs, and the Community Oriented Policing Services (COPS) program. Oppose efforts to reduce or divert funding away from these programs.
2. Support continued or new funding for emergency disaster preparedness programs such as FEMA - Emergency Management Performance Grants (EMPG), the Urban Areas Security Initiative (UASI), and emergency disaster preparedness and infrastructure damage recovery programs. Oppose efforts to reduce or divert funding away from these programs.
3. Support funding for the State Office of Emergency Services to enhance Disaster Preparedness by linking local Emergency Operations Centers and by providing training.

4. Support funding to integrate climate change and sea level rise impacts into Local Hazard Mitigation Plans and Emergency Operation Plans. Support funding for regional hazard mitigation planning.
5. Support funding to address emergency preparedness needs, particularly those that include communications equipment, training/exercises, or ongoing operations and maintenance costs.
6. Support the preservation of funding for the State's Police Officer Standards and Training program that reimburses local agencies for training.
7. Support changes to US Corps of Engineer's current flood control inspection standards that have resulted in the loss of Public Law 84-99 eligibility for post disaster restoration funding for local governments.
8. Support legislation that improves the availability, affordability and coverage for earthquake and flood insurance. Support legislation to improve the affordability of fire coverage in California's more forested areas.
9. Support efforts to improve safety of hazardous materials transported by rail, including crude by rail and enhance capacity of local emergency responders to appropriately respond to potential emergency events resulting from derailment or releases.

### **Resource Management, Environmental Health, and Sustainability**

1. Support measures and funding for County, city, and special district programs and projects that address sustainability issues such as air quality improvement, energy efficiency, water efficiency, renewable energy, fuel efficiency, energy adequacy, and security while balancing the reduction of emissions with impacts on business.
2. Support legislation and administrative action that further the goals of the Solano cities and the county's climate protection and sustainability efforts, including programs that promote energy-efficient home improvements like the Property Assessed Clean Energy (PACE) program and as referenced in their approved Climate Action Plans.
3. Support Federal and state climate change legislation and policies that include local government funding and consideration for implementation at the local level.
4. Support legislation and grant funding opportunities that improve land use planning for major economic drivers and infrastructure projects in Solano cities and the county.
5. Support sensible CEQA reform that streamlines processes for broader range of infill development while maintaining strong analytic and mitigation requirements for large projects that clearly have significant environmental consequences at a regional or statewide level.
6. Support regulatory processes that are not a one-size-fits-all approach and maintain flexibility for Solano cities, special districts, and the County to determine the best means of achieving water conservation mandates.
7. Support legislation that fosters, establishes or expands regional purchasing capabilities and inter-jurisdictional infrastructure development to achieve local environmental and sustainability goals/requirements.
8. Support legislation that enhances funding options for sustaining and expanding a countywide parks system.
9. Support efforts to direct Cap and Trade revenues to reduce greenhouse gas emissions in communities disproportionality impacted by large sources of industrial pollution. Support the more timely and regular allocation of Cap and Trade funds.
- 9.10. Support restored State Parks funding and legislation that facilitates implementation of the recommendations of the Parks Forward Commission and the State Parks Transformation Team.

### **Transportation**

1. Support efforts to reduce requirements and restrictions on the use of street maintenance funding by local agencies.

2. Support efforts to maintain existing or increased funding for transportation programs and projects within the County.
3. Support legislative efforts for Federal transportation reauthorization measures that reflect the needs of Solano cities and the county and project priority in funding streams.
4. Support consideration of an increase or the indexing of the Federal gasoline tax and alternative sources of funding for pavement maintenance.
5. Support legislation and budget action that provides additional and continuing funding for local infrastructure, including local roads, bridges, and transit priorities.
6. Ensure that existing transportation funding sources are retained.
7. Seek to reverse the current diversion of the Off Highway Vehicle funding so that it returns to local source.
8. Continue to seek funding from Cap and Trade for enhancements to the county's transportation network that reduce greenhouse gas emissions including regionally integrated transit, active transportation, congestion relief, trade corridor improvements, and clean vehicle deployment consistent with the region's sustainable communities strategy - Plan Bay Area.
9. Support or sponsor legislation that provides for the establishment, extension, or increase of a special tax for the purpose of providing funding for local transportation projects, including pavement maintenance, and lowers the threshold for voter approval to 55%.
10. Support legislation and administrative rule making that improves rail and rail car safety, including positive train control (PTC) technologies, for transport of hazardous material including crude oil.
11. Seek funding and maximize opportunities to develop, support, and maintain a robust active regional transportation strategy, with particular attention to transportation and health equity issues.

#### **Other Agency Interests**

1. Travis Community Consortium. Support the mission of all military organizations located within the County. Support the 2014-2018 strategy adopted by the Travis Community Consortium. Work with the Governor's Military Council to protect California's interest with the decline in defense spending and the probable realignment of missions and closure of bases. Support Travis AFB moving forward in 2015-2016 with the Public-Private Partnership (P4) process Air Force Community Partnership (AFCP). Support additional assets/missions such as C-17, KC-46 squadrons, modernization of existing aircraft, and gaining other aviation and non-aviation missions. Work with the TCC, to ensure a bridge mission is in place at Travis to neutralize the impact to the retirement of the KC-10. Advocate for new missions and operations at Travis.
2. Solano Transportation Authority. Support the 2015-2016 legislative state priorities and programs as outlined and adopted by the Solano Transportation Authority.

**SOLANO**  
**City County Coordinating Council**

**Meeting Date: January 14, 2016**

**Agency/Staff: Rochelle Sherlock,  
Consultant Senior Coalition of  
Solano County**

**Agenda Item No: VI.3**

**Title /Subject:**

Senior Poverty: Serious and Growing

**Background:**

The senior population is rapidly growing, as is senior poverty. One in five seniors in California live in poverty (Kaiser Family Foundation). Senior women are twice as likely to live in poverty than men, and minority older women live in poverty at even higher rates:

- 11% white women 65 and older
- 25% Hispanic American women
- 30% African American women

Over 3,550 seniors in Solano County live in poverty (American Community Survey, U.S. Census Bureau) with annual incomes less than \$15,000 a year. An estimated 26% (7,548) of senior households are not economically secure and do not have sufficient income to cover the cost of living in Solano County (American Community Survey, U.S. Census Bureau; Elder Economic Security Index, Solano County).

As seniors advance in age their ability to live independently and age in place is significantly compromised when they lack the resources to meet their basic needs of housing, transportation, medical care, and food. Communities across the country are beginning to see a rise in senior homelessness and major medical groups are increasingly impacted by the growing number of seniors who require skilled nursing care (e.g., seniors with dementia) but lack the resources to pay for skilled nursing facilities.

There is a link between poverty, poor health, and independence. Poverty is both a cause and a consequence of poor health. People in poverty tend to have more chronic diseases and severe disease complications which increases their health care costs, and compromises their ability to retain full activities of daily living. Moreover, these individuals tax local emergency response systems, social services, and non-profits/churches and are in the greatest need of access to affordable and accessible housing, affordable and accessible transportation options, and aging friendly communities.

**Discussion:**

The Senior Coalition of Solano County held two senior poverty summits in 2014 to address the growing issue of senior poverty. A Working Group was formed and developed several no-cost to low-cost solutions leveraging existing resources and services designed to reduce the sting of poverty and improve quality of life. Moreover, senior poverty has been identified as the top strategic

issue for the Senior Coalition and efforts over the next several years will be to raise awareness, connect seniors to critical resources, and take educational preventative measures to reduce future poverty.

The purpose of this item is to inform the County and cities of the growing issue, share high level strategies, and seek their input on what they see as the major issues, as well as, garner their support.

**Recommendation:**

Provide a presentation on senior poverty in Solano County.

**SOLANO  
City County Coordinating Committee  
Staff Report**

**Meeting of: January 14, 2016**

**Agency/Staff: Sandy Person, President, Solano Economic Development Corporation, Sean Quinn, Project Manager, Dr. Robert Eyler, President, Economic Forensics and Analytics, and Audrey Taylor, President, Chabin Concepts**

**Agenda Item No: VI.4**

**Title/Subject:**

Receive a presentation on Moving SOLANO Forward Implementation of Diversifying Economic Actions (IDEA) Project.

**Background:**

Solano County received a grant from the Office of Economic Adjustment (OEA) in the amount of \$453,460 to undertake the Phase 2 – Moving SOLANO Forward IDEA Project which is a continuation of the Phase 1 – 2014 Solano County Economic Diversification Study dubbed Moving SOLANO Forward completed last year.

The County entered into a Memorandum of Understanding with Solano EDC to assist in project management of the grant and provide other services. After completing a competitive solicitation process, the County selected Economic and Forensics Analytics (EFA). The EFA team consists of Dr. Robert Eyler of EFA, Audrey Taylor of Chabin Concepts, Don Schjeldahl of DSG Advisors and Debbie Kern of Keyser Marston Associates. The project kick off meeting was held on November 30, 2015.

It is anticipated that the IDEA Project will result in:

- A better understanding of potential public sector infrastructure investments that will induce private sector investment, which will in turn, further diversify the local economy;
- A better understanding of Solano County's assets and how they can be showcased to define the County as a distinctive and desirable region for economic development activity;
- An assessment of strategic catalytic projects of countywide significance and improvements along the County's transportation corridors that, if pursued, will leverage Solano County's assets to further diversify the base industries and expand industry clusters;
- The identification of real estate, labor and other key needs of the identified business clusters, and any gaps in their needs, to be able to retain, expand or attract these businesses;
- The development of a comprehensive database of economic and demographic information and contemporary web-based tools that will enhance the overall economic development ecosystem; and
- Provide recommendations on potential local, state and federal funding sources. Identify innovative local financing opportunities and associated structures to pursue collaborative infrastructure investments that will induce economic development activity.

**Discussion:**

EFA will be making a presentation of the Moving SOLANO Forward IDEA Project, providing an overview of the project, timing and deliverables.

**Recommendation:**

Receive the presentation on the Moving SOLANO Forward IDEA Project.