SOLANO
City-County Coordinating Council

AGENDA
February 12, 2015
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. **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.

IV. **CONSENT CALENDAR**

a. Approval of Minutes for November 13, 2014 — Chair Seifert
Action Item (7:15 p.m.)

V. DISCUSSION CALENDAR

1. Legislative Update and Overview of the Governor's Proposed FY15-16 State Budget
   (7:15 p.m. – 7:45 p.m.)

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

2. Consider Approval of the Proposed 2016 CCC Legislative Platform
   (7:45 p.m. – 8:00 p.m.)

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

3. Discussion to consider adding two Additional Members to the CCCC
   (8:10 p.m. – 8:25 p.m.)

   Presenters: Michelle Heppner, Legislative, Intergovernmental, and Public Affairs Officer and John Vasquez, District 4 Supervisor

VI. ANNOUNCEMENTS

VII. CCCC CLOSING COMMENTS

ADJOURNMENT: The next City-County Coordinating Council meeting is scheduled for March 12, 2015 at 7:00 p.m. at the Solano County Water Agency – Berryessa Room, 810 Vaca Valley Parkway, Suite 203, Vacaville, CA.

Item IV

CITY-COUNTY COORDINATING COUNCIL
November 13. 2014 Meeting Minutes

The November 13, 2014 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)
Jack Batchelor	Mayor, City of Dixon
Harry Price	Mayor, City of Fairfield
Norm Richardson	Mayor, City of Rio Vista
Steve Hardy	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)
Skip Thomson	Solano County Board of Supervisors (District 5)

Members Absent

Elizabeth Patterson, Vice Chair	Mayor, City of Benicia
Pete Sanchez	Mayor, City of Suisun City
Osby Davis	Mayor, City of Vallejo

Staff to the City-County Coordinating Council Present:

Birgitta Corsello	County Administrator, Solano County
Jim Lindley	City Manager, City of Dixon
Daryl Halls	Executive Director, Solano Transportation Authority
Michelle Heppner	Legislative Officer, Solano County

Other Staff Present

David White	City Manager, City of Fairfield
Narcisa Untal	Senior Planner, Solano County

Guest Speakers Present

Paul Yoder, Solano County State Legislative Advocate, Shaw/Yoder/Antwih Inc.

I. Meeting Called to Order

The meeting of the City-County Coordinating Council called to order at 7:01 pm.

II. Approval of Agenda

A motion to approve the Agenda was made by Mayor Price and seconded by Mayor Batchelor. Agenda approved by 9-0 vote.

III. Opportunity for Public Comment

No comments from the public.

IV. Consent Calendar

a. Approval of minutes for August 14, 2014

Motion to approve the August 14, 2014 minutes was made by Mayor Batchelor and seconded by Mayor Richardson. Consent calendar approved by 9-0 vote.

V. Discussion Calendar

1. End-of-Session Legislative Update.

Paul Yoder of Shaw, Yoder, Antwih LLC provided a legislative update. He noted three measures significant to local governments were passed by the voters the preceding week. Proposition 1, the Water Bond, Proposition 2, the Rainy Day Fund, and Proposition 47, the measure that reduces penalties for non-serious crimes and non-violent property and drug crimes. Mr. Yoder also noted the cost to pay for Proposition 47 had not yet been determined and that the State would likely calculate their increased costs first as a result of Proposition 47 and take that off the top of any potential funding.

Chair Seifert request some clarification on what the increased cost might be relative to the passing of Proposition 47 if inmates are being released. Mr. Yoder responded that he was referring to State costs for the courts relative to these cases. In his discussion with the State Department of Finance, Mr. Yoder shared that as they prepare the upcoming State budget that they mentioned they would be including anticipated increased State costs relative to the passing of Proposition 47.

Birgitta Corsello, Solano County Administrator noted that there would be a cost to the County and an indirect cost to the cities however the State costs would be court costs. She stated that the District Attorney estimates an initial 9,000 cases back to 2003 in Solano County that may need to be reviewed and reheard because there is no statute of limitations. Ms. Corsello also noted that this could pertain to person who have been convicted, served their time and could petition the court to have their case reviewed and conviction changed. She also noted the majority of the costs would depend on the number of cases that would go back through the courts. From an operations and cost perspective to the County, Ms. Corsello noted that this would have an impact on the District Attorney and Public Defender’s caseloads as well as impact the Probation Department and the Sheriff Office workload. In addition, Ms. Corsello emphasized that public safety reporting systems would also need to be updated accordingly, and local jurisdictions (cities) would see fewer incarcerated and likely more crimes that are due to Proposition 47 misdemeanors.

Mr. Yoder noted that the November 2016 election will likely have a high number of ballot measures for voters to consider. This is in part due to it being a Presidential election and the decreased number of signatures that will be required to qualify a measure for the June or November 2016 ballot as it is based on the voter turnout for a gubernatorial election which was very low in November 2014. The number of signatures required must equal to at least 5 percent of the votes cast for the Governor which appears to have changed the required number of signatures to drop from about 525,000 signatures to approximately 325,000 signatures. Mr. Yoder noted it would cost approximately forty percent lass to qualify a measure for the 2016 ballot for signature gathering.

Supervisor Seifert asked Mr. Yoder if he knew what the Governor's plan was to move the BDCP forward. Mr. Yoder responded that he thought it would continue to be through the BDCP process based on the amount of negative comments made by the EPA. A redrafted proposal is expected early in 2015.

Mr. Yoder also noted of the 1,000 parcels required to lay the track for the high speed rail, only 10 percent, approximately 100 parcels, have been acquired.

Supervisor Thomson noted the Governor's persistence on making the BDCP his legacy and posed that the initiative process with reduced number of signatures required may be a useful tool to prevent it from moving forward.

2. **First review of the Proposed 2015 Legislative Platform.**
Michelle Heppner, Legislative, Intergovernmental, and Public Affairs Officer for Solano County provided an overview of the proposed legislative platform noting that additional comments were received from Mr. Yoder and the City of Benicia after the agenda was already distributed. The additional comments were provided as handouts and are included as attachments to these minutes. Ms. Heppner noted that the platform was sent to the City Managers Group for input as well as to internal County departments. Ms. Heppner reminded the City-County Coordinating Council that this was the beginning of the process to update the legislative platform and is seeking their input. Ms. Heppner noted the legislative platform would come back in early 2015 for approval.

Chair Seifert asked whether the cities had their own separate legislative platforms. Jack Batchelor, Mayor of the City of Dixon and Norman Richardson, Mayor of the City of Rio Vista noted their cities do not have separate legislative platforms and rely on the legislative platform and efforts of the City-County Coordinating Council.

A discussion ensued regarding the specific nature of the comments received by the City of Benicia and the desire to keep the legislative platform broad to ensure it met the needs of the all the cities and the County from a regional perspective. Chair Seifert suggested staff meet with the City of Benicia to refine their comments into broader policy statements.

Supervisor Hannigan requested the legislative platform include numbers instead of bullets when it returns in early 2015.

Mayor Batchelor noted his appreciation for the Cap and Trade language relative to transportation which is a regional issue in Solano County. Mr. Yoder noted he would defer to Daryl Halls, Executive Director of the Solano Transportation Authority for any edits to his suggested proposal. Mr. Halls who was present at the meeting noted he was accepting of the Mr. Yoder's proposed language and would add their concern that Cap and Trade dollars would not get allocated at the local level even though the mandates under SB 375 were at the local level. Supervisor Spering noted that Solano County would do better if the Cap and Trade dollars were allocated through the Metropolitan Transportation Commission (MTC) which includes an allocation to the North Bay Counties.

Supervisor Thomson requested the legislative platform include support for the $17 million in Payment in Lieu of Taxes (PILT) monies owing to various California counties, Solano being one of them. Mr. Yoder noted that Senator Wolk did introduce a bill for PILT monies which did not make it this year and she is planning to reintroduce PILT in the 20115/2016 legislative session.

3. **Plastic Bag Ban – Implementation Update.**
   Narcisa Untal, Senior Planner with the Resource Management Department for Solano County provided a status on SB 270 (Padilla) noting that Governor Brown signed the bill on September 30th. Following the enactment of SB 270 into law, a campaign has begun to gather signatures to overturn the law. Ms. Untal noted the campaign is being charged by South Carolina Plastic Bag Corporation , owned by a Chicago equity fund who is paying signature gatherers one dollar for each signature they collect. Deadline to collect 525,000 signatures is December 29th.

4. **Transportation Project Update – Travis Air Force Base (TAFB) Area.**
   Daryl Halls, Executive Director for Solano Transportation Authority provided an update on the various projects that have a direct benefit to Travis Air Force Base. He also provided a handout with maps illustrating the areas where the projects are located. The handout is attached to these minutes for reference.

   Mr. Halls noted that the Highway 12 project is a critical corridor for the base, especially with the weapons depot to the east where a lot of their supplies come in from Highway 12 east. Mr. Halls noted that CalTrans is also working on adding a shoulder to Highway 12 just west of Rio Vista. Mr. Halls also noted that there is a small gap closure project in Rio Vista that he would be working with Assembly Member Frazier's office to secure funding for the project.

   Mr. Halls noted the benefit Jepson Parkway has for the base in terms of access. Mr. Halls noted the total project cost for both the Fairfield and Vacaville sections of Jepson Parkway will total about $58,500,000 however a section in the City of Fairfield (green section on attached map) is not yet slated for funding. The project is scheduled to be completed in four phases between 2015 and 2025.

   Mr. Halls noted the South Gate project is also a critical access project for the base which the County is implementing. He reminded the group that the funding was one of the last earmarks obtained by former Congresswoman Ellen Tauscher. The project is expected to be in construction in 2016 and completed by 2016.

   The final project Mr. Halls discussed was the Fairfield/Vacaville Intermodal Rail Station. He noted the agreement between Fairfield and the Solano Transportation

Authority has been finalized and will be before the City Council on November 18, 2014. Construction is expected to begin early in 2015.

TAFB – Public-Public / Public-Private Partnerships (P4)
Relative to the P4 Process, Ms. Corsello noted the military has contracted with company to review each military installation's opportunities to partner with other public or private agencies for mutual services and reduce each agency's costs. Ms. Corsello noted the process at Travis Air Force Base started in July 2014 and four key projects have been identified. The four projects are close to being ready for presentation and conversation to the larger group of partners and the meeting is slated for mid December. Ms. Corsello provided an overview of the four projects as follows:

1. Engineering Services: Led by the City of Vacaville and is looking at providing engineering services to the base with key projects taking into account the capacity of the City of Vacaville's Public Works Engineering staff.
2. Water Solutions: Led by the City of Fairfield with the City of Vacaville as a partner, this project is looking for an alternative water source for the base due to the Vallejo water treatment facility no longer meeting required standards and unable to provide water to Travis.
3. Consolidated Engineering Buildings: Led by the County in partnership with the City of Fairfield to examine using local funding capabilities available to cities and counties do a ground base financing to build a facility to consolidate functions into a facility which the local entities would finance until such time that it would get transferred to the base through a lease-purchase agreement.
4. Community Services Efforts: The team has been looking for ways in which to leverage some of the community service programs that exist primarily in Vacaville, Fairfield and on the base. Examples of these include management and operation of golf course and swimming pools or offsite recreational activities such as team competitions.

Chair Seifert commended Ms. Corsello on her work related to the consolidated engineering buildings project noting that it was her idea and has garnered a lot of interest at the Pentagon with Kathleen Ferguson, Principal Deputy Assistant Secretary of the Air Force.

5. Proposed CCCC 2015 Workplan.
Ms. Heppner provided an overview of the proposed 2015 Workplan which incorporates a proposed meeting schedule for 2015 of five meetings instead of four. Ms. Heppner noted the January meeting is early in the month and may not be suitable as the Governor's budget may not be released at that point. Ms. Heppner suggested moving the January meeting to February instead.
A motion was made by Mayor Batchelor and seconded by Mayor Price to move the January 8th meeting to February 12th. Meeting Schedule passed by 9-0 vote.

Relative to the Workplan, Ms. Heppner noted a request by City of Fairfield's City Manager to add an item on homelessness to a future agenda. Supervisor Spering noted a non-profit (Homeward Bound in Marin County) that has some forward thinking policies and good practices that could be approached to make a presentation to the City-County Coordinating Council at a future meeting.

Supervisor Hannigan agreed that adding homelessness as a future topic as well as Supervisor Spering's suggestion to invite Homeward Bound to share their model. She also shared that she had started an adhoc committee in conjunction with the City of Vallejo on homelessness about a year ago and believes a similar conversation at the City-County Coordinating Council would be valuable to the cities and the County.

Supervisor Vasquez suggested inviting the schools or adding the schools to the City-County Coordinating Council. Chair Seifert noted the bylaws would need to be revised to change the membership. Mayor Price asked whether Supervisor Vasquez had approached the Superintendent of Schools to which he answered he had some years ago but would be willing to touch base with him on the issue again. Chair Seifert suggested the superintendents who meet regularly could appoint a designee to be appointed to.

A motion was made by Mayor Batchelor and seconded by Mayor Price to approve the Workplan with the suggested changes to a homelessness item to March meeting and an item to add the Superintendent of Schools to the City-County Coordinating Council. Approved by 9-0 vote.

VI. ANNOUNCEMENTS:
No announcements.

VI. ADJOURNMENT: The meeting was adjourned at 8:12 p.m. The next meeting will be on March 12, 2015 in the Berryessa Room at the Solano County Water Agency located at 810 Vaca Valley Parkway, Ste 303, Vacaville, CA 95688.

<u>Additional comments regarding the Proposed 2015 CCCC State and Federal Legislative Platform</u>

City of Benicia – Brad Kilger, City Manager

Benicia has some initial comments regarding the proposed 2015 Legislative Agenda:

First, the agenda should include language that ensuring adequate drinking water supplies is a priority. This could be added to the fifth bullet under agriculture, Natural Resources, and Water and be among the Prop 1 funds targeted regionally.

Second, there should be language stating explicitly about restructuring and restoring State Parks funding within priority 4. State Realignment & Cost Shifts, or in either the ANRW or General Government legislative principles sections.

Third, the Cap and Trade bullet should be expanded to include land use and reflect regional transportation planning. (I think the Plan Bay Area priority development areas and priority conservation areas are one key to accessing cap and trade funds despite our limited density in Benicia, and countrywide.) In addition there should be a separate bullet about Cap and Trade dollars being allocated to communities/regions where a source industry (e.g. refinery) is located.

Fourth, there should be something explicit about shoreline conservation and recreation. Benicia is home to 10+ miles of Solano County's extensive shoreline, which, restoration is a stated priority of Prop 1., as well as, Active Transportation Program funding, the prospective Parks bond measure sponsored by Senator DeLeon that was set aside for 2016, and climate adaptation and flood management funding. Vallejo in particular, but also Suisun City and Fairfield, could also benefit from this focus.

Here are some more comments from staff.

Here are a few more bullet points under the "Public Safety and Emergency Disaster Preparedness" Heading...

- Support the preservation of funding levels for the California State Law Enforcement Funding (SLEF) for Municipal and County law Enforcement Agencies.
- Support and continue to enhance State funding for the AB 109 - Realignment Programs.
- Support and continue to enhance funding for the State Office of Emergency Services (OES) to provide Disaster Preparedness training opportunities through the California Specialized Training Institute (CSTI).
- Support and continue funding of the California Office of Traffic Safety (OTS) to provide local agencies with grant funding that will enhance traffic safety through education, engineering and enforcement efforts throughout the state.
- Support and continue funding of the State Alcohol Beverage Control (ABC) to assist local agencies in continuing educational, preventative and enforcement programs that will reduce the impact of alcohol on our communities.

Two additional items to consider under Public Safety/Disaster Preparedness

- Support funding for the State Office of Emergency Services (OES) to enhance Disaster Preparedness through the linking of local Emergency Operations Centers (EOC's) using a standardized software system
- Support and continue funding the California Fire Fighter Joint Apprenticeship Committee (CFFJAC) in order to provide education and training within the fire service and the setting of a professional standard for firefighters throughout the state of California.

Here are a few more staff comments.

- #3 should include preparation for changes in climate, e.g. temperature change, precipitation change, and sea level rise/increased flooding and determine best practices for incorporating these analyses in local hazard mitigation plans and emergency operations plans. This is a big part of emergency preparedness and I believe there will be funding for cities to increase these efforts.
- The second bullet under "Agriculture, Natural Resources..." - while the Army Corps can assist communities with flood hazard/flood preparation, I do think it is a local issue and we should identify resources necessary for jurisdictions to identify and prepare for localized flooding issues.
- Under same bullet point - consider adding in "preservation of wetlands as a way to mitigate stormwater runoff and rising seas."
- Under "Housing, Community, and Economic..." 4th bullet point could be expanded - short explanation of what smart growth means for less urban communities with few infill development opportunities and limited public transit access options.
- Under Public Safety, same comment as above, should mention adaptive planning/resiliency and make reference to local and regional programs instead of just federal programs (FEMA, etc.). For example, the Joint Policy Committee has been working regionally on emergency preparedness and may better understand local issues.
- Under "Resource Management..." I think there needs to be reference to cap and trade funding since it is one of the major sources of revenue that will support projects mentioned in bullet 1. Perhaps the role of the CCCCs can be clarified in relation to this particular source of funding? And will they support regional projects over just city focused projects?
- Under "Transportation" - clearer statement of the types of transit projects the CCCCs want to work on and an understanding of available funds and how they are being allocated, e.g. what barriers exist to getting funding for transit projects, think CalEnviro Screen scores, etc. I agree with the comment - what is green road maintenance?

Additional comments regarding the Proposed 2015 CCCC State and Federal Legislative Platform

Paul Yoder – Shaw/Yoder/Antwih, Inc.

Transportation

(Replace existing bullet on Cap and Trade – Page 4) Continue to seek funding from Cap and Trade for enhancements to the county's transportation network that reduce greenhouse gas emissions including transit, active transportation, congestion relief, trade corridor improvements, and clean vehicle deployment consistent with the region's sustainable communities strategy - Plan Bay Area.

Resource Management, Environmental Health, and Sustainability

(Add bullet to the end – Page 4)
Support efforts to direct Cap and Trade revenues to reduce greenhouse gas emissions in communities disproportionality impacted by large sources of industrial pollution.

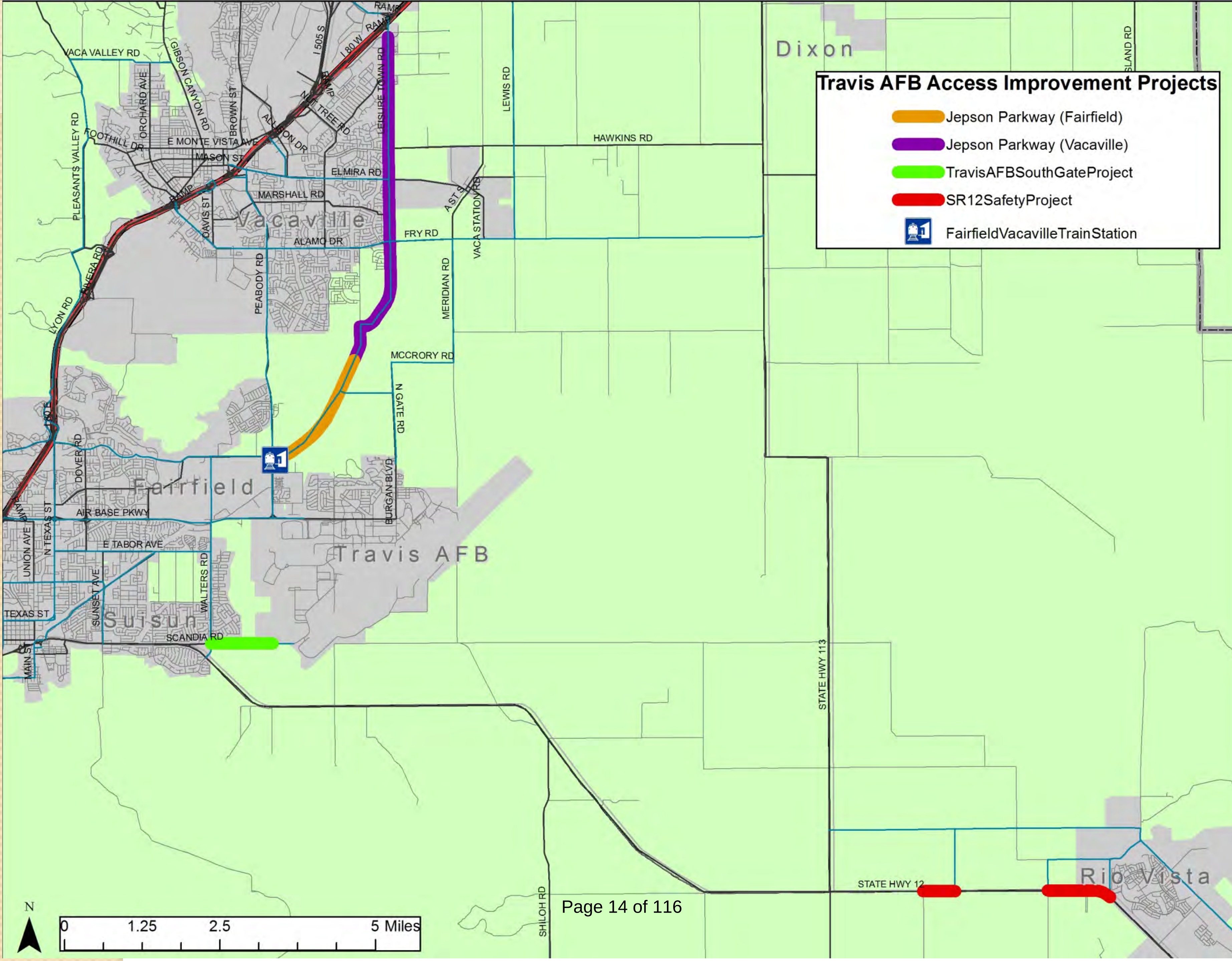
Comments regarding the Proposed Workplan

City of Fairfield – David White, City Manager

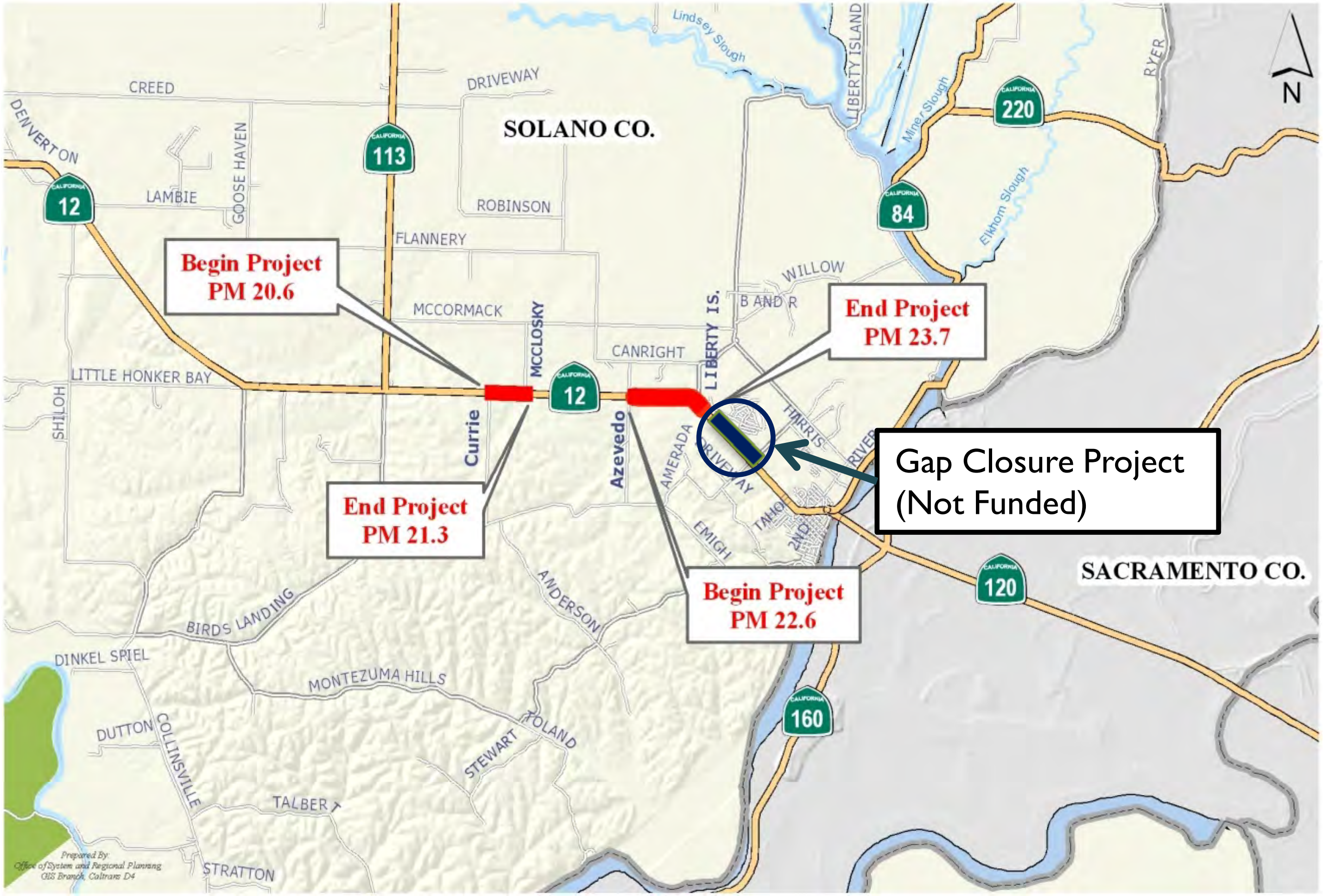
To the extent the County develops a coordinated approach to the homeless issue, you may want to include that as a topic for a future meeting. This is an issue that impacts the county and all cities.

Travis Air Force Base Transportation Access Improvements

November 13, 2014

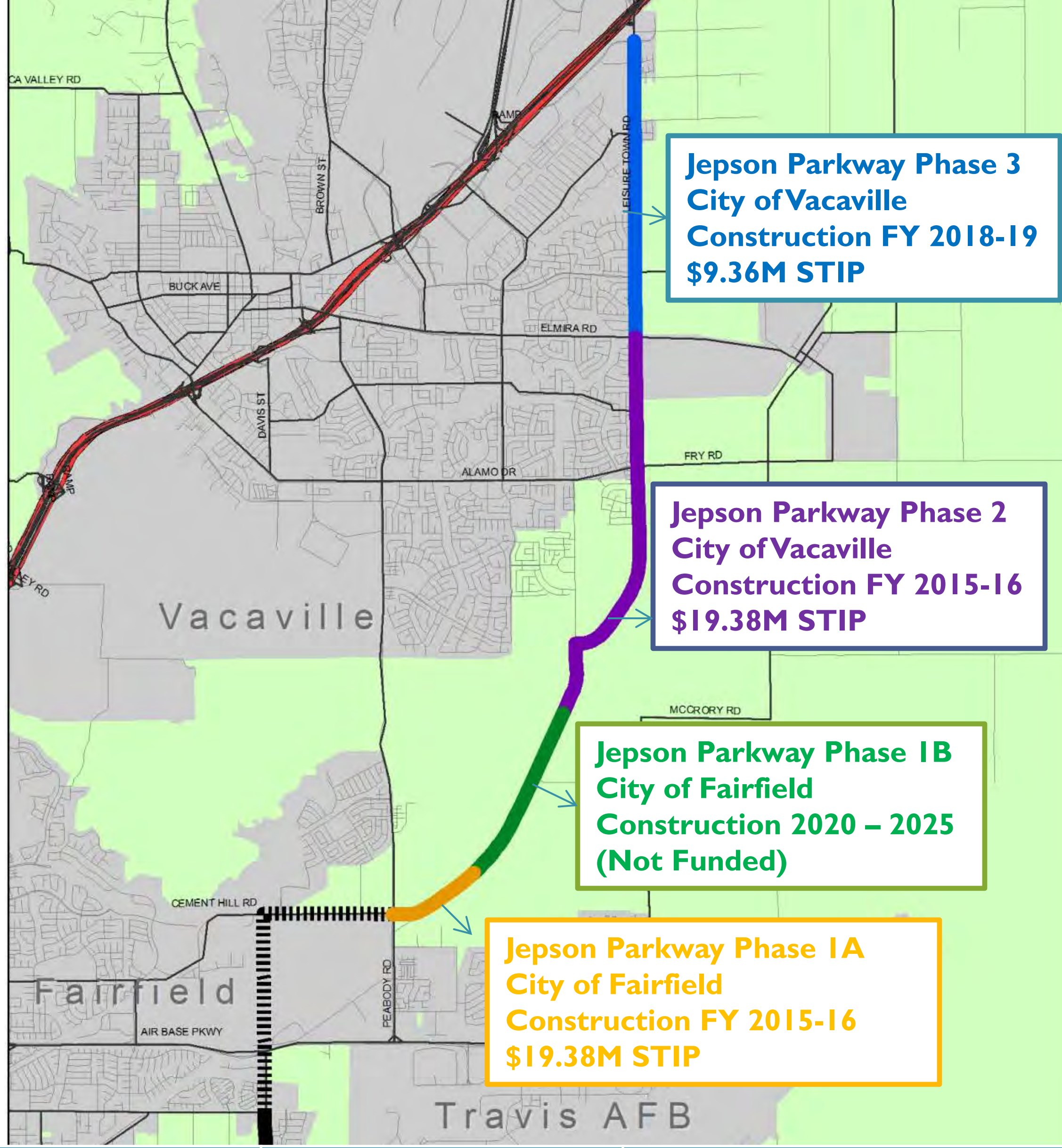

Travis AFB Access Improvement Projects
Jepson Parkway (Fairfield)
Jepson Parkway (Vacaville)
TravisAFBSouthGateProject
SR12SafetyProject
FairfieldVacavilleTrainStation
Dixon
Vacaville
Fairfield
Travis AFB
Suisun
Rio Vista
VACA VALLEY RD
HAWKINS RD
ELMIRA RD
MARSHALL RD
FRY RD
ALAMO DR
MCCRORY RD
AIR BASE PKWY
E TABOR AVE
SCANDIA RD
STATE HWY 113
STATE HWY 12
LEISURE TOWN RD
LEWIS RD
MERIDIAN RD
VACA STATION RD
N GATE RD
BURGAN BLVD
PEABODY RD
WALTERS RD
SHILOH RD
PLEASANTS VALLEY RD
FOOTHILL DR
E MONTE VISTA AVE
MASON ST
N TEXAS ST
TEXAS ST
UNION AVE
SUNSET AVE
DOVER RD
MAIN ST
LYON RD
RIVERA RD
I 505 S
I 80 W
NUT TREE RD
ALLISON DR
GIBSON CANYON RD
ORCHARD AVE
BROWN ST
DAVIS ST
N
0
1.25
2.5
5 Miles

SR12 Safety Project Status & Location



Project Sponsor	Percent Complete	Total Project Cost (Est.)	Project Completion Expected	Notes
Caltrans	75%	$10,936,000	3/1/2015	Project currently in construction phase. Will be completed in March 2015.

Jepson Parkway Current Status



Project Sponsor	Percent Complete	Total Project Cost (Est.)	Project Completion Expected	Notes
Fairfield & Vacaville	0%	$58,500,000	2018	Both project segments fully funded

Travis AFB:
South Gate Improvement Project

Project Sponsor	Percent Complete	Total Project Cost (Est.)	Project Completion Expected	Notes
County of Solano	0%	$2,547,000	Fiscal Year 15/16	Construction E76 submitted, waiting for CT approval. Mitigation purchase will occur Fall 2014 and CON in the spring of 2015

Fairfield/Vacaville Intermodal Rail Station

Project Sponsor	Percent Complete	Total Project Cost (Est.)	Project Completion Expected	Notes
Fairfield	0%	$70,000,000	3/1/2017	Going to City Council to approve CON contract 11-18-14. Waiting on a loan agreement with STA. CE NEPA clearance soon.

SOLANO
City County Coordinating Council
Staff Report

Meeting of. February 12, 2015

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:
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 9, Governor Jerry Brown released his proposed FY15/16 state budget. Governor Brown's recently released budget totals $160.3 billion, of which he proposes to spend $113.3 billion from the state's General Fund in FY15/16, an increase of $1.6 billion (1.4 percent) over the estimated spending level for the current fiscal year FY 14/15. While the Governor's proposed budget includes long-term plans for paying down budgetary debt and saving for a rainy day, it lacks a similar vision for reinvesting in people and communities and ensuring that all Californians share in the state's economic gains. More specific information on the Governor's budget is contained in attachments 1 and 2 from California State Association of Counties (CSAC) and the Legislative Analyst's Office (LAO).

On February 2, the Obama administration delivered its fiscal year 2016 budget request to Congress. Release of the tax and spending blueprint represents the first official step in the budget and appropriations process for the fiscal year that begins on October 1. The president's budget proposes to spend nearly $4 trillion in fiscal year 2016 while assuming same-year revenues of $3.53 trillion. The resulting $474 billion deficit would equate to 2.5 percent of gross domestic product (GDP), slightly down from the estimated 2.6 percent in fiscal year 2015. Over ten years, the administration estimates that its budget policies would reduce cumulative deficits by $1.8 trillion. More specific information on the President's budget request is contained in Attachment 3 in a memorandum from the County's Federal Legislative Advocates, Waterman and Associates.

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

Recommendation: Receive update on legislative matters of concern.

Attachments:
1. CSAC Analysis of the Governor's Budget
2. LAO Overview of the Governor's Budget
3. Waterman & Associates Analysis of the President's Budget Request

BUDGET ACTION BULLETIN

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Governor's Proposed Budget
January 9, 2015

January 9, 2015

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: **The 2015-16 Governor's Budget Proposal**

Overview

Governor Brown unveiled his budget proposal today, touting its balance but continuing to warn against exuberance. As he has in past years, he proposed using the state's improved revenues to pay down debt and increase spending on education and healthcare. His warning against spending too much for ongoing programs is based on his desire to avoid, in his words, "stop and start" budgeting in favor of "steady as you go."

The Governor is proposing to pay local governments $533 million for pre-2004 mandate debt, as required by the current year budget. About 73 percent of those funds, or $390 million, would go to counties. County-by-county estimates of those funds are included later in this document.

To account for an increase in caseload and continued system functionality problems, the Governor has proposed an increase of $150 million for county Medi-Cal administration. He has also made a number of proposals and outlined factors that together could affect counties' MOE requirement for In-Home Support Services. Details on these proposals are in the Health and Human Services section of this summary.

The Governor proposes using $1 billion in cap and trade funding for programs that will reduce greenhouse gas emissions, including $200 million to fund the Affordable Housing and Sustainable Communities program.

Proposition 1 funds make their first appearance in this year's budget, as the Governor's proposes using $532.5 million of the water bond, including $22 million for groundwater and $135 million for safe drinking water.

Counties will also be pleased to note the Governor's proposals to provide ongoing funding for PILT (payments in lieu of taxes) in the amount of $644,000 and a combination of one-time and ongoing funding for California's network of fairs totaling about $10 million.

For county probation efforts, SB 678 has been calculated at $125 million for 2015-16. These funds will continue to provide an incentive for keeping those on probation from reoffending.

The Governor is proposing a number of changes to the laws governing the dissolution of redevelopment agencies. The changes, under the general heading of “streamlining” aim at minimizing the erosion of the return of property taxes, clarifying various ambiguities in the dissolution statutes, and maintaining the expeditious wind-down of RDA activities while adding new incentives for substantial compliance with the law.

As he did last year for CalSTRS—the teachers' retirement system—the Governor has introduced a plan to deal with the state's enormous retiree healthcare liability. The plan would begin prefunding those costs in the budget year with a goal of funding them completely within thirty years.

Although it doesn’t directly affect counties, the largest part of the state’s budget is K-14 education. The Governor is proposing a total increase of $2.5 billion in the Proposition 98 guarantee. Compared to 2011-12, this represents an increase of about $2,600 per student.

The budget proposal also includes $478 million for deferred maintenance at universities, parks, prisons, hospitals, and other state facilities. However, there is no specific plan to fund the huge maintenance needs of the state and local road systems.

For questions about any of the issues covered in this summary, please contact CSAC staff.

2015-16 Governor's Budget
General Fund Budget Summary
($ in millions)

	2014-15	2015-16
Prior Year Balance	**$5,100**	**$1,423**
Revenues and Transfers	$108,042	$113,380
Total Resources Available	**$113,142**	**$114,803**
Non-Proposition 98 Expenditures	$65,071	$66,279
Proposition 98 Expenditures	$46,648	$47,019
Total Expenditures	**$111,719**	**$113,298**
Fund Balance	**$1,423**	**$1,505**
Reserve for Liquidation of Encumbrances	$971	$971
Special Fund for Economic Uncertainties	$452	$534
Budget Stabilization Account / Rainy Day Fund	**$1,606**	**$2,826**

General Fund Revenue Sources
($ in millions)

	2014-15	**2015-16**	**$ Change**	**% Change**
Personal Income Tax	$71,699	$75,213	$3,514	4.9%
Sales and Use Tax	23,438	25,166	1,728	7.4%
Corporation Tax	9,618	10,173	555	5.8%
Insurance Tax	2,490	2,531	41	1.6%
Alcoholic Beverage Taxes and Fees	367	374	7	1.9%
Cigarette Tax	84	82	-2	-2.4%
Motor Vehicle Fees	20	21	1	5.0%
Other	1,932	1,040	-892	-46.2%
Subtotal	**$109,648**	**$114,600**	**$4,952**	**4.5%**
Transfer to Budget Stabilization Account / Rainy Day Fund	-1,606	-1,220	-386	-24.0%
Total	**$108,042**	**$113,380**	**$5,338**	**4.9%**

General Fund Expenditures by Agency
($ in millions)

	2014-15	2015-16	$ Change	% Change
Legislative, Judicial, Executive	$3,007	$3,131	$124	4.1%
Business, Consumer Services & Housing	839	639	-200	-23.8%
Transportation	158	237	79	50.0%
Natural Resources	2,497	2,561	64	2.6%
Environmental Protection	78	68	-10	-12.8%
Health and Human Services	30,490	31,929	1,439	4.7%
Corrections and Rehabilitation	9,995	10,160	165	1.7%
K-12 Education	47,121	47,173	52	0.1%
Higher Education	12,947	14,063	1,116	8.6%
Labor and Workforce Development	282	265	-17	-6.0%
Government Operations	730	701	-29	-4.0%
General Government:				
Non-Agency Departments	1,267	676	-591	-46.6%
Tax Relief / Local Government	446	444	-2	-0.4%
Statewide Expenditures	256	1,251	995	388.7%
Supplemental Payment to the Economic Recovery Bonds	1,606	-	-1,606	-100.0%
Total	**$111,719**	**$113,298**	**$1,579**	**1.4%**

Government Finance and Operations

Redevelopment Dissolution Process

Counties will be interested to review the Administration's proposals to streamline the redevelopment dissolution process. Obviously, there is considerable work required of the Department of Finance in reviewing biannual Recognized Obligation Payment Schedules (ROPS) every six months. Furthermore, about 85 percent of all active successor agencies have complied with statutory audit finding and received a Finding of Completion. Achieving this milestone has prompted the Administration to propose legislative changes to add finality to the entire dissolution process and reduce the administrative burdens on successor agencies and the Department of Finance.

The Governor's proposal seeks to achieve the following objectives:

- Minimize the potential erosion of property tax residuals being returned to the local affected taxing entities (short and long term) while transition the state from detailed review of enforceable obligations to a streamlined process.
- Clarify and refine various provisions in statute to eliminate ambiguity, where appropriate, and make the statutes operate more successfully for all parties without rewarding previous questionable behavior.
- Maintain the expeditious wind-down of former RDA activities while adding new incentives for substantial compliance with the law.

Specifically, the Administration proposes to transition all successor agencies from a biannual ROPS process to an annual ROPS process beginning July 1, 2016, when the successor agencies transition to a countywide oversight board.

The Governor also proposes to establish a "Last and Final" ROPS process beginning September 2015. The Last and Final ROPS will be available only to successor agencies that have a Finding of Completion, are in agreement with Finance on what items qualify for payment, and meet other specified conditions. If approved by Finance, the Last and Final ROPS will be binding on all parties and the successor agency will no longer submit a ROPS to Finance or the oversight board. The county auditor-controller will remit the authorized funds to the successor agency in accordance with the approved Last and Final ROPS until each remaining enforceable obligation has been fully paid.

The proposed legislation will also clarify that:

- Former tax increment caps and RDA plan expirations do not apply for purposes of paying enforceable obligations.
- Reentered agreements that are not for purposes of providing administrative support activities are not authorized or enforceable.
- Litigation expenses associated with challenging dissolution determinations are to be included in administrative costs of the successor agency. They are not separate enforceable obligations.

- Contractual and statutory passthrough payments end upon termination of all of a successor agency's enforceable obligations.
- Finance is exempt from the regulatory process (as provided in existing law).
- County auditor-controllers' offices will serve as staff for countywide oversight boards.

The Governor's budget proposal notes that, since the dissolution process began, the Legislature has put forth various proposals to change the dissolution process. Any such proposals would need to fit within the principles laid out above to meet the Governor's approval. The Administration notes that they are committed to working with stakeholders to seek common ground.

Mandates

As he indicated in his State of the State speech earlier in the week, the Governor proposes to pay an additional $533 million toward the pre-2004 mandate debt.

This payment is actually part of the current year budget, which contains trigger language promising to this purpose any revenue above estimates, after accounting for schools' constitutional guarantee. If revenues improve between now and the May Revision, this payment could increase.

Proposition 2, the Rainy Day Fund measure that voters approved in November, requires certain funds to be used to pay down certain debts. The pre-2004 mandate debt is specifically included as an allowable expense for those purposes.

The Governor also proposes to pay the back costs of $9.6 million for the Public Records Act mandate. In June, voters passed Proposition 42, which relieves the state from future payments for this mandate.

However, it's not all good news on state mandates. The Governor proposes to suspend the Interagency Child Abuse and Neglect Investigation Reports mandate (commonly called ICAN). This mandate prescribes specific actions, reports, and certain due process protections. It does not allow any flexibility for local agencies to modify its requirements to better suit local circumstances or best practices.

But the Governor is proposing to suspend this mandate to avoid paying the $90.3 million in costs counties incurred complying with the mandate between 1999 and 2011. His reasoning is that “these activities are long-established and involve the agencies’ core missions.” Counties might retort that the activities are “long-established” because the Commission on State Mandates took fifteen years to approve the claim and estimate its costs, despite their statutory requirement to do so in one year. The Governor is proposing a new $4 million optional grant program to fund these activities, but replacing constitutionally guaranteed reimbursement with an optional grant program for about half of the amount of actual annual costs is inadequate.

The table below represents our best estimate of the county-by-county shares of the pre-2004 mandate payments.

Alameda	$ 15,369,290
Alpine	$ -
Amador	$ 717,008
Butte	$ 2,365,326
Calaveras	$ 260,056
Colusa	$ 58,827
Contra Costa	$ 9,721,520
Del Norte	$ 222,378
El Dorado	$ 2,342,221
Fresno	$ 7,738,206
Glenn	$ 222,543
Humboldt	$ 926,567
Imperial	$ 1,027,096
Inyo	$ 309,721
Kern	$ 6,424,585
Kings	$ 1,059,087
Lake	$ 502,843
Lassen	$ 184,178
Los Angeles	$ 88,036,063
Madera	$ 546,554
Marin	$ 7,587,969
Mariposa	$ 278,812
Mendocino	$ 1,849,883

Merced	$ 1,284,184
Modoc	$ 92,865
Mono	$ 180,623
Monterey	$ 8,786,580
Napa	$ 3,167,646
Nevada	$ 1,031,078
Orange	$ 39,189,017
Placer	$ 6,841,625
Plumas	$ 198,521
Riverside	$ 26,656,881
Sacramento	$ 14,581,068
San Benito	$ 454,148
San Bernardino	$ 12,542,583
San Diego	$ 23,833,079
San Francisco	$ 17,091,951
San Joaquin	$ 3,917,699
San Luis Obispo	$ 3,435,713
San Mateo	$ 8,981,615
Santa Barbara	$ 5,175,265
Santa Clara	$ 24,517,968
Santa Cruz	$ 3,528,753
Shasta	$ 1,522,829
Sierra	$ 18,969

Siskiyou	$	1,301,650
Solano	$	5,537,092
Sonoma	$	4,843,440
Stanislaus	$	4,307,562
Sutter	$	1,203,359
Tehama	$	1,117,968
Trinity	$	106,968
Tulare	$	1,501,370
Tuolumne	$	734,058
Ventura	$	11,865,822
Yolo	$	2,253,023
Yuba	$	459,430
Total	**$**	**390,013,135**

Insufficient ERAF

As in years past, the Governor's proposed budget includes funding for Alpine, Amador, and San Mateo Counties to fully fund their Vehicle License Fee Swap amounts for 2013-14. Other counties fund this swap through ERAF, but these counties do not have sufficient funds available to them to fully fund the swaps that way.

Economic Recovery Bonds and the Triple Flip

The Governor's budget anticipates paying off the last of the Economic Recovery Bonds in the budget year. The bonds, which were approved by voters as Proposition 57, are funded by a mechanism famously referred to as the "triple flip." The triple flip dedicates a quarter-cent of the local sales tax to paying off the state's bonds, then reimburses locals with a like amount of property taxes from schools via ERAF. As the triple flip ends, the quarter cent will automatically shift back to counties and cities. The end of the triple flip, which has become one of the symbol of the complicated fiscal maneuvers that became so common during the decade of deficits, marks the end of an era.

Sales and Use Taxes

The sales and use tax is one of the state's "Big Three" revenue streams, along with the personal income tax and the corporations tax. In recent years, it has become more important to counties, since it is the funding source for 1991 realignment, Proposition 172 funds for public safety, and 2011 realignment, not to mention the local Bradley-Burns and countywide transportation.

The Governor's budget documents report that taxable sales increased by 6 percent in 2012-13, and that they likely rose 5.7 percent in 2013-14. They estimate increases of 4 percent in 2014-15 (slowed by the implementation of the manufacturing tax exemption that replace enterprise zones) and 5.7 percent in 2015-16.

Also worth noting here is the discussion Senator Robert Hertzberg has started about tax reform. His SB 8, while currently only a spot bill, seeks to reform taxes by simplifying the income tax, evaluating the corporation tax, and extending the sales tax to some services.

Property Taxes

The Governor's budget estimates property taxes, which are relevant to the state's budget only as they relate to school funding. The budget estimates that, as home values continue to rise and sales volume continues to grow—though both are doing so more slowly than they did in the past couple years—statewide property tax revenues will continue to show "steady, positive growth." Specifically, the state estimates these revenues to increase 6.1 percent in 2014-15 and 5.25 percent in 2015-16.

Administration of Justice

2011 Realignment

The Governor's budget updates revenue assumptions for 2011 Realignment programs and details for the first time base and growth assumptions for 2015-16. Notably, those figures for the Community Corrections Subaccount (AB 109) are estimated to be $1.06 billion in base and $113.7 million in growth. Also significant for counties' planning purposes is that the 2014-15 Community Corrections Subaccount growth figure—an allocation that will be made in September or October 2015—has been revised downward to $127.7 million. By way of comparison, the most recent revenue estimates from the Governor's 2014 May Revision had estimated the 2014-15 growth level at $151.8 million. The estimated 2011 Realignment revenue levels will be revisited and revised in this spring's May Revision.

Counties should also note that the Enhancing Law Enforcement Activities Subaccount—which funds a dozen or so local assistance programs including Citizens' Option for Public Safety, the Juvenile Justice Crime Prevention Act, rural and small county sheriffs program, among others—should achieve its guaranteed funding level of $489.9 million with VLF alone, with healthy growth available in 2014-15 (an estimated $36.2 million) and 2015-16 (an estimated $56.2 million).

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

SB 678 Funding

The budget assumes sustained SB 678 funding, reflecting counties' ongoing success under the 2009 performance-based probation funding program. Using the same methodology as that which was employed in 2014-15, the Governor's proposed budget estimates $125 million would be available for distribution to county probation departments in 2015-16. The budget narrative indicates that the Department of Finance plans to continue work with the Judicial Council, Chief Probation Officers of California (CPOC), and the California Department of Corrections and Rehabilitation (CDCR) on revising the SB 678 formula to account for population impacts associated with recent reforms—specifically 2011 public safety realignment and Proposition 47. The budget recognizes the significance of this funding stream in supporting probation's important evidence-based prevention and intervention efforts.

Recidivism Reduction Fund (SB 105, 2013)

In 2013, as the result of a negotiated agreement between the Administration and Legislature, the Governor approved SB 105, which authorized expenditures of up to $315 million to support the state's efforts to comply with the three-judge panel prison population reduction order. As specified in that measure, the state was to dedicate any unspent SB 105 funds to the Recidivism Reduction Fund (RRF). In 2014-15, the RRF apportioned a total of $91 million to an array of recidivism reduction and crime prevention programs. The Governor's budget assumes that an additional $26.2 million will be available in the RRF in 2015-16, both because of additional savings ($12.2 million) achieved above the 2014 Budget Act assumptions and unspent resources ($16 million) from the current year due to delays in program implementation.

Further, pursuant to the provisions of SB 105, the Department of Finance is expected to release its final report today on an assessment of the state prison system and recommendations regarding cost-effective, balanced public safety solutions. At the time of this writing, the final report—which follows an interim report published on April 1, 2014—is not yet available. It will be posted on the Department of Finance's website.

Court-Ordered Debt Collection: Amnesty Program

The Governor's budget assumes additional revenue associated with an 18-month amnesty program for debt that was delinquent as of January 1, 2013. The narrative notes that the State Penalty Fund—which, in turn, distributes revenues to eight special funds—has experienced a significant decline in recent years, causing structural deficits in the programs it supports. Notably, the Peace Officers' Training Fund and the Corrections Training Fund are expected to become insolvent in 2015-16. The amnesty program is intended to help address the insolvency issue, and the budget assumes approximately $12 million in additional penalty assessment revenue resulting from implementation of the amnesty effort. The Administration expresses a commitment to address the long-term solvency of the State Penalty Fund.

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. As counties will recall, the federal court granted the state in a February 2014 order, an additional two years to meet the previously imposed population cap. Before February 28, 2016, the state must reach 137.5 percent of design capacity, and it appears that through the use of a variety of measures—such as infill expansion and use of contract beds—the threshold will be reached by the deadline.

The Governor's budget details the status of the various population reduction strategies that are underway. These strategies, all of which have been discussed in court documents, include:

- Prospective credit-earning increase for non-violent and non-sex registrant second strikers.
- Parole determination process for certain inmates with indeterminate sentences with future parole dates.
- Expanded medical parole process.
- New parole process for inmates 60 years or older having served a minimum of 25 years.
- Activation of 13 prison reentry hubs.
- Expanded alternative custody program for female inmates.
- New (beginning January 1, 2015) parole determination process for non-violent, non-sex registrant second strikers who have completed 50 percent of their sentence.
- Increased credit earnings (effective January 1, 2015) for certain minimum custody inmates.
- Expansion of pilot reentry programs with additional counties and local communities.

The budget includes an additional $16 million in funding that will be directed to county probation departments to cover costs associated with the increase in post-release community supervision population as the result of the two measures implemented in January 2015.

Proposition 47

The Governor's 2015-16 budget does not allocate new funds – with the exception of an augmentation to the courts' budget for workload impacts – associated with the implementation of sentencing changes enacted pursuant to the voter-approved initiative. The budget narrative reiterates the provision in Proposition 47 that the state must calculate state correctional savings achieved as a result of the measure's provisions by July 31, 2016 (and every July thereafter). Any identified savings for the first year of implementation would be allocated in 2016-17, as specified in the initiative. The majority of the savings would be dedicated to behavioral health programs (65%), with a portion earmarked for truancy prevention programs (25%) and the balance to increase victim services grants (10%).

Cross-Cutting Issues with Health and Human Services

Please refer to the Health and Human Services section for a summary of the budget's discussion of two issues with implications for the criminal justice system: the Incompetent to Stand Trial (IST) and the high cost of certain pharmaceuticals, specifically Hepatitis C treatment.

Judicial Branch

The budget proposes $180 million in judicial branch augmentations, largely consistent with a two-year funding approached agreed to in 2014-15. The funding increases tie to the following programmatic or operational impacts:

- $90.1 million to support trial court operations.
- $42.7 million to cover trial court employee costs.
- $19.8 million to offset flagging fine and penalty revenues assumed in 2015-16.
- $26.9 million to cover increased court workload associated with the implementation of Proposition 47.

Also of interest to counties is the Administration's interest in exploring funding for dependency counsel. Noting that in certain jurisdictions caseloads for counsel who represent abused and neglected children and their parents in dependency cases run far above a recommended standard, the budget commits to examining – with the involvement of the Judicial Council – a caseload‐based allocation methodology as well as ways to reduce the number of cases per attorney.

City Law Enforcement Grants
The budget proposes another round of grants ($40 million) to support city law enforcement activities. The BSCC, as it has in previous years, would function as the state administrative agency to disburse the grants to individual cities that serve as a fiduciary agent in each jurisdiction.

Agriculture, Environment, and Natural Resources

The Governor's budget includes a number of proposals for the funding of environmental protection and natural resources programs. In addition to Cap and Trade and Water Bond allocations, this year's budget includes funding for select programs that have not been funded in many years, including funding for the network of fairs and Payment in Lieu of Taxes (PILT) funds—funding owed to local governments for lost property taxes and assessments as a result of the establishment of a wildlife management area.

Cap and Trade Funding
The Governor proposes to appropriate $1 billion in Cap and Trade revenues. This represents an approximate $130 million increase from the FY 14-15 expenditure plan. The proposed allocation is as follows:

Investment Category	*Department*	*Program*	*Amount*
Sustainable Communities & Clean Transportation	High Speed Rail Authority	High Speed Rail Project	$250M
	Transportation Agency	Transit and Intercity Rail Capital Program	$100M
	State Transit Assistance	Low Carbon Transit Operations Program	$50M
	Strategic Growth Council	Affordable Housing & Sustainable Communities	$200M
	Air Resources Board	Low Carbon Transportation	$200M

Energy Efficiency & Clean Energy	Dept. of Community Services and Development	Energy Efficiency Upgrades & Weatherization	$75M
	Energy Commission	Energy Efficiency for Public Buildings	$20M
	Dept of Food & Ag	Agricultural Energy & Operational Efficiency	$15M
Natural Resources & Waste Diversion	Dept of Fish & Wildlife	Wetlands & Watershed Restoration	$25M
	Dept of Forestry & Fire Protection	Fire Preservation & Urban Forestry Projects	$42M
	Cal Recycle	Waste Diversion	$25M
TOTAL			***$1.002B***

The Governor's Cap and Trade expenditure proposal is largely similar to last year's plan, funding the same categories included in his adopted FY 14-15 expenditure plan at largely the same levels, with an increase to the Affordable Housing and Sustainable Communities fund (increase of $70 million from FY 14-15), the Fire Prevention and Urban Forestry Program (increase of $25 million), the Low Carbon Transit Operations Program (increase of $25 million), and the Transit and Intercity Rail Capital Program (increase of $75 million). One quarter of investments will be specifically targeted to benefit disadvantaged communities, as required by law. The Governor's budget proposal includes statements of intent to develop a midterm 2030 goal, and reaffirms the commitment to reduce GHG emissions 80 percent below 2020 levels by 2050. As you may recall, AB 32 sets a 2020 goal of reducing GHG emissions to 1990 levels. The summary indicates that the Governor will work with the Legislature and stakeholders to develop strategies to reach a 2030 goal with a focus on decarbonizing electricity, energy efficiency, reducing Vehicle Miles Traveled (VMT), enhancing natural and working lands to sequester carbon, and other things.

Funding under the Affordable Housing and Sustainable Communities (AHSC) funding category, specifically the $200 million allocated to the Strategic Growth Council (SGC), is intended to continue to provide funding to regions for the implementation of SB 375 and like projects that reduce greenhouse gas emissions and promote sustainable growth, including the preservation of agricultural lands, and local planning that promotes infill development and the reduction of Vehicle Miles Traveled. SCG has yet to release the revised guidelines for this new program, thus no funds from FY 14-15 have been allocated as of yet.

California Water Action Plan

The California Water Action Plan, which the Governor released 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 Budget proposes $1.7 billion in investments to implement this five-year roadmap towards sustainable water management. This funding would be allocated to Action Plan priorities as detailed in the following sections.

2014 Water Bond—Proposition 1

The Budget proposes $532.5 million as the first year allocation of a multi-year plan to spend funds consistent with the Action Plan.

As noted in the chart below, $135 million of Proposition 1 bond funds will be made available to the State Water Resources Control Board for safe drinking water, with $66.3 million for waste water treatment projects and $69.2 million for safe drinking water in small disadvantaged communities. The Governor's proposal acknowledges the problems with public water systems in disadvantage communities. It also says that the Administration will work with local governments and other interests to bring these systems into compliance with state and federal safe drinking water standards.

Regarding the $2.7 billion for water storage, officials with the Department of Water Resources (DWR) have indicated that the State Water Commission is working to finalize the regulations that would govern distribution of the storage funds based on public benefits of the projects. It is estimated that the Commission will finish that work in December 2016 and that 2017 is the earliest that allocation of the funds would take place.

Investment Category	***Department***	***Program***	***Amount***
Safe Drinking Water	State Water Resources Control Board	Waste Water Treatment Projects	$66.3
	State Water Resources Control Board	Safe Drinking Water in Small Disadvantaged Communities	$69.2

Watershed Protection and Restoration	State Conservancies	Watershed Projects	$83.5
	Wildlife Conservation Board	Enhanced Stream Flow Projects	$38.9
	Santa Monica and San Gabriel Conservancies	Urban Rivers and Creeks	$19.1
	Dept of Fish and Wildlife	Watershed Restoration Projects (non-Delta)	$36.5
Regional Water Reliability	Department of Water Resources	Integrated Regional Water Management Program	$32.8
	Department of Water Resources	Water Conservation	$23.2
	State Water Resources Control Board	Stormwater Management	$0.6
Water Storage	Department of Water Resources	Statewide Water System Operational Improvement	$3.3
Water Recycling	Department of Water Resources	Water Recycling and Desalination	$5.5
	State Water Resources Control Board	Water Recycling and Treatment Technology Projects	$131.7
Groundwater Sustainability	Department of Water Resources	Groundwater Management Planning	$21.3
	State Water Resources Control Board	Groundwater Contamination	$0.6
TOTAL			***$532.5***

Flood Protection

The Budget proposes to appropriate the remaining $1.1 billion from the 2006 Flood Protection Bond to support flood protection activities of DWR. The bulk of this funding will be for projects in the Central Valley that benefit State/Federal project levees. Because the bond measure specifies that these funds be available for appropriation until July 1, 2016, the Administration is seeking the enactment of legislation that appropriates these funds early in the legislative session, prior to enactment of the Budget Act.

The budget does not include a proposed allocation of the $100 million provided by Proposition 1 for other statewide flood protection projects.

Groundwater Management
As expected, the Governor's budget includes funding for implementation of the 2014 Sustainable Groundwater Management Act. Specifically, the Budget proposes $6 million General Fund for DWR to provide technical assistance to local agencies and to adopt regulations on basin boundary adjustments and the development of groundwater sustainability plans.

Proposition 1 included $100 million in grant funding for development and implementation of groundwater management plans. As noted in the chart above, the Governor's Budget proposes $21.3 million of Proposition 1 funds for this purpose.

In-Stream Flows
To enhance flows in certain stream systems in the State the Budget proposes $2.2 million General Fund and $1.8 Water Rights Fund for the Water Board and the Department of Fish and Wildlife (DFW). According to DFW officials, there are watersheds around the state where DFW and the Board working with landowners, water users, and conservationists can use sound science and improve streamflow for salmon and water reliability for local communities. These include streams in the Russian River basin, along the north coast and in the north state, in the Upper Sacramento, and along California's central coast, like the Ventura. The Board and DFW expect to seek additional public involvement on prioritizing important streams for collaborative and science based efforts for restoration and reliability.

Delta Plan Implementation
The Budget proposes to provide the Delta Stewardship Council with $6.7 million General Fund and $2.6 million other funds to implement the Delta Science Plan, incorporate the Bay Delta Conservation Plan into the Delta Plan, and coordinate federal approval of the Delta Plan.

Water Management Operations Improvements
Regarding the Administration's interest in expediting the review and processing of voluntary water transfers, the budget provides $1.4 million General Fund for DWR to identify water management operation improvements during drought conditions and streamline water transfers.

Emergency Drought Response

The Governor's Budget also proposes, should existing drought conditions continue through next year, $115 million ($93.5 million General Fund) on a one-time basis to continue the critical drought response efforts by various state departments and offices.

Office of Emergency Services

The budget provides $10 million from the Regional Railroad Accident Preparedness and Immediate Response Fund to coordinate with local agencies to better prepare for and respond to emergencies involving hazardous materials transported by railroad tank cars. This funding will come from the reestablishment of a fee on hazardous materials transported by railroad tank cars throughout California.

Payment in Lieu of Taxes (PILT)

The Governor's proposed budget includes $644,000 to fund Payments in Lieu of Taxes for 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. This is the first time the state has funded PILT since the 2002-03 budget. The allocation does not include any back payments owed to counties, totaling approximately $17 million. The current allocation has already deducted the school portion of PILT, thus the $644,000 is direct funding to local governments.

Fairs

This budget includes $10 million in funding for the network of fairs, including approximately $3 million in General Fund money to assist with fair operations and $7 million for deferred maintenance at fairs. This is included as part of the Governor's Five Year Infrastructure Plan, which continues to highlight the need for resources to fund the Administration's infrastructure priorities. General Fund support for fairs was eliminated in 2011.

Parks and Recreation
The Governor's budget proposes several actions to "strengthen" the state park system. These proposals include the establishment of a "Transformation Team"—a group to lead the department in executing structural and sustainable reforms over a two-year period. The budget also proposed modernizing fee collection and technology in the State Park system, increasing cabins in state parks and improving information and financial accountability. The budget also includes a one-time increase of $16.8 million in funding for state parks to continue with existing service levels and $125 million General Fund for deferred maintenance in state parks.

Employee Relations

Retiree Health Care Unfunded Liability
Of the state's $227 billion in long-term costs and liabilities, those associated with state employee retirement benefits comprise $222 billion. Of this, a $72 billion unfunded liability exists for state retiree health benefits. To reduce these costs but maintain health care benefits for retired state employees, the Governor's proposal calls for the state and its employees to share equally in the prefunding of retiree health benefits (the state is currently on a pay-as-you-go-basis for these benefits). This cost-sharing proposal, which must be negotiated with respective labor unions, will be phased in as labor contracts come up for renewal. The Governor expects this proposal, along with investment returns, to eliminate the unfunded liability by fiscal year 2044-45 at an annual cost to the state of about $600 million. Absent such action, the unfunded liability will increase to $90 billion in five years.

In-Home Supportive Services (IHSS)

- **Restoration of Cuts.** The Governor's Budget proposes to restore last year's seven-percent reduction in IHSS service hours via a new tax on managed care organizations that takes effect July 1, 2015.
- **Overtime.** The Governor in his budget proposal declares the state's intention to delay implementation of the U.S. Department of Labor (DOL) regulations requiring overtime pay for domestic workers effective January 1, 2015. Counties will recall that a federal district court last month ruled that this particular regulation did not fall under DOL's authority and delayed implementation of the regulations. Further action by the federal court is expected prior to January 15, 2015. Accordingly, under state law, California's implementation of those regulations is delayed until further court action.

Workforce Investment Act

Federal guidelines for the new Workforce Act will be released in early 2015; as such, the May Revision will include more details regarding an expected increase in discretionary funding for regional workforce needs and certain employment barriers, including:

- SlingShot Regional Grants, which address regional barriers to employment through innovative workforce development, training, employer engagement and career education approaches, and
- Regional Workforce Accelerator Program Grants for partnerships for job training, support services and job placement assistance for the long-term unemployed, veterans, low-income individuals seeking jobs (including CalWORKs) recipients) and others with barriers to employment.

The Governor's budget also includes a $14 million increase for existing apprenticeship programs and $15 million for new apprenticeship programs in emerging industries.

Health and Human Services

Medi-Cal

Counties play a critical role in the implementation of the Affordable Care Act (ACA) and continue to conduct the Medi-Cal eligibility work on behalf of the State. To account for an increase in caseload and continued state-based computer system functionality problems, the Governor included an additional $150 million ($48.8 million General Fund) in the current year (2014-15) for county administration of the Medi-Cal program. The budget also continues the increase of $240 million ($78 million General Fund) from the 2014-15 budget into 2015-16. Counties wish to thank the Governor for funding the increase in workload county eligibility workers are experiencing as we work to implement the ACA.

AB 85 Health Realignment Diversion

The Governor's 2015-16 budget estimates that counties will save $724.9 million in 2014-15 and $698.2 million in 2015-16 in indigent health care costs under the ACA, all of which will be redirected to fund CalWORKs grant increases. The $698.2 million in 2015-16 is an initial estimate and will be updated in the May Revise. Within two years after the fiscal year ends, the amount redirected from the county by the state will be reconciled using actual data.

Counties will recall the “county savings” negotiations that took place in 2013, whereby the state sought to offset their potential General Fund costs for the ACA Medi-Cal expansion by redirecting county 1991 health realignment funding to other obligations. These efforts resulted in the passage of AB 85 (Chapter 24, Statutes of 2013), which specifies changes to the 1991 Realignment structure and redirects health realignment funding to CalWORKs grant increases.

Medicaid Section 1115 Waiver Renewal

The Governor’s budget assumes the continuation of at least the current funding levels available in the Bridge to Reform Waiver for designated public hospital systems. The Administration will update the budget assumptions for the 1115 Waiver during the May Revise, after the Department of Health Care Services (DHCS) formally submits the proposed waiver to the federal government. CSAC remains engaged as an active participant in the Medicaid Section 1115 Waiver renewal workgroups and will continue to advocate for a waiver that provides at least the same level of funding and flexibility for our county safety net providers.

Licensing and Certification

The budget includes an additional 21.8 million in special funds and 237 positions for 2015-16 to meet the mandated state and federal licensing and certification workload and to implement quality improvement projects within the Licensing and Certification Program.

CalWORKs

The 2014 Budget Act increased Maximum Aid Payment levels by 5 percent, effective April 1, 2015, which is mostly funded by the AB 85 health realignment redirection (see above). Combined with the prior 5 percent increase in 2014, this grant increase bumps the estimated CalWORKs grant costs in 2015-16 to $340.5 million, of which the state General Fund will contribute $73.3 million.

IHSS

The Governor’s budget proposes a restoration of the current 7 percent reduction in service hours for IHSS beneficiaries, which will cost $483.1 million in 2015-16. The Governor plans to fund the restoration with proceeds from the new tax on managed care organizations – which is itself in danger. Please see the sections below (starting with Coordinated Care initiative) for a more detailed explanation.

Coordinated Care Initiative (CCI)

The Governor spends a significant amount of space in today's budget proposal to warn that the state's federal demonstration project known as either the Coordinated Care Initiative (CCI) or Cal Medi-Connect is in danger of failing.

This is significant to counties for several reasons, as the success of the CCI is directly tied to the continuation of the In Home Supportive Services (IHSS) Maintenance of Effort (MOE) negotiated between the Administration and counties in 2012.

First, the Governor outlines a number of troubling statistics and events related to CCI:

- When the CCI was approved by the Legislature, the state expected to share savings 50-50 with the federal government. However, the federal government notified the state that it would only be allowed to retain 25 percent of any savings.
- Much lower participation is being realized, including the exemption of more than 100,000 potential participants and an extremely high opt-out rate (initial projections estimated a 33 percent opt-out rate, but data as of November 1, 2014 shows a 69 percent opt-out rate, including a whopping 80 percent opt-out rate for IHSS participants). Further, enrollment delays have occurred in each of the 7 remaining participating counties.
- The state's Managed Care Organization tax (MCO tax) helps fund the CCI and allows for a 4-percent tax on managed care organizations through June 30, 2016. However, the federal government recently informed the state that the tax was inconsistent with Medicaid regulations and would not be allowed to continue past the 2016 date. This blows a significant hole in funding for the CCI project and could be the death knell for the project if the MCO tax is not continued.

Which brings us to the IHSS MOE.

In Home Supportive Services Maintenance of Effort (IHSS MOE)

Counties negotiated the IHSS MOE with the state in 2012. In 2013-14, the county share of the MOE nearly $1 billion. The implementation of the IHSS MOE was directly tied to the success of the CCI project, i.e. the state required savings through the CCI to guarantee the continuation of the county MOE. The California Department of Finance (DoF) is required to report each January on whether the CCI is cost effective. If the DoF determines that it is not, the CCI automatically ceases operation.

Further, the loss of the MCO tax as outlined in the previous section is not the only fiscal emergency threatening the operation of the CCI and the continuation of the IHSS MOE. According to the Governor, the current federal interpretation of Federal Labor Standards Act overtime regulations for IHSS workers also increases the state's exposure to costs for the IHSS program.

While the IHSS overtime costs are currently stayed under a federal court order until January 15, the state continues to be cautious and budget for increased costs in IHSS overtime in 2015-16 (please see the Employee Relations section of this document for more details on the potential IHSS overtime costs and federal action).

From the state's perspective, the potential loss of the MCO tax, coupled with increased costs for IHSS overtime, increase the state's costs and make the continuation of the CCI less tenable. If the CCI ceases operation, the move of IHSS collective bargaining to the State, and the County IHSS MOE, would end. The Administration proposes that unless factors are improved, the CCI trigger could be pulled in January 2016, which would trigger off the County IHSS MOE the following fiscal year, July 2017.

CSAC would have serious concerns with any changes to IHSS MOE as negotiated and outlined in current statute. We note that it would be a complex fiscal nightmare to "unwind" the MOE and a negotiated deal. Counties also vow to continue efforts with the state, federal government, and health plans to implement the CCI and support the continuation of the MCO tax or a modified version that provides the necessary revenue to balance CCI implementation and preserve the IHSS MOE.

Continuum of Care Reform (Group Home Reform)

The Governor's budget includes $9.6 million ($7 million General Fund) to begin implementing the Continuum of Care Reform effort as required by SB 1013 (Chapter 35, Statutes of 2012). The Department of Social Services will release their report on Continuum Care Reform later today, which outlines 19 specific recommendations. The funding in the 2015-16 budget is intended to implement two of the recommendations: increasing the availability of home-based family care through recruitment and retention efforts and increasing social worker capacity for foster family agencies to better provide home-based services. We wish to thank California Department of Social Services Director Will Lightbourne and Governor Brown for including initial funding for these key front-line implementation efforts.

Originally called "Congregate Care Reform," the SB 1013 effort requires stakeholders to examine all programs provided by Foster Family Agencies (FFA) and group homes, and to look beyond the continuum of care and placement settings to include the array of services and supports for children and youth in these placements. The goal is not to create new services, but rather unify and leverage the existing service array to ensure that children can live in their communities in home-based family care settings. For children who cannot initially be safely placed in home-based family care, they may be placed in residential care with a specific care plan and then transitioned into home-based care as soon as safely possible. This represents a significant change to the current system, and while it is designed to ensure continuity and better outcomes for the child, it will require significant collaboration at the county and state level, and potentially additional implementation funding. County stakeholders include welfare directors, behavioral health directors, and probation chiefs.

2011 Realignment Funding

Please see the table at the end of this document for updated estimates for 2011 Realignment programs.

State Hospitals

The Governor projects the State Hospital patient population to reach 6,953 in 2015-16 and includes $3.2 million in new funding and 14 limited-term positions to support a Not Guilty by Reason of Insanity Involuntary Medication Authorization program within the State Hospital system. The new program would be modeled on the existing Mentally Disordered Offender and Sexually Violent Predator involuntary medication orders.

Incompetent to Stand Trial (IST)

The Governor continues efforts to address the Incompetent to Stand Trial waitlist, which, according to his estimates, stands at more than 400 patients who are waiting to be admitted. There is also significant pressure from the judicial system for increased capacity.

In response, the Department of State Hospitals (DSH) will continue to explore collaboration with counties to establish contract-based treatment programs located within secure county or private facilities. Further, the budget proposal includes nearly $20 million to increase capacity at the Atascadero and Coalinga State Hospitals and to expand the Secure Treatment Area at Metropolitan State Hospital.

CSAC continues to work with the Administration and other stakeholder on this issue. The California Health and Human Services Agency is convening counties and stakeholders later this month to discuss these and other proposals.

Health Care Reform Implementation

The Governor's proposed 2015-16 budget estimates an additional 3.3 million people will enroll in Medi-Cal and an additional 2 million will enroll in Covered California by the end of 2015-16 as a result of the Affordable Care Act (ACA). In 2015-16, the budget assumes net costs of $2 billion ($943.2 million General Fund) for the mandatory Medi-Cal expansion and $14.3 billion for the optional Medi-Cal expansion.

Poverty

The Governor outlined a few ideas in a Poverty and Income Inequality section of the budget and points out that the Budget provides more than $1.2 billion in funding for programs and initiatives to address poverty, such as adult education, workforce investment, career technical education, and other programs. For more details, please see the Employee Relations section of this document related to workforce investment.

The CSAC Executive Committee has directed staff to convene a Poverty Working Group to explore ideas for reducing poverty in our communities. This working group will discuss the Governor's proposals, as well as the priorities of the Legislature, County Affiliates, and a wide range of stakeholders.

Child Care

The Governor proposes to fund a 1.58 percent Cost of Living Adjustment for capped child care programs ($21.5 million). This will be the first COLA since 2007-08 for these programs.

Stage 2 child care caseload is decreasing and the Governor scores a $11.6 million reduction in funding, but Stage 3 caseload and cost per case has been growing, prompting the Governor to propose a $38.6 million General Fund Stage 3 funding increase in 2015-16.

Mental Health and Substance Use Disorder Services

The Governor's Budget includes a nod to current efforts underway to seek a Drug Medi-Cal organized delivery system waiver from the Centers for Medicare and Medicaid Services (CMS). The Governor also explains that the Department of Health Care Services is "still in the process" of statewide recertification of active providers in the wake of revelations about the integrity of the Drug Medi-Cal program in 2013. The 2015-16 budget extends the 21 positions and $2.2 million ($1.1 General Fund) to continue this work.

Public Health Licensing and Certification

The Governor is responding to criticisms and inefficiencies within the Department of Public Health's Licensing and Certification division by providing and additional $21.8 million in special funds and 238 positions to complete this work in a more timely and comprehensive fashion. Further, the Governor is directing $9.5 million in special funds to augment a contract with Los Angeles County to allow the County to assist in high-priority Licensing and Certification workload as well as $378,000 for three positions to provide on-site training and oversight for these efforts in Los Angeles County.

High Cost Drugs

The Federal Food and Drug Administration recently approved new Hepatitis C drugs that are effective but also extremely expensive, and data shows that there are high numbers of folks with Hepatitis C in state prison, state hospitals, county jails and enrolled in Medi-Cal and the AIDS Drug-Assistance Program. The Governor reserves $300 million to account for the high cost of these new drugs and plans to convene affected entities, including county sheriffs, to develop utilization policies and payment structures for these new treatments.

Supplemental Security Income/State Supplementary Payment (SSI/SSP)

Effective January 1, 2016, maximum grant levels will increase by $11 for individuals and $16 for couples. The current maximum grant levels are $881 per month and $1,483 per respectively. In 2015-16, the Governor proposes a total of $2.8 billion General Fund for the SSI/SSP programs.

Housing, Land Use and Transportation

Revenues for County Road Maintenance

The budget proposal projects continuing decreases in gas tax revenues in FY 2015-16. Revenues to the Highway User Tax Account (HUTA), which is the sole source of state funding for county road maintenance, are anticipated to decrease by 23.3 percent, from $1.89 billion in FY 2014-15 to $1.45 billion in FY 2015-16. CSAC will distribute county-by-county estimates of HUTA revenues as soon as the shared revenues budget detail is published.

A significant component of HUTA revenues (half of total revenues in FY 2014-15) is derived from the price-based excise tax that replaced the sales tax on gasoline under the 2010 gas tax swap. The Board of Equalization will set the price-based excise tax rate for FY 2015-16 at its meeting in February. Recent reductions in fuel prices likely portend a significant decrease in the price-based excise rate in FY 2015-16. Moreover, since the price-based excise tax is designed to be revenue-neutral with the former sales tax, further reductions of the rate are likely in FY 2016-17. This reduction will be required to compensate for over-collection of excise tax revenues in FY 2014-15, when gas prices dropped well below price estimated last February.

Transportation Funding Shortfalls

The budget proposal identifies nearly $60 billion in unmet needs for maintenance and repair of the state highway system over a ten-year period and suggests that the state must focus any new funding sources on the state's primary responsibilities—maintenance and operations of highways and interstates and improvement of high priority freight corridors. In addition to needs on the state system, local and regional agencies recently identified nearly $80 billion in unmet needs for local streets and roads over the next decade.

The Governor's budget is largely silent to the specific needs of the local streets and road system, except to say that local facilities receive a significant portion of state and federal gas excise tax revenues (through the Highway User Tax Account and Regional Surface Transportation Program, respectively) and that local option revenue measures should be part of a solution to deferred maintenance needs at the local level. The budget proposal does not, however, suggest new local revenue-raising methods or adjustments that could facilitate such measures (e.g. a reduction of the 2/3 vote threshold for local special taxes).

While CSAC recognizes the significant deferred maintenance needs on the state highway system, counties will continue to advocate for new revenue measures that will support a well-maintained and comprehensive state and local transportation system that our constituents need and expect.

Road Usage Charge

In order to address the aforementioned transportation funding shortfalls, the State has already begun exploration of mileage-based revenue options as a potential replacement to the antiquated state gas tax. Pursuant to SB 1077 (Chapter No. 835, Statutes of 2014), the California Transportation Commission formed a Road Usage Charge (RUC) Technical Advisory Committee (TAC) which will deliver policy and technical recommendations to the Legislature no later than June 30, 2018 to inform a RUC Pilot Program. The proposed FY 2015-16 State Budget would support these efforts with five positions and $9.4 million in funding from the State Highway Account.

Toll Roads

The budget proposal also includes a preview of legislation to come. The state's current toll road policy often leaves unused capacity by limiting access to high-occupancy vehicle lanes to only those vehicles with two or more passengers. The Governor proposes legislation to address these shortcomings that would enable to state to better maximize capacity and generate additional revenues. The proposal would include new authority for high-occupancy toll lane projects and would allow the conversation of existing high-occupancy vehicle lanes into toll lanes.

Highway Relinquishment

Stemming from the 2014 State Smart Transportation Initiative (SSTI) report, which made numerous recommendations regarding modernizing the California Department of Transportation (Caltrans), improve management and performance, and align state investments with policy goals, the Governor's budget offers additional forthcoming legislation to streamline the highway relinquishment process. The proposal would broaden the states authority for turning over segments of the state highway system to counties and cities, which is currently done in a piecemeal manner requiring legislation.

2015 Five-Year Infrastructure Plan

The 2015 California Five-Year Infrastructure Plan (2015 Plan)—the Governor's proposal for investing $57 billion in state infrastructure over the life of the plan—was also released today. Similar to last year's report, the 2015 Plan finds ongoing deficiencies in the state's infrastructure ranging from transportation, corrections, schools, and water. The 2015 Plan proposes to invest $125 million in general fund revenues for deferred maintenance across a broad range of categories. While the 2015 Plan has a heavy emphasis on investing in the state transportation system, including state highways and high-speed rail, no general fund revenues are proposed for transportation purposes in FY 2015-16.

The 2015 Report also provides some essential information regarding debt service pressure on the state's general fund. Since 2000, the state has increasingly relied on general obligation bonds as a way to finance critical infrastructure improvements. Debt service is one of the fastest growing areas of the budget and is projected to increase by nearly $1 billion from the current year to $8.7 billion to FY 2018-19.

Affordable Housing

While last year's budget included some new funding for affordable housing, the investment was one-time in nature. The Governor's FY 2015-16 January Budget Proposal does not include funding for this purpose, one time or otherwise. However, the Department of Finance noted openness to providing more funding should additional revenues be made available through the budget negotiation process. However, the Affordable Housing and Sustainable Communities program funded through cap and trade auction revenues is proposed to grow by $70 million for a total of $200 million in FY 2015-16. CSAC anticipates additional dialogue and negotiation on funding for affordable housing in the 2015 legislative session given this is a top priority for the democratic legislative leadership.

Special Distribution Fund

The Special Distribution Fund (SDF) will continue its slide into insolvency in fiscal year 2015-16, with a projected opening fund balance of $8.9 million, compared to $15.9 million last year and $36.5 million in 2013-14. SDF revenues are usually the sole source of funding for mitigating the impacts of tribal casinos on local government operations in counties where casinos are operated under the 1999 model compacts.

State law establishes that the first priority for SDF funding is backfilling the Revenue Sharing Trust Fund, which provides guaranteed funding to non-gaming tribes and which has had a structural deficit since its inception. State regulatory costs, including funding for the Gambling Control Commission and Department of Justice, and programs to address problem gaming are also given a higher priority than local government mitigation grants.

As counties know, there was no appropriation for SDF local government grants in 2014-15, and absent any significant change to reallocate gaming revenues, an appropriation seems unlikely in 2015-16. CSAC is working with our local government and law enforcement partners to find a solution in order to provide a $9.1 million appropriation in FY 2015-16.

CSAC staff will follow this overview in the coming weeks and months with more detailed looks at the issues summarized above. If you have questions, please contact CSAC at (916) 327-7500 or email the appropriate member of the staff.

91-92 Realignment Estimated Revenues and Expenditures - 2015-16 Governor's Budget
(Dollars in Thousands)

Amount	CalWORKs MOE	Health	Social Services	Mental Health	Family Support	Child Poverty	Totals
2013-14 State Fiscal Year							
BOE Allocation Adjustment for Prior Years	**$0**	**$34,637**	**$2,170**	**$10,001**	**$0**	**$3,442**	**$50,250**
Base Funding							
Sales Tax Account	$721,764	$398,555	$1,488,748	$0	$299,998	$0	$2,909,065
Vehicle License Fee Account	334,480	761,379	358,942	0	0	0	1,454,801
Total Base	**$1,056,244**	**$1,159,934**	**$1,847,690**	**$0**	**$299,998**	**$0**	**$4,363,866**
Growth Funding							
Sales Tax Growth Account:	31,862	29,208	17,670	15,701	-	57,591	152,032
Caseload Subaccount	-	-	(17,670)	-	-	-	(17,670)
County Medical Services Subaccount	-	(5,411)	-	-	-	-	(5,411)
General Growth Subaccount	(31,862)	(23,797)	-	(15,701)	-	(57,591)	(128,951)
Vehicle License Fee Growth Account	32,445	29,742	-	15,988	-	58,644	136,819
Total Growth	**$64,307**	**$58,950**	**$17,670**	**$31,689**	**$0**	**$116,235**	**$288,851**
General Growth Carryover to 2014-15[1]	-	-	-	-	-	(67,080)	(67,080)
Total Realignment 2013-14[2]	**$1,120,551**	**$1,253,521**	**$1,867,530**	**$41,690**	**$299,998**	**$52,597**	**$4,635,887**
2014-15 State Fiscal Year							
Base Funding							
Sales Tax Account	$752,888	$0	$1,507,962	$11,625	$724,894	$61,033	$3,058,402
Vehicle License Fee Account	367,663	799,094	355,049	11,170	0	58,644	1,591,620
Total Base	**$1,120,551**	**$799,094**	**$1,863,011**	**$22,795**	**$724,894**	**$119,677**	**$4,650,022**
General Growth Carryover from 2013-14[1]	-	-	-	-	-	67,080	67,080
Growth Funding							
Sales Tax Growth Account:	-	19,433	56,310	27,798	-	33,659	137,200
Caseload Subaccount	-	-	(56,310)	-	-	-	(56,310)
County Medical Services Subaccount	-	(5,525)	-	-	-	-	(5,525)
General Growth Subaccount	-	(13,908)	-	(27,798)	-	(33,659)	(75,365)
Vehicle License Fee Growth Account	-	9,818	-	14,043	-	17,004	40,865
Total Growth	**$0**	**$29,251**	**$56,310**	**$41,841**	**$0**	**$50,663**	**$178,065**
General Growth Carryover to 2015-16[3]	-	-	-	-	-	(23,309)	(23,309)
Total Realignment 2014-15[2]	**$1,120,551**	**$828,345**	**$1,919,321**	**$64,636**	**$724,894**	**$214,111**	**$4,871,858**
2015-16 State Fiscal Year							
Base Funding							
Sales Tax Account	$752,888	$0	$1,861,179	$39,422	$447,421	$94,692	$3,195,602
Vehicle License Fee Account	367,663	855,011	58,142	25,213	250,807	75,648	1,632,484
Total Base	**$1,120,551**	**$855,011**	**$1,919,321**	**$64,635**	**$698,228**	**$170,340**	**$4,828,086**
General Growth Carryover from 2014-15[3]	-	-	-	-	-	23,309	23,309
Growth Funding							
Sales Tax Growth Account:	-	29,893	61,941	44,446	-	53,816	190,096
Caseload Subaccount	-	-	(61,941)	-	-	-	(61,941)
County Medical Services Subaccount	-	(7,655)	-	-	-	-	(7,655)
General Growth Subaccount	-	(22,238)	-	(44,446)	-	(53,816)	(120,500)
Vehicle License Fee Growth Account	-	10,966	-	16,305	-	19,743	47,014
Total Growth	**$0**	**$40,859**	**$61,941**	**$60,751**	**$0**	**$73,559**	**$237,110**
Total Realignment 2015-16[2]	**$1,120,551**	**$895,870**	**$1,981,262**	**$125,386**	**$698,228**	**$267,208**	**$5,088,505**

[1] Reflects general growth carryover to fund the 5-percent increase to CalWORKs Maximum Aid Payment levels effective March 1, 2014, pursuant to Welfare and Institutions Code section 17601.50.

[2] Excludes $14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources.

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

2011 Realignment Estimate[1] - at 2015-16 Governor's Budget

	2013-14	2013-14 Growth	2014-15	2014-15 Growth	2015-16	2015-16 Growth
Law Enforcement Services	**$2,124.3**		**$2,078.3**		**$2,248.4**	
Trial Court Security Subaccount	508.0	9.8	518.1	17.0	535.1	15.2
Enhancing Law Enforcement Activities Subaccount[1]	489.9	24.6	489.9	36.2	489.9	56.2
Community Corrections Subaccount[2]	998.9	73.1	934.1	127.7	1,061.7	113.7
District Attorney and Public Defender Subaccount[2]	17.1	4.9	15.8	8.5	24.3	7.6
Juvenile Justice Subaccount	110.4	9.8	120.4	17.0	137.4	15.2
Youthful Offender Block Grant Special Account	*(104.3)*	*(9.3)*	*(113.8)*	*(16.1)*	*(129.9)*	*(14.4)*
Juvenile Reentry Grant Special Account	*(6.1)*	*(0.5)*	*(6.6)*	*(0.9)*	*(7.6)*	*(0.8)*
Growth, Law Enforcement Services	**122.2**	**122.2**	**206.4**	**206.4**	**207.9**	**207.9**
Mental Health[3]	**1,120.6**	9.1	**1,120.6**	15.8	**1,120.6**	14.1
Support Services	**2,829.4**		**3,022.0**		**3,322.3**	
Protective Services Subaccount	1,837.0	112.0	1,970.7	153.5	2,124.2	126.8
Behavioral Health Subaccount[4]	992.4	60.0	1,051.3	146.7	1,198.1	140.9
Women and Children's Residential Treatment Services	*(5.1)*	-	*(5.1)*	-	*(5.1)*	-
Growth, Support Services	**181.1**	**181.1**	**316.0**	**316.0**	**281.8**	**281.8**
Account Total and Growth	**$6,377.6**		**$6,743.3**		**$7,181.0**	
Revenue						
1.0625% Sales Tax	5,863.1		6,217.2		6,634.9	
Motor Vehicle License Fee	514.5		526.1		546.1	
Revenue Total	**$6,377.6**		**$6,743.3**		**$7,181.0**	

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).

[1] Allocation is capped at $489.9 million. 2013-14 growth will not add to subsequent fiscal year's subaccount base allocations.

[2] 2013-14 and 2014-15 growth is not added to subsequent fiscal year's subaccount base allocations.

[3] Growth does not add to base.

[4] 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.

The 2015-16 Budget:

Overview of the Governor's Budget

MAC TAYLOR • LEGISLATIVE ANALYST • JANUARY 13, 2015

LAO

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EXECUTIVE SUMMARY

This publication is our office's initial response to the *2015-16 Governor's Budget* proposal, which was presented to the Legislature on January 9, 2015.

Higher Revenue Projections and Spending Increases. The administration projects that General Fund tax revenues will end 2014-15 more than $2 billion above its projections in last June's state budget package. Further, the administration projects that the General Fund's three major taxes collectively will increase by over $5.6 billion in 2015-16—to a level that is more than $1 billion above administration estimates from last June for the 2015-16 fiscal year. These higher revenue projections result in a multibillion-dollar influx of new funds for schools and community colleges under the Proposition 98 minimum funding guarantee. The administration's budget estimates also assume that General Fund spending for Medi-Cal, the state's primary health care program for low-income people, is up by hundreds of millions of dollars in 2014-15, compared to last year's budget assumptions, and by about $800 million above that level in 2015-16. The budget identifies other increased health and human services costs and potential budgetary risks.

Governor's Priorities Generally Prudent Ones. In the near term, the Governor's reluctance to propose significant new program commitments outside of Proposition 98 could help avoid a return to the boom and bust budgeting of the past. His proposal to pay off state government's retiree health liabilities over the next few decades would, if fully funded, address the last of state government's large unaddressed liabilities. Over the long run, eliminating those liabilities would significantly lower state costs, affording future generations more flexibility in public budgeting. The Governor, however, proposes no additional funds to implement the plan. Proposition 2 provides a stream of dedicated funding for debt payments that is available to address these retiree health liabilities.

Even Higher Revenues Likely for 2014-15. Recent strong economic data and a surge in state income tax collections in December lead us to conclude that the state likely will collect more tax revenue in 2014-15 than the administration now estimates. Barring a sustained stock market drop, an additional 2014-15 revenue gain of $1 billion to $2 billion seems likely. Even bigger gains of a few billion dollars more are possible. Additional revenues in 2014-15 will go largely or entirely to schools and community colleges and could result in a few billion dollars of higher ongoing state payments to schools. Whether tax revenues grow further, stagnate, or, in the worst case, decline in 2015-16 will depend in large part on trends in volatile capital gains and business income. History tells us that the current strength of state revenues, bolstered by a soaring stock market last year, may not continue for long. As the Governor argues, the budget remains vulnerable to downturns that may re-emerge with little warning. Building budget reserves and paying down state debts remain important goals.

OVERVIEW

The Governor's Budget Proposal

On January 9, 2015, the Governor presented his 2015-16 budget proposal to the Legislature. As shown in Figure 1, the budget package proposes spending $158.8 billion, an increase of 1 percent over revised levels for 2014-15. While the figure shows 1.4 percent General Fund spending growth, that number understates growth in program spending because of a variety of one-time factors. This total consists of $113.3 billion from the General Fund and $45.5 billion from special funds. In addition, the administration proposes to spend $5.9 billion from bond funds and $100.4 billion from federal funds. (For a summary of estimated and proposed state spending by major program area, see the appendix.)

The *2015-16 Governor's Budget* marks the first budget proposal since Proposition 2—the budget reserve and debt payment measure—was approved by voters in November 2014. Proposition 2 is highly complex and significantly alters how the state saves money in its budget reserves and pays down existing debts.

General Fund Condition

The General Fund receives most state taxes and is the state's main operating account. The Legislature must balance resources and expenditures from the fund each year. Figure 2 displays the administration's estimate of the condition of the General Fund.

Figure 1

Governor's Budget Expenditures

(Dollars in Millions)

Fund Type	2013-14 Revised	2014-15 Revised	2015-16 Proposed	Change From 2014-15 Amount	Change From 2014-15 Percent
General Fund[a]	$99,838	$111,720	$113,298	$1,578	1.4%
Special funds	38,311	45,559	45,520	-38	-0.1
Budget Totals	**$138,149**	**$157,278**	**$158,818**	**$1,540**	**1.0%**
Selected bond funds	$4,494	$5,252	$5,885	$633	12.1%
Federal funds	72,583	96,505	100,376	3,871	4.0

[a] Includes Education Protection Account created by Proposition 30 (2012).

Figure 2

The Administration's General Fund Condition Statement

Includes Education Protection Account (In Millions)

	2013-14 Revised	2014-15 Revised	2015-16 Revised
Prior-year fund balance	$2,264	$5,100	$1,423
Revenues and transfers	102,675	108,042	113,380
Expenditures	99,838	111,720	113,298
Difference between revenues and expenditures	$2,837	-$3,678	$82
Ending fund balance	$5,100	$1,423	$1,505
Encumbrances	971	971	971
SFEU balance	4,130	452	534
Reserves			
SFEU balance	$4,130	$452	$534
Pre-Proposition 2 BSA balance	—	1,606	1,606
Proposition 2 BSA balance	—	—	1,220
Total Reserves	**$4,130**	**$2,058**	**$3,361**

SFEU = Special Fund for Economic Uncertainties and BSA = Budget Stabilization Account.

Despite Large Revisions, 2014-15 Ends With Nearly Unchanged SFEU Balance. In the Governor's budget proposal, the administration routinely updates estimates of revenues and spending for the last two enacted budgets, as well as the estimate of the entering fund balance for the prior year (in this case 2013-14). Over 2013-14 and 2014-15 combined, the administration projects higher revenues ($3 billion) and higher net spending ($2.9 billion) compared with figures assumed in the June 2014 budget package. (For 2014-15, overall General Fund spending for education rises $2.5 billion above last June's assumptions largely due to higher Proposition 98 requirements, and health and human services spending rises by a net amount of over $800 million.) In addition, the Governor's budget reflects a $165 million downward adjustment to the entering fund balance for 2013-14. These revisions result in an ending balance in the 2014-15 Special Fund for Economic Uncertainties (SFEU)—the state's traditional budget reserve—which is just $3 million higher than assumed in the June 2014 budget package.

Budget Proposes Total Reserves of $3.4 Billion for End of 2015-16. Under the administration's revenue projections and spending proposals, the General Fund would end 2015-16 with $3.4 billion in reserves. This total is the combination of $1.6 billion deposited in the Budget Stabilization Account (BSA) before Proposition 2, a $1.2 billion projected deposit in the BSA for 2015-16, and a $534 million year-end reserve in the SFEU. As we discussed in our November 2014 publication, *The 2015-16 Budget: California's Fiscal Outlook*, there is a strong argument that the Legislature could appropriate pre-Proposition 2 BSA balances with a simple majority vote, whereas the Governor would have to declare a budget emergency before the Legislature could access BSA funds deposited after passage of Proposition 2.

Major Features of the Governor's Proposal

Figure 3 presents the major features of the Governor's proposal.

Deposits $1.2 Billion in the BSA. Figure 4 (see page 6) displays the Proposition 2 rules and calculations relevant for the 2015-16 budget process. (Proposition 2 also created a reserve for school and community college funding under Proposition 98, but a deposit into that reserve seems unlikely in the next few years.) As shown in the figure, Proposition 2 annually captures an amount equal to 1.5 percent of General Fund revenues plus capital gains taxes that exceed a long-term historical average. Under the administration's revenue and Proposition 98 estimates, Proposition 2 captures a total of $2.4 billion. Proposition 2 requires that this total be split between debt payments and the BSA. Accordingly, the Governor's budget makes a $1.2 billion deposit in the BSA in 2015-16.

Pays Down $1.2 Billion in Debts Under Proposition 2. Proposition 2 requires that the remaining $1.2 billion be used to pay down existing state debts. The administration proposes to pay down $965 million in special fund loans and $256 million in prior-year Proposition 98 costs known as "settle up." These actions reduce the outstanding amount of special fund loans and Proposition 98 settle up to $2.1 billion and $1.3 billion, respectively. The administration's multiyear forecast proposes to dedicate Proposition 2 debt payments exclusively for these two purposes through 2018-19, thereby providing no Proposition 2 funding to address the state's large retirement liabilities—those liabilities resulting from unfunded pension and retiree health benefits—during that period.

Budget Suggests Collective Bargaining on Retiree Health Liabilities. The state prefunds pension benefits for state employees by investing contributions during those employees' working years and using these resources to pay monthly pension payments in retirement. Unlike pension benefits, the state does not prefund health and dental benefits for its retired workers. Rather, the state pays for the cost of retiree health benefits when those workers retire, a much more expensive system known as "pay-as-you-go." As of the end of 2013-14, the state recorded a $71.8 billion unfunded liability for retiree health benefits earned to date by current and past state and California State University (CSU) employees.

Figure 3

Major Features of the Governor's Budget Proposal

Budget Reserves

- Ends 2015-16 with $3.4 billion in total reserves.
  - Includes $2.8 billion in the Budget Stabilization Account and $534 million in the state's traditional budget reserve.

Paying Down State Debts

- Pays down $1.2 billion in non-retirement budget debts, to meet Proposition 2 requirements.
  - Includes about $1 billion in special fund loans and $256 million in Proposition 98 "settle up."
- Eliminates all remaining school and community college deferrals ($992 million).
- Pays down $1.5 billion of mandate backlog for schools and community colleges.
- Provides final $273 million payment for school facility repair program.
- Provides $533 million to cities and counties for mandates under 2014-15 budget "trigger."
- Plans to discuss $72 billion unfunded liability for retiree health benefits with state employee groups.

Education

- Provides additional $4 billion for K-12 Local Control Funding Formula.
- Provides additional $876 million for workforce education and training.
  - Includes funding for adult education consortia, career technical education, apprenticeships, and noncredit instruction.
- Increases community college funding by $524 million for enrollment growth, COLA, student support, and other campus priorities.
- Increases base funding by $119 million each for the California State University and the University of California.
- Augments Cal Grant funding by $69 million in 2014-15 and an additional $129 million in 2015-16 for increased participation.

Health and Human Services

- Assumes Medi-Cal caseload of 12.2 million.
- Restructures managed care organization tax to comply with federal law and to raise additional revenues in order to restore IHSS hours eliminated as a result of the 7 percent reduction.
- Reserves $300 million for costs associated with new Hepatitis C medication.
- Funds previously approved CalWORKs grant increase with redirected realignment revenues and $73 million from the General Fund.

Resources/Environment

- Appropriates remaining funds from Proposition 1E (2006) flood prevention bond ($1.1 billion).
- Allocates $532.5 million of the Proposition 1 water bond passed by the voters in 2014.
- Assumes $1 billion of cap-and-trade auction revenues.
- Spends $115 million ($93.5 million General Fund) for drought response.

Infrastructure

- Addresses some deferred maintenance issues in specified departments using about $500 million from the General Fund.

In his budget proposal, the Governor suggests bargaining with public employee unions in the coming years to begin addressing this problem. The *2015-16 Governor's Budget Summary* calls for active and future state workers to split the cost of prefunding benefits earned in the future—similar to the standard adopted by the Legislature for pensions in 2012. The Governor's budget plan—including the administration's multiyear budget forecast—provides no funding for any of these efforts through 2018-19 (the multiyear forecast's final year).

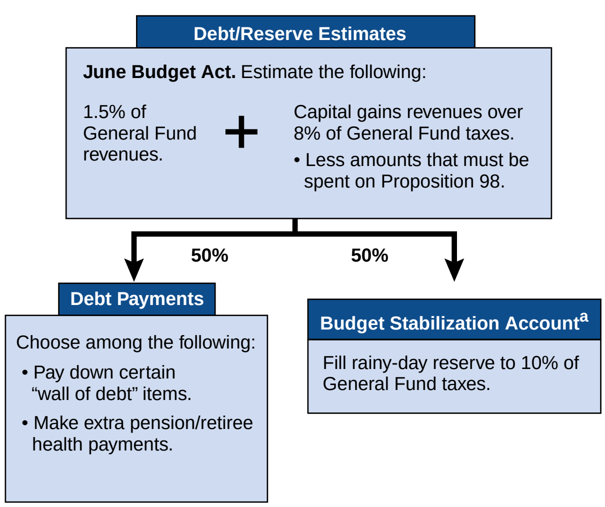
Significant New Funding for Education. The bulk of new spending under the Governor's budget is for education. The largest single education augmentation is $4 billion to continue implementing the Local Control Funding Formula, a new school funding formula adopted in 2013. The Governor also has major new proposals in the area of workforce education and training, including $500 million for adult education regional consortia. The Governor has a relatively generous budget proposal for the California Community Colleges (CCC), including funding for 2 percent enrollment growth, a 1.6 percent cost-of-living adjustment, and $200 million for student support—all on top of a $125 million unallocated base increase and various other increases related to the Governor's workforce initiative. The Governor also would retire all payment deferrals for community colleges and pay off most of the community college mandates backlog. (The Governor also retires all school deferrals and a portion of the school mandates backlog.) The Governor's main higher education proposal is 4 percent ($119 million) base increases for the University of California (UC) and CSU.

MCO Tax and Restoring IHSS Service Hours. The state imposes a tax on managed care organizations (MCOs) to draw down matching federal Medicaid funds. The federal government indicated that taxes structured like California's MCO tax do not comply with federal regulations. The administration proposes to modify the MCO tax to achieve compliance with federal law. As part of that process, the administration proposes to raise additional revenues to provide the nonfederal share of Medicaid funding necessary to restore In-Home Supportive Services (IHSS) authorized service hours that were eliminated as a result of the current 7 percent reduction in these hours enacted in the 2013-14 budget. This restoration of hours by seeking a non-General Fund funding source is consistent with an IHSS litigation settlement agreement adopted by the Legislature.

Includes Placeholder for Cost of New Hepatitis C Medication. The federal Food and Drug Administration recently approved new breakthrough drugs to treat Hepatitis C. These drugs—at $85,000 per treatment regimen—will increase costs across a few state departments. Specifically, inmates

Figure 4

Key Proposition 2 Provisions



[a] Upon budget emergency declaration by Governor and majority votes of both houses of the Legislature, deposits may be suspended or reduced.

in state prisons, patients in state hospitals, and individuals enrolled in Medi-Cal and the AIDS Drug Assistance Program will receive these medications. While costs for the new treatments are uncertain, the administration reserves a total of $600 million across 2014-15 and 2015-16 combined, split between the state General Fund and federal funds.

Proposes Spending $533 Million From Proposition 1 Water Bond. The Governor proposes spending $533 million from the $7.5 billion water bond approved by voters in November 2014. In addition, the administration proposes appropriating the remaining $1.1 billion from the Proposition 1E flood prevention bond approved by voters in 2006.

LAO COMMENTS

Preserving Budget Balance

Governor's Priorities Generally Prudent Ones. In the coming weeks, we will examine the administration's proposals and budget estimates in more detail and report to the Legislature on our findings. The Governor's budgeting philosophy continues to be a prudent one for the most part. In the near term, the Governor's reluctance to propose significant new program commitments outside of Proposition 98 could help avoid a return to the boom and bust budgeting of the past. Moreover, his proposal to address the state's retiree health liabilities over the next few decades would, if fully funded, address the last of state government's large unaddressed liabilities. Over the long run, eliminating these liabilities will significantly lower state costs, affording future generations more flexibility in public budgeting.

Budget Vulnerability Remains. Our November 2014 *Fiscal Outlook* showed how a downturn could throw the budget out of balance, although no recession appears imminent. While the budget is on track to enter the next downturn healthier than it was a decade ago, the state's finances remain vulnerable to the sudden tax revenue declines that will inevitably return with little warning. The array of complex budget formulas—especially those of Propositions 98 and 2—complicate budget planning and could exacerbate this vulnerability in some scenarios. History tells us that strong revenue periods like now are ones that require cautious budgetary decision making.

Higher Revenue Projections

Administration Revenue Numbers Higher. The Governor's plan reflects higher revenue projections compared to the administration's estimates in the June 2014 state budget plan. For 2014-15, the administration raised its General Fund revenue estimates by about $2.5 billion, with higher personal and corporate income taxes offsetting a somewhat weaker sales tax projection. In fact, over the three-year "budget window" (2013-14 through 2015-16 combined), the Governor's Budget projection for the state's "big three" revenues (personal income, sales, and corporation taxes) exceeds our office's November 2014 estimate by $1.3 billion, mostly due to the administration's $900 million higher projection for sales and personal income taxes in 2015-16. The big three taxes make up over 95 percent of General Fund revenue.

2014-15 Revenues Trending Even Higher. Midway through the 2014-15 fiscal year, the state's big three taxes already are running $3.5 billion ahead of the administration's June

2014 projections. For the entire fiscal year, the administration raised its revenue estimates by about $2.5 billion. Therefore, there is a strong possibility that revenues for 2014-15 will be significantly above the administration's new projections. Barring a sustained stock market drop, an additional 2014-15 revenue gain of $1 billion to $2 billion above the administration's new estimate seems likely. Even bigger gains of a few billion dollars more are possible. The exact amount of the likely additional 2014-15 revenue will depend in large part on the following trends:

- 2014 personal income tax (PIT) estimated payments received from high-income taxpayers over the next week (mostly just after the January 15 due date) as well as April and June 2015 income tax payments and refunds.
- The extent to which lower oil prices and the improving economy boost taxable retail sales and other economic activity in 2015.
- How the state's complex accrual policies shift 2014-15 revenue collections to other fiscal years.

Risks Associated With Near-Term Revenue Surge

Strong Revenues May Not Last Long. As we described in our November 2014 *Fiscal Outlook*, additional 2014-15 General Fund revenues likely will almost all go to schools and community colleges, thereby not benefiting the state's financial bottom line. Further, this could increase ongoing school costs by a few billion dollars per year. Yet, state revenue collections now may be peaking, due largely to surging stock prices in 2014. History cautions that this level of peak revenue will not persist for long. Weak revenue growth in an upcoming year could make it difficult to sustain state spending level, with the higher level of school spending generated in 2014-15. As such, the likely higher revenues in the current fiscal year and the resulting increase in ongoing school spending present a potential challenge for the state budget.

Reserves Needed for Budget Risks

Proposition 2 Drives Reserve Levels. Proposition 2 was approved by voters in November and affects the budget for the first time in 2015-16. As we described in our November 2014 *Fiscal Outlook*, Proposition 2 deposits funds to the state's rainy-day fund based on a series of formulas that interact with each other in complex and sometimes counterintuitive ways. (We will analyze the administration's calculations more in the coming weeks.) Under the administration's calculations, total budget reserves grow to $3.4 billion, including a $1.2 billion rainy day fund deposit under Proposition 2. This represents progress in building the state's budgetary reserves.

Are Larger Reserves Needed? With the economy now years past the last recession and with the possibility that volatile capital gains could fall, a $3.4 billion reserve provides little protection for budgetary shortfalls that can reemerge with little warning. The administration also correctly identifies several major budget risks due to federal or court actions in health and human services programs. While it would be difficult to build larger reserves under the administration's current budget estimates, more reserves now would be desirable. To the extent that 2015-16 revenue and capital gains rise above the administration's projections, Proposition 2 likely would require added reserve deposits.

Big Opportunity to Address Debts

Governor Prioritizes Wall of Debt. The Governor coined the term "wall of debt" a few years ago to cover billions of dollars of non-retirement related budget liabilities such as deferred payments to schools and loans from state accounts known as special funds. The state has made significant progress in addressing the wall of debt, including this budget's anticipated elimination of all remaining school payment deferrals. In his budget plan and multiyear budget projections (through 2018-19), the Governor proposes using the portion of Proposition 2 funds dedicated to debt payment exclusively to address the state's non-retirement liabilities, including the remaining special fund loans and prior-year Proposition 98 settle-up obligations.

Governor's Ideas About Retiree Health. The Governor and Legislature made difficult decisions in recent years to reduce future state pension costs and fully fund the California State Teachers' Retirement System (CalSTRS). In his budget proposals, the Governor mentions a number of ideas about how to address the state's largest remaining set of unaddressed retirement liabilities, those related to state government retiree health benefits (now valued at $72 billion, including CSU). We agree that it is time to start difficult discussions with state employee groups and the Legislature on these matters.

Money Needed. The Governor's budget plan articulates a goal of eliminating unfunded state retiree health liabilities within about 30 years. The indispensable component of such an effort is money. Money is needed from various public and employee sources to start paying normal costs (on the retiree benefits earned with each new year of employee service) and to ensure that existing unfunded liabilities are paid off within 30 years or whatever alternative period of time is chosen by state leaders. To meet the Governor's goal, additional payments from all funding sources may approach $2 billion per year in current dollars (growing over time). The administration does not recognize the costs of the ambitious retiree health proposal in its multiyear budget projection (which ends in 2018-19). The administration could have suggested a tentative earmark of a portion of Proposition 2 debt reduction funding during the 2020s to pay for some or all of its plan. The voters approved the dedicated funding for exactly this kind of effort.

Plan Needed for Proposition 2 Debt Payments. The administration does not provide a long-term plan for the 15 years of required annual Proposition 2 debt payments. We advise the Legislature to choose its own priorities for Proposition 2 debt payments in 2015-16 and also consider a short-term and longer-term plan for these debt payments during this legislative session. As we advised in November, we think the Legislature would benefit from soliciting proposals from the administration, the California Public Employees' Retirement System (CalPERS), CalSTRS, UC, and others on how the Proposition 2 moneys could best be used in the future. Addressing the budgetary obligations prioritized by the Governor involves certain benefits, while there would be other benefits from addressing retiree health liabilities, paying off the remaining of the old retirement system for judges, or paying down CalPERS, CalSTRS, or UC liabilities faster. By committing soon to future Proposition 2 debt payments on the retiree health liability, for example, the state potentially could reduce its unfunded liabilities in the near term and generate investment returns and federal dollars.

ECONOMY

Oil Price Collapse

Forecast Does Not Reflect Recent Changes. The administration's new economic forecast projects that real gross domestic product (GDP) for the U.S., a key measure of overall economic activity, rose 2.2 percent in 2014 and will grow by 2.6 percent in 2015 and 2.8 percent in 2016. (A comparison of the administration's economic projections with other recent forecasts will be posted on our California Economy and Taxes blog.) This is a reasonable forecast, but by necessity, the administration had to complete most of its forecasting work before the sharp fall in worldwide oil prices of recent weeks. Like the prices in California's primary oil field displayed in Figure 5, worldwide oil prices have fallen sharply in recent months from over $100 per barrel to about $50 per barrel, with much of this drop occurring during December. By contrast, the administration's forecast assumes roughly $80 per barrel oil prices in the final quarter of 2014, as well as all of 2015. At the same time that oil price declines are helping the economy in various ways, other key economic data have been strong. For example, the preliminary estimate of California's November 2014 job growth (90,100) was the second-highest seasonally adjusted monthly increase since 1990. Based on all these trends, we currently assume that real GDP will grow slightly faster than the administration estimates in 2014 and 2015.

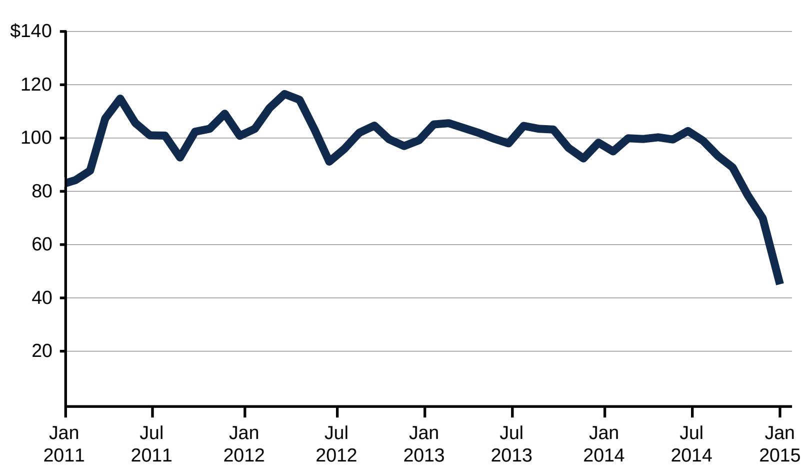
Low Oil Prices Help Economy in Near Term. Oil accounts for more than one third of all U.S. energy use, mostly as vehicle fuel. Some recent studies estimate that lower oil prices should cause overall U.S. economic output to rise by 0.5 percent to 1 percent on a one-time basis, accounting for both the gains to oil users and the losses to oil producers. The positive effect of a price decline on California would most likely be in the same range, if not slightly above the national average. Although California is a net consumer of oil, some areas of the state (such as Kern County) are net producers. Cheaper oil can hurt these local economies.

Gasoline Prices Affect Transportation Funding. As oil prices have dropped, so have California's gasoline prices. Last week, the average retail price of gasoline in California was $2.72 per gallon—down a dollar since the first week of October. When prices drop, consumers buy more gasoline. California's transportation funding relies heavily upon gasoline excise taxes. The state's

Figure 5

Price of Oil Dropped Sharply in 2014

Midway-Sunset Oil Price, Dollars Per Barrel



gasoline excise tax has two parts, and low gasoline prices affect each part differently. The first one—an 18-cent "base" excise tax—depends only on the amount of gasoline sold. Low prices lead to higher gasoline consumption, which leads to higher revenue from the base excise tax. The second excise tax on gasoline—resulting from California's fuel tax swap—has a rate that varies from year to year. In the short run, revenue from this tax depends only on the amount of gasoline sold, so low gasoline prices lead to higher revenue. However, the year-to-year rate changes are based on a formula that incorporates past gasoline prices. That means that low gasoline prices this year will lead to a lower excise tax rate—and therefore lower revenue—in future years.

Sagging Global Economy

California's Economy Is Globally Connected. International trade is important to California's economy. The state's largest trading partners include Japan and many European nations. Over the past several months, the near-term economic outlook for many of these countries has considerably worsened. China's economy also is a concern, given inflated asset "bubbles" there and other economic imbalances. These issues may affect California in various ways over the coming year, both positive and negative. On the one hand, California households may benefit from lower-cost imports due to the recent strength of the U.S. dollar in global currency markets. Weakness in economies elsewhere in the world has caused the U.S. dollar to appreciate significantly over the last few months. On the other hand, sagging economic growth in Europe and Japan could be accompanied by falling incomes and rising unemployment there. These factors, along with higher prices resulting in part from the stronger U.S. dollar, could reduce consumer demand for California exports.

REVENUES

The administration now estimates that the big three General Fund taxes will total $105.2 billion in 2014-15 and $110.9 billion in 2015-16, a $5.6 billion year-over-year increase (including technical adjustments shown in Figure 6, see next page).

Revenue Projections Higher

Billions of Dollars More Revenues. As shown in Figure 6, the administration has raised its revenue projections since June by billions of dollars, spread across the three years of the budget window (2013-14 through 2015-16). In general, the administration has raised its personal and corporate income tax projections noticeably: PIT by $1.8 billion in 2014-15 and nearly $1 billion in 2015-16 and corporation tax (CT) by $750 million in 2013-14, over $800 million in 2014-15, and $650 million in 2015-16. Offsetting these increases, the administration has lowered its sales and use tax projections by about $500 million for 2013-14, $400 million in 2014-15, and over $500 million in 2015-16. For the big three taxes combined, which make up over 95 percent of General Fund revenues, the new administration projections increase the June 2014 budget projections by $300 million in 2013-14, $2.25 billion in 2014-15, and $1.1 billion in 2015-16.

Robust Income Tax Collections. The administration's new projections reflect recent months' strong personal and corporate income tax collections by the state, including gains in PIT withholding (generally related to employees' wage income) and low levels of CT refunds. After the administration completed its projections, the state experienced a surge in estimated PIT payments (generally by higher-income taxpayers related to capital gains and business income) in December 2014. Significant periods of income tax collections will occur over the next week, in mid-April, and in mid-June, which, collectively, will be the key to determining the eventual level of 2014-15 state revenues. The big three tax collections for 2014-15 to date, as well as strong economic and stock trends in recent months, lead us to conclude that additional 2014-15 General Fund tax revenues of $1 billion to $2 billion above the administration's

Figure 6

Comparing New Administration Revenue Projections With Other Recent Projections

General Fund and Education Protection Account Combined (In Millions)

	June 2014 Budget Package[a]	Nov. 2014 LAO (Main Scenario)	Jan. 2015 Governor's Budget
2013-14			
Personal income tax	$66,522	$66,667	$66,560
Sales and use tax	22,759	22,251	22,263
Corporation tax	8,107	8,519	8,858
Subtotals, "Big Three" taxes	($97,388)	($97,437)	($97,681)
Insurance Tax	$2,287	$2,371	$2,363
Other revenues	2,163	2,093	2,253
Transfers (net)	347	376	376
Totals	**$102,185**	**$102,277**	**$102,675**
2014-15			
Personal income tax[b]	$70,238	$72,201	$72,039
Sales and use tax	23,823	23,420	23,438
Corporation tax[b]	8,910	9,482	9,748
Subtotals, Big Three taxes	($102,971)	($105,103)	($105,225)
Insurance Tax	$2,382	$2,435	$2,490
Other revenues	2,400	2,050	2,405
Transfer to BSA	-1,606	-1,606	-1,606
Other transfers (net)[b]	-658	-540	-472
Totals	**$105,488**	**$107,442**	**$108,042**
2015-16			
Personal income tax[b]	$74,444	$74,932	$75,403
Sales and use tax	25,686	24,653	25,166
Corporation tax[b]	9,644	10,375	10,293
Subtotals, Big Three taxes	($109,774)	($109,960)	($110,862)
Insurance Tax	$2,499	$2,512	$2,531
Other revenues	2,076	2,018	2,050
Transfer to BSA	-937	-1,974	-1,220
Other transfers (net)[b]	-1,084	-1,118	-842
Totals	**$112,328**	**$111,397**	**$113,380**

[a] 2015-16 figures are Department of Finance multiyear revenue projections as of June 2014.

[b] Reflects adjustments to Governor's budget figures that make the administration's estimates more directly comparable with the LAO figures, but do not change total revenues and transfers listed. Specifically, Governor's Budget personal income and corporation taxes are adjusted upward and Governor's Budget other transfers are adjusted downward by a similar amount. The adjustment makes similar the three sets of estimates' methods for counting tax revenues related to SB 798 of 2014, the College Access Tax Credit Fund legislation.

BSA = Budget Stabilization Account.

new projections are likely, barring a sustained stock market drop during the rest of this fiscal year. Even bigger gains of a few billion dollars more are possible in 2014-15. Future trends in stock prices and business income will affect whether 2015-16 income tax collections climb further, stagnate, or, in the worst case, decline compared to this year's robust levels. Our office expects to release updated revenue projections in May.

Figure 7

Special Fund Loan Repayments Proposed in 2015-16[a]

(In Millions)

Fund Name	Amount
Unemployment Compensation Disability Fund	$303.5
Motor Vehicle Account	300.0
State Courts Facility Construction Fund	220.0
Electronic Waste Recovery & Recycling Account	27.0
Vehicle Inspection Repair Fund	25.0
Hazardous Waste Control Account	13.0
California Health Data and Planning Fund	12.0
Off-Highway Vehicle Trust Fund	11.0
Contingent Fund of the Medical Board of California	10.0
Enhanced Fleet Modernization Subaccount	10.0
Board of Registered Nursing Fund, Professions and Vocations Fund	8.3
Dealers' Record of Sale Special Account	6.5
Accountancy Fund	6.0
Private Security Services Fund	4.0
Debt and Investment Advisory Commission Fund	2.0
Debt Limit Allocation Committee Fund	2.0
Physical Therapy Fund	1.5
Behavioral Science Fund	1.2
Illegal Drug Lab Cleanup Account	1.0
Speech-Language Pathology and Audiology Fund	0.5
Driving-Under-The-Influence Program Licensing Trust Fund	0.4
Total	**$964.8**

[a] The administration's special fund loan repayment—and related Proposition 2—calculations exclude a $102 million 2015-16 payment in the budget connected to prior transfers of weight fee revenues to the General Fund. Such special fund payments are called loans in state law that governs those transactions. The administration also plans to repay a $50 million loan to the State Highway Account that was not assumed in the 2014-15 budget package.

Special Fund Loan Repayments

Loan repayments to special funds are booked on the "revenue side" of the budget as a transfer out of the General Fund (therefore, as a reduction in overall revenues). In 2015-16, the Governor proposes repaying around $1 billion of loans that special funds were required to make to the General Fund to help address multibillion-dollar annual deficits in the last decade. Figure 7 summarizes these proposed repayments. The funds listed are among the hundreds of state accounts other than the General Fund. They fund public services supported by taxes or fees collected for specific purposes.

Proposition 2 Debt Payments. The Governor's clear priority for use of dedicated Proposition 2 debt reduction payments is the repayment of special fund loans. The repayments that he identifies equal 79 percent of his proposed Proposition 2 debt payments in 2015-16. The state could pay off more or less special fund loans now than the Governor proposes, and it could prioritize other eligible Proposition 2 debt reductions, including paying off retiree health liabilities.

Oversight. When the administration proposes repaying a special fund loan, it is a good opportunity for the Legislature to exercise its oversight role concerning that special fund. Are the fund's fee or tax sources too high or too low? Should the services provided by the fund change? Are affected members of the public satisfied with services provided by the fund? Is the special fund still needed?

PROPOSITION 98

Funding for Schools and Colleges Largely Driven by Formulas. State budgeting for K-12 education, the California Community Colleges (CCC), subsidized preschool, and various other state education programs is governed largely by Proposition 98, passed by voters in 1988. The measure establishes a minimum funding requirement, commonly referred to as the minimum guarantee. Both state General Fund and local property tax revenue apply toward meeting the minimum guarantee. The Proposition 98 minimum guarantee is determined by one of three tests set forth in the State Constitution. These tests are based on several inputs, including changes in K-12 enrollment, per capita personal income, and per capita General Fund revenue.

Significant Proposed Increase in Proposition 98 Funding. The Governor's budget package includes substantial new Proposition 98 spending—a total of $7.8 billion. From an accounting perspective, $4.9 billion of this amount is related to 2015-16, $2.3 billion to 2014-15, $371 million to 2013-14, and $256 million to 2009-10. Under the Governor's budget, K-12 Proposition 98 funding rises from $8,931 per student in 2014-15 to $9,571 per student in 2015-16—an increase of $640 (7.2 percent). CCC Proposition 98 funding increases from $6,066 per full-time equivalent (FTE) student in 2014-15 to $6,574 per FTE student in 2015-16—an increase of $508 (8.4 percent).

Changes to the Minimum Guarantee

2013-14 Minimum Guarantee Up $371 Million. As shown in Figure 8, the administration's revised estimate of the 2013-14 minimum guarantee is $58.7 billion, a $371 million increase from the June 2014 estimate. Of this increase, about $200 million is due to General Fund revenue being higher than previously assumed and about $100 million is due to a 0.17 percent increase in K-12 enrollment. Revised estimates of state population and small changes to the minimum guarantee in earlier years account for the remaining difference. Estimated state costs for 2013-14 are up $70 million due to the increase in K-12 enrollment. After accounting for higher enrollment costs, state spending is $301 million below the revised estimate of the minimum guarantee.

2014-15 Minimum Guarantee Up $2.3 Billion. As shown in Figure 8, the administration's revised estimate of the 2014-15 minimum guarantee is $63.2 billion, a $2.3 billion increase from the June 2014 estimate. This increase is almost entirely attributable to General Fund revenue being higher

Figure 8

Increase in 2013-14 and 2014-15 Minimum Guarantees

(In Millions)

	2013-14			2014-15		
	June 2014 Estimate	January 2015 Estimate	Change	June 2014 Estimate	January 2015 Estimate	Change
Minimum Guarantee						
General Fund	$42,731	$42,824	$94	$44,462	$46,648	$2,186
Local property tax	15,572	15,849	277	16,397	16,505	108
Totals	**$58,302**	**$58,673**	**$371**	**$60,859**	**$63,153**	**$2,294**

than previously assumed. Test 1 remains operative in 2014-15, with General Fund revenue increases yielding a near dollar-for-dollar effect on the guarantee. The Governor revises estimated state costs for 2014-15 upward by $279 million due to higher-than-expected K-12 enrollment. These changes result in state spending that is $2 billion below the revised estimate of the minimum guarantee. (The increase in revenue mentioned above results in the state's estimated maintenance factor payment increasing by $1.2 billion—for a total estimated payment in 2014-15 of $3.8 billion.)

2015-16 Minimum Guarantee Up $4.9 Billion Over* 2014-15 Budget Act *Level. As shown in Figure 9, the Governor's budget includes $65.7 billion in total Proposition 98 funding in 2015-16. This is $2.6 billion above the revised 2014-15 guarantee and $4.9 billion above the *2014-15 Budget Act* level. This increase is driven primarily by the higher level of funding in 2014-15 and a 2.9 percent increase in per-capita personal income in 2015-16. (Test 2 is operative in 2015-16, with the guarantee affected primarily by the change in per-capita personal income. Though changes in K-12 enrollment also are part of the calculation of the guarantee, the Governor projects enrollment to be flat from 2014-15 to 2015-16.) The Governor estimates the state will make a $725 million maintenance factor payment in 2015-16—leaving an outstanding maintenance factor of $1.9 billion.

Despite Significant Growth in 2015-16 Guarantee, Only Slight Increase in General Fund Spending. As shown at the bottom of Figure 9, Proposition 98 General Fund for 2015-16 is up only $371 million (1 percent) from the prior year whereas local property tax revenue is up $2.2 billion (13 percent). The primary reason growth in local property tax revenue is so significant has to do with the end of the "triple flip." The Governor's budget assumes the triple flip ends in 2015, thereby triggering the flow of significant local property tax revenues back to school and community college districts from cities, counties, and special districts. Local property tax revenue also is higher in 2015-16 due to growth in assessed property values (at about the historical average).

Figure 9

Proposition 98 Funding

(Dollars in Millions)

	2013-14 Revised	2014-15 Revised	2015-16 Proposed	Change From 2014-15	
				Amount	Percent
Preschool	$507	$664	$657	-$8	-1%
K-12 Education					
General Fund	$38,005	$41,322	$41,280	-$43	—
Local property tax revenue	13,671	14,184	16,068	1,885	13%
Subtotals	($51,675)	($55,506)	($57,348)	($1,842)	(3%)
California Community Colleges					
General Fund	$4,235	$4,581	$5,002	$421	9%
Local property tax revenue	2,178	2,321	2,628	307	13
Subtotals	($6,413)	($6,902)	($7,630)	($728)	(11%)
Other Agencies	$78	$80	$80	—	—
Totals	**$58,673**	**$63,153**	**$65,716**	**$2,563**	**4%**
General Fund	$42,824	$46,648	$47,019	$371	1%
Local property tax revenue	15,849	16,505	18,697	2,192	13

Additionally, a small part of the growth in 2015-16 is due to local property tax revenues flowing back to school and community college districts from former redevelopment agencies.

Local Control Funding Formula

Provides $4 Billion Increase for Local Control Funding Formula (LCFF). The largest funding increase in the Governor's budget is for the LCFF. As shown in Figure 10, the Governor's budget provides an additional $4 billion for LCFF, reflecting a 9 percent year-over-year increase. The Governor estimates the increase will close 32 percent of the remaining gap between school districts' 2014-15 funding levels and full LCFF implementation rates. Under the Governor's proposal, we estimate that LCFF will be approximately 85 percent funded. The Governor's plan to dedicate most additional ongoing K-12 funding to LCFF implementation is consistent with the budget approach the Legislature has taken the past two years. Dedicating almost all new ongoing K-12 funds to LCFF helps further the phase in and retains the state's emphasis on local control and flexibility.

Figure 10

Proposition 98 Spending Changes

(In Millions)

Revised 2014-15 Proposition 98 Spending	**$63,153**
Technical Adjustments	
Remove prior-year one-time payments	-$3,503
Make LCFF growth adjustments	53
Adjust energy efficiency funds	15
Provide growth for categorical programs	21
Annualize funding for 4,000 new preschool slots	15
Make other adjustments	213
Subtotal	(-$3,186)
K-12 Education	
Fund LCFF increase for school districts	$4,048
Fund Internet infrastructure grants (one-time)	100
Provide K-12 COLA for select programs	71
Increase funding for the Charter School Facility Grant Program	50
Other	2
Subtotal	($4,271)
Workforce Education and Training	
Fund adult education consortia	$500
Fund career technical education grants (one-time)	250
Fund certain noncredit courses at credit rate	49
Fund new apprenticeships in high-demand occupations	15
Increase funding for established apprenticeships	14
Subtotal	($828)
California Community Colleges	
Pay down mandate backlog (one-time)	$125
Provide apportionment increase (above growth and COLA)	125
Fund 2 percent enrollment growth	107
Augment Student Success and Support Program	100
Fund implementation of local student equity plans	100
Provide 1.58 percent COLA for apportionments	92
Subtotal	($650)
Total Changes	**$2,563**
2015-16 Proposition 98 Spending Level	**$65,716**

LCFF = Local Control Funding Formula and COLA = cost-of-living adjustment.

Workforce Education and Training

The Governor's budget proposes $876 million (Proposition 98) in additional spending for various workforce education and training initiatives, as detailed below. (Of this amount, $828 million is attributed to 2015-16 and $48 million to 2014-15.)

Proposes $500 Million for Adult Education Consortia.

The Governor's budget provides $500 million in ongoing funding for adult education programs. This proposal follows a two-year planning period in which school districts, community college districts, and other stakeholders formed 70 adult education consortia to assess, plan, and coordinate adult education services regionally. Under the proposal, the funds would support programs in five instructional areas: (1) elementary and secondary basic skills, (2) citizenship and English as a second language for immigrants, (3) education programs for adults with disabilities, (4) short-term career technical education (CTE) in occupations with high employment potential, and (5) programs for apprentices.

For 2015-16 only, the new funds would replace, dollar-for-dollar, LCFF funds currently allocated to school district-run adult education programs in these five areas. (While the exact amount of the $500 million needed for this purpose would be determined at a later date, the administration estimates it to be about $350 million.) The Superintendent of Public Instruction and the CCC Chancellor's Office would allocate the remainder of the funds to consortia based on regional adult education needs. Each consortium, in turn, would form a seven-member allocation committee representing school districts, community colleges, other adult education providers, local workforce investment boards, county social services departments, and correctional rehabilitation programs, with one public member, to distribute the funding to adult education providers within the region.

The administration indicates that it will provide a more comprehensive proposal, including a new accountability system, student placement criteria, and linked data systems following receipt of regional adult education plans. Statute requires the CCC Chancellor's Office and the California Department of Education (CDE) to submit a joint report by March 1, 2015, detailing these regional plans and making recommendations for additional improvements to the adult education delivery system.

Proposes $250 Million for CTE Incentive Grant Program. The budget provides $250 million for a competitive grant initiative that supports K-12 CTE programs that lead to industry-recognized credentials or postsecondary training. Under the Governor's plan, this appropriation is to be the first of three annual $250 million installments to support CTE infrastructure during LCFF implementation. As a condition of receiving funds, grantees would be required to provide a dollar-for-dollar match, collect accountability data, and commit to providing ongoing support for CTE programs after the grant program expires. Applicants also would be expected to partner with local postsecondary institutions, businesses, and labor organizations. Local education agencies that currently invest in CTE programs and local education agencies that collaborate with each other are to receive funding priority. The administration indicates that it will present additional program details, including grant amounts, at a later date.

Extends CTE Pathways Initiative for One Year. The Governor's plan includes $48 million to extend the CTE Pathways Initiative grant program for an additional year. The initiative is scheduled to sunset at the end of 2014-15. The initiative supports or supplements a variety of CTE programs at schools and community colleges that improve career pathways and linkages across schools, community colleges, universities, and local businesses. The CDE and CCC Chancellor's Office jointly allocate funding annually for programs through an interagency agreement. In previous years, community colleges received about two-thirds of the funding and K-12 programs received about one-third of the funding.

Increases Funding for Apprenticeships. The

Governor provides an augmentation of $29 million for apprenticeship programs (bringing total funding to $52 million). Of the augmentation, $14 million is for existing apprenticeship programs and $15 million is for new programs in occupations with unmet labor market demand. Funding would support both secondary and postsecondary programs.

Continues Existing Workforce Education and Training Programs. The Governor's plan maintains several existing CTE programs under Proposition 98. These include California Partnership Academies, Specialized Secondary Programs, the Agricultural CTE Incentive Program, the CCC Economic Development program, and the Adults in Correctional Facilities program. In addition, the budget includes $49 million to fund certain CCC workforce-related noncredit courses at the credit rate, as required by budget-related legislation adopted in 2014.

Governor's Workforce Education and Training Goals Laudable. The *Governor's Budget Summary* describes a comprehensive approach to workforce development that would align training providers and resources to meet regional and industry workforce needs. The summary characterizes the Governor's budget proposals as a first step toward this broader vision. We think the Governor's focus on coordination and alignment is laudable. Moreover, we acknowledge that forging a coherent system from multiple existing programs is a significant undertaking that will require several years to complete. We believe now is an opportune time to begin this work. Dedicated funding for two of the state's major workforce education and training programs—school district-run adult education and high school Regional Occupational Centers and Programs (ROCP)—will terminate at the end of 2014-15. Moreover, the recent reauthorization of the federal Workforce Investment Act requires enhanced coordination across workforce development providers.

Plan Limits Disruption to Existing Programs. The Governor's plan takes steps to minimize disruption for established adult education providers and ROCP programs during the transition to a more coordinated workforce development system. Specifically, by protecting funding for adult education programs for an additional year and setting a clear expectation that regional consortia will allocate funds following this transition period, the budget retains some continuity of adult education services. Similarly, providing grant funding opportunities for ROCPs for three more years could minimize disruption of their services during the transition to LCFF and development of the new workforce development system.

More Work Needed to Unify Workforce Development Efforts. Although we believe the Governor's workforce initiative contains laudable goals, we believe it has room for improvement. Notably, although the Governor's plan emphasizes regional collaboration, it does nothing to streamline existing, overlapping regional groupings—including the 15 CCC economic development regions, the 49 workforce investment boards, the 70 adult education consortia, and numerous other ad-hoc groupings emerging from recent grant initiatives (such as regional partnerships formed in response to the Career Pathways Trust program). Having so many overlapping regional agencies creates significant duplication for workforce development providers and makes creating coherent programs much more logistically challenging.

In addition, the Governor's proposals could further fragment workforce efforts by augmenting certain existing programs while simultaneously creating new programs with similar workforce objectives. This fragmentation is further exacerbated because adult education consortia also are entrusted with fulfilling similar workforce objectives—CTE and apprenticeships being two of their five priority areas (as specified in statute). We are concerned that such a piecemeal approach could be counterproductive and result in additional redundancies and inefficiencies in the state's workforce development system.

Internet in Schools

Proposes Additional $100 Million for Internet Infrastructure Improvements. The Governor's budget includes $100 million in one-time funding for CDE to administer a second round of Broadband Infrastructure Improvement Grants (BIIG). (The 2014-15 budget provided $26.7 million in one-time funding for the first round of BIIG awards.) These competitive awards would be used to pay for the costs of improving Internet infrastructure to school sites (also known as schools' "last-mile connections"). Eligible applicants must demonstrate they are unable to administer the new Smarter Balanced Assessment Consortium online tests or unable to administer the tests without curtailing their other Internet activities. Grantees must commit to funding the ongoing costs of their new Internet service from their general purpose funds.

Initial Concerns With Governor's Proposal. One initial concern with the Governor's proposal is that the amount of proposed funding does not appear to be linked with an assessment of existing Internet capacity required to administer the online tests. (The K-12 High Speed Network, in consultation with CDE and the State Board of Education, is currently preparing such an assessment. Statute requires this report to be submitted by March 1, 2015. This assessment might help determine how much additional funding, if any, is warranted.) Another initial concern is that the proposal appears to reward certain districts that have chosen to invest less in Internet infrastructure than other districts. The proposal also does not appear to address key underlying issues, such as the willingness of providers to build infrastructure in certain areas of the state.

Outstanding Obligations

Building upon efforts of the past few years, the Governor's budget also includes proposals to pay down outstanding education obligations, as discussed below.

Provides $1.5 Billion to Reduce Mandate Backlog. Estimates of the state's backlog of unpaid claims for education mandates ranges from $4 billion to $5 billion (largely depending on the outcome of active legislation). The Governor proposes to provide $1.5 billion ($1.1 billion for schools and $379 million for community colleges) to reduce this backlog. (From an accounting perspective, $93 million of this amount is scored to 2009-10, $301 million to 2013-14, $975 million to 2014-15, and $125 million to 2015-16.) Funds would be distributed to schools and community colleges on a per-student basis. The Governor indicates the funds for schools could help them implement the academic standards adopted by the state several years ago, though districts are free to spend the funds for any purpose. Similarly, the Governor expects community colleges to use their funds for deferred facilities maintenance, instructional equipment, and other one-time costs, though these funds also may be used for any purpose.

Provides $992 Million to Retire All Remaining Deferrals. As of the *2014-15 Budget Act*, the state had $992 million in outstanding payment deferrals (that is, late payments to schools and community colleges). Of this amount, $897 million relates to schools and $95 million relates to community colleges. The 2014-15 budget package included a statutory provision providing that any increase in the 2013-14 or 2014-15 minimum guarantees first be used to pay down these deferrals. Consistent with this requirement and the updated estimates of the 2013-14 and 2014-15 minimum guarantees, the Governor's budget package includes $992 million to eliminate all deferrals.

Provides Final $273 Million Payment for Emergency Repair Program (ERP). The ERP was created in 2004 through legislation associated with the *Williams* settlement. The program was intended to provide low-performing schools with a total of $800 million for emergency facility repairs. (Of the $273 million proposed for ERP in 2015-16, $163 million comes from a settle-up payment and $110 million comes from unspent prior-year Proposition 98 funds.) Given the state already has provided $526 million for this program, the additional $273 million payment would retire the state's ERP obligation.

Proposed Budget Makes Notable Progress Toward Retiring Education Obligations. The Governor's budget package would allow the state to retire two obligations that have been outstanding for many years. By paying down the remaining deferrals, the state would return to the statutory payment schedule for the first time since 2000-01. For schools and community colleges, returning to the days of timely state payments likely will improve cash flow and reduce reliance on short-term borrowing. For ERP, more than ten years has elapsed since the time the state decided to reimburse districts for emergency repairs. For mandates, though the Governor's plan does not eliminate the backlog, it makes significant progress in paying it down. We believe the Governor's approach to paying off existing obligations makes sense, particularly while state revenues are strong and before the next economic downturn.

Proposition 98 Budget Planning

As discussed earlier in this report, the state's 2014-15 revenue estimates could be up significantly come May relative to the Governor's budget. What might happen to state revenues thereafter is uncertain. Changes to the state's revenue condition will have important implications for Proposition 98 programs—affecting both how much Proposition 98 funding is available and how the Legislature might want to allocate this funding among one-time and ongoing purposes. We discuss these implications in more detail below.

2014-15 Guarantee Could Be Up Notably in May, With Additional One-Time Proposition 98 Funding Required. As mentioned earlier, the guarantee in 2014-15 is highly sensitive to changes in state General Fund revenue, with a near dollar-for-dollar effect on the guarantee. That is, if 2014-15 revenue estimates were to be revised upward by $2 billion this coming May, then the estimate of the 2014-15 guarantee likewise would increase by about $2 billion. The Legislature could begin considering how it might allocate such a large, year-end funding increase to schools and community colleges.

A Caution Against Committing All New Funds to Ongoing Purposes. Were stock market prices to drop in 2015 or growth in the economy and personal income to slow, the guarantee could drop from the level now proposed by the administration for 2015-16. Such a scenario serves as a caution against the state committing all available 2015-16 monies within the Proposition 98 guarantee for ongoing purposes. Were the Legislature to commit all these funds for ongoing purposes, it then would be in the problematic position of having to cut ongoing programs, potentially backpedalling in its implementation of the LCFF.

HIGHER EDUCATION

More Than $1 Billion General Fund Increase for Higher Education. California's publicly funded higher education system consists of UC, CSU, CCC, Hastings College of the Law, the California Student Aid Commission, and the California Institute for Regenerative Medicine (CIRM). As shown in Figure 11, the Governor's budget provides $14.4 billion in General Fund support for higher education in 2015-16. This is $1 billion (8 percent) more than the revised 2014-15 level. About half of the additional funding is for adult education consortia (discussed in the Proposition 98 section of this report). The Governor's other major policy proposals (discussed below) fund base increases at the segments, CCC enrollment growth, CCC student support services, and an award program to increase graduation rates at CSU. The budget also includes funding (not discussed below) for increased participation in Cal Grants, the second-year phase-in of Middle Class Scholarships, and bond repayments that support CIRM research. An additional proposal to fund deferred maintenance at UC and CSU is discussed in the Infrastructure section of this report.

Governor's 2015-16 Higher Education Plan Somewhat Better Tailored to Challenges Facing UC, CSU, and CCC. In his last two budget proposals, the Governor treated the state's two public university systems virtually identically, even though the two systems differ in missions, cost structures, and outcomes. One laudable feature of the Governor's budget plan for 2015-16 is a tailoring of certain proposals to the main challenges facing the different systems. Most notably, the Governor has a proposal for UC that primarily attempts to constrain costs (which remain high compared to other public research universities) and a proposal for CSU that attempts to improve student outcomes (which remain low by various measures). The Governor also targets funding toward student support services at CCC, whose students continue to have very low program completion and graduation rates. Targeting funding proposals to the unique challenges facing each segment is a more effective use of state resources. Though the Governor's plan generally is better tailored than previous years, some of the Governor's proposals treat the segments differently without solid justification.

Figure 11

Higher Education General Fund Support[a]

(Dollars in Millions)

	2013-14 Actual	2014-15 Estimated	2015-16 Proposed	Change From 2014-15 Amount	Change From 2014-15 Percent
University of California	$2,844	$2,991	$3,131	$140	5%
California State University	2,769	3,026	3,179	153	5
California Community Colleges	4,622	5,019	5,443	424	8
California Student Aid Commission	1,703	2,011	2,226	216	11
California Institute for Regenerative Medicine	95	271	383	112	42
Hastings College of the Law	10	11	12	1	13
Awards for Innovation	—	50	25	-25	-50
Totals	**$12,043**	**$13,378**	**$14,399**	**$1,021**	**8%**

[a] Includes General Fund support paid from outside the higher education agencies' budgets for their retirement, facilities, and other costs. Also includes monies that directly offset General Fund.

Base Increases

Proposes Cost-of-Living Adjustment (COLA) for Community Colleges. The Governor provides the community colleges wit*h* a $92 million (1.6 percent) COLA. The COLA is calculated pursuant to a formula in state law that uses a state and local price index for government agencies.

Proposes Three Unallocated Base Increases. In addition to the COLA for the community colleges, the Governor provides the system with a $125 million (2.1 percent) unallocated base increase to account for increased operating expenses "in the areas of facilities, retirement benefits, professional development, converting part-time to full-time faculty, and other general expenses." For each UC and CSU, the Governor proposes $119 million (4 percent) unallocated base increases. These increases represent the third annual installment in the Governor's four-year funding plan. Under this plan, the universities received 5 percent annual base funding increases in 2013-14 and 2014-15 and would receive another 4 percent increase in 2016-17. For UC only, the 2015-16 base increase is contingent upon the university (1) not raising tuition in 2015-16, (2) not increasing nonresident enrollment in 2015-16, and (3) taking action to constrain costs. The Governor further expects UC to form a committee, supported by staff of the UC Office of the President and the Governor, to develop proposals to reduce costs, enhance undergraduate access, and improve time-to-degree and degree completion.

Unallocated Approach Raises Concern. Of the four base increases provided by the Governor, only the COLA for the community colleges is associated with a specific purpose. That is, the COLA provided to the community colleges is widely understood to cover increased general operating expenses—such as for faculty and staff salaries and classroom materials—as measured by an inflation index specified in statute. In contrast, the Governor remains silent on the objective of the base increases for UC and CSU, and he does not convey the objective of the additional base increase for CCC clearly (that is, the associated CCC language identifies myriad possible uses, without ensuring that the funds actually are spent on those identified priorities). Because the Governor does not clearly articulate the justification for these three unallocated base increases, the Legislature likely will have difficulty assessing whether the augmentations are needed and ultimately whether any monies provided would be spent on the highest state priorities.

Unallocated Base Increases to UC and CSU Could Be Converted to COLA. A reasonable case could be made that the Governor intends for the UC and CSU unallocated base increases to function as COLAs. For example, both universities' governing boards adopted budgets in November 2014 that assume additional state funds for general cost increases. Moreover, the base increases provided by the Governor are in the ballpark of the COLA he provides to the community colleges. The Legislature could consider taking a more transparent approach that links funding with expected costs by providing base increases for the universities based on an inflation index. Such an approach would be consistent with the way the state in the past has budgeted for UC and CSU and the way it currently budgets for schools and community colleges. Furthermore, the approach itself (replacing unallocated base increases with a COLA and other targeted appropriations) likely would help foster a clearer dialogue regarding the amount required to fund specific higher education priorities, such as enrollment growth, improved student outcomes, pension obligations, and facility maintenance.

Tuition

Assumes No Tuition and Fee Increases. Although the Governor acknowledges in his budget summary that public higher education in California is relatively affordable for resident students (due to high public subsidies, relatively low tuition and fees, and robust financial aid programs), he expects the universities to maintain tuition at current levels. The Governor also proposes no fee increase at the community colleges. UC, CSU, and CCC resident tuition/educational fee levels have been flat since 2011-12.

Changing the Tuition Debate. Currently, much of the discussion surrounding university funding is centered around *who* should pay for cost increases—students and their families or the state. In our view, an equally, if not more important, question pertains to the *overall cost* of a college education and how it increases from year to year. One of the main reasons we have long argued for a share-of-cost fee policy is that any cost increases would affect all parties—state taxpayers, the universities, and students—such that all parties have an interest in monitoring costs and scrutinizing proposed cost increases while keeping an eye on quality and affordability. That is, the first order of such a policy is to shed greater light on overall cost and improve the public dialogue around whether cost increases are appropriate given all competing higher education objectives. A share-of-cost policy also has other benefits, including potentially reducing future volatility in fee levels and resulting in generations of students being treated more equally over time (if the policy were consistently applied).

Enrollment

Governor Expresses Major Concerns With Enrollment-Based Budgeting. Similar to his 2013-14 and 2014-15 budget proposals, the Governor outlines a number of serious concerns with enrollment growth funding. In particular, the Governor asserts that funding enrollment growth does not encourage postsecondary institutions to focus on affordability, student completion, and educational quality. He further states that enrollment-based funding fails to provide incentives for institutions to increase the productivity of the higher education system as a whole.

Provides Enrollment Growth at Community Colleges but Not Universities. The Governor provides $107 million for 2 percent enrollment growth at CCC. This equates to serving about 23,000 additional full-time students. In contrast, the Governor proposes no resident enrollment targets or enrollment growth funding for the universities, consistent with his critique of enrollment-based funding. The Governor's budget documents show resident enrollment flat in the budget year at UC and growing by 0.8 percent at CSU. (In a November 2014 report to the Governor and the Legislature, UC indicated that it would reduce resident enrollment by about 2 percent in 2015-16 unless it receives a larger base augmentation than the Governor proposes. How UC ultimately will adjust 2015-16 enrollment levels in response to the Governor's budget proposal remains unclear.)

Access, Quality, and Cost Controls All Important State Priorities. The Governor makes reasonable observations about the lack of incentives in enrollment-based funding for institutions to improve student outcomes and reduce costs. Nonetheless, linking funding with enrollment serves an important state purpose because it (1) expresses the state's priority for student access and (2) connects funding with student-generated costs. Despite these benefits, the Governor continues to discard the state's longstanding enrollment funding practices for UC and CSU. The administration also has not been supportive of funding a new university eligibility study—as a result, the state has limited information on whether UC and CSU continue to meet Master Plan goals for student access. In contrast, the budgeting approach the Governor takes with CCC, by funding both enrollment and student success, appears to better balance the twin goals of access and quality.

Student Support Services

Proposes Major Augmentation for CCC Student Support. The Governor proposes a $200 million augmentation to CCC's Student Success and Support Program, bringing the total for the program to $472 million. Of the $200 million, the Governor designates half to increase assessment, placement, and orientation for new students, as well as academic counseling and tutoring for both new and continuing students. The CCC Chancellor's Office would allocate these funds based in part on the number and types of support services each district provides. The Governor designates the remaining $100 million to implement local student equity plans. The purpose of these plans is to improve access and outcomes (such as degree or certificate completion) for all students, identify any disparities in achievement for disadvantaged groups, and address any such disparities. The Chancellor's Office would allocate these funds based in part on measures of disadvantage, such as a district's poverty and unemployment rates. (Community colleges could provide the same types of activities under both components of the proposed augmentation but likely would further target activities under the second component to disadvantaged groups.)

Focus on CCC Student Success Warranted, but Approach May Be Too Limited. Several recent reports and CCC outcome data support the need for more attention to CCC student success, and the Legislature has shown strong interest in improving student outcomes. As we noted in our *2014-15 Analysis of the Higher Education Budget*, however, we are concerned that the Governor's approach is too narrowly focused. As state and national research has shown, some types of students can benefit from different support services and many students can benefit from multiple types of support. Currently, the state funds specific types of support for CCC students through eight separate categorical programs. Providing more flexibility to use student support funds would enable colleges to allocate funding in a way that best meets the needs of their students. In addition, the Legislature could explore ways to make improvements in student outcomes a factor in the allocation of support services funding.

Awards for Innovation in Higher Education

Proposes Targeting Awards to Improving Graduation Rates at CSU. The Governor proposes $25 million in one-time awards to CSU campuses that are implementing initiatives to improve four-year graduation rates. This proposal differs from the 2014-15 awards, which will be granted to UC, CSU, and CCC campuses that are achieving a broader set of goals. Similar to last year's awards, a committee comprised of appointees from the Department of Finance, the governing boards of the segments, and the Legislature would make award decisions in a competitive process.

Proposal Raises Several Questions. Consistent with the Governor's emphasis, data suggest that CSU student performance is lackluster, with only 18 percent of full-time freshmen graduating within four years and only about half graduating within six years. The causes of the performance problem and how best to respond to them, however, are less clear. Are CSU's low graduation rates due to lack of preparation among entering freshmen, low retention rates from freshmen to sophomore year, poor fee and financial aid incentives, weak incentives to take 15 units per term, students working excessive hours, lack of access to required courses, or other problems? The Governor's approach to innovation awards appears to tackle a single symptom—that is, low graduation rates—without more comprehensively and systematically addressing underlying issues. We also continue to think relying solely on a small, one-time earmark is a poor budgetary approach for addressing a longstanding CSU performance problem, particularly given student success is so central to CSU's ongoing mission.

HEALTH AND HUMAN SERVICES

Budgetary Uncertainty Related to Federal Actions

The Governor's budget proposal for health and human services (HHS) programs reflects significant fiscal uncertainty relating to federal actions in a number of programmatic areas. We highlight these uncertainties in Figure 12 and discuss some of the key ones in greater detail below.

Figure 12

HHS Budgetary Uncertainty Related to Federal Actions

Issue	Budgetary Uncertainty
Implementation of new federal labor regulations for IHSS and DDS	The 2015-16 budget includes a combined total of $338 million General Fund in IHSS and DDS to make overtime and other required payments pursuant to new federal labor regulations. However, if litigation in the federal courts challenging the legality of the federal regulations is successful, the state would realize General Fund savings.
Pending Presidential executive action on immigration	If the President's executive action takes effect, some undocumented immigrants may newly qualify for state HHS programs, including Medi-Cal and IHSS. This would result in General Fund costs that could be in the hundreds of millions of dollars annually.
Federal funding of developmental centers (DCs)	The budget assumes that the state will retain federal Medicaid funding for DCs, despite DCs not meeting federal certification requirements. If the state does not make sufficient improvements to DCs, then a total of about $95 million in annual federal funding is at risk. Historically, lost federal funds for the DCs have been backfilled with General Fund monies.
Federal CalFresh administration funding target	The federal government typically pays 50 percent of CalFresh administrative costs. However, projected need for federal funds in 2014-15 and 2015-16 exceeds a federal funding maximum target. In the past, federal administrative funds from other states that spend below their respective targets have been made available to California. To the extent that such funds are not available, as much as $270 million in additional General Fund spending would be required over the two years should the state backfill the lost federal funds.
Federal Title IV-E funding (foster care) disallowance	The federal government identified an instance of noncompliance with Title IV-E foster care regulations and has ordered the state to repay Title IV-E funds, with interest, that were disallowed because of the noncompliance. The state has appealed the disallowance, but has also set aside $50 million (General Fund) should the appeal be rejected. These set-aside dollars would become available for other purposes should the state's appeal succeed.

HHS = Health and Human Services; IHSS = In-Home Supportive Services; and DDS = Department of Developmental Services.

The common theme of the budgetary uncertainties displayed is that all items relate to federal actions—including both recently enacted and pending ones—where the status of the federal action is currently uncertain and, in some cases, where the state budgetary implications of the federal action, even if it takes effect, are unclear. In some cases, a lack of accounting for a federal action in the Governor's budget or the making of what turns out to be an erroneous assumption about a federal action could ultimately result in added budgetary cost pressures. This is the case, for example, with the Governor's budget not assuming any additional HHS program costs from the President's pending executive order on immigration. In other cases, however, budgetary assumptions have been made that could ultimately turn out differently and result in budgetary savings. This is the case, for example, with the budget's assumption that recent federal labor regulations affecting IHSS and the Department of Developmental Services (DDS)—currently being challenged in the courts—will stay in effect and result in significant new costs for these two program areas.

Crosscutting Issues

Budget Proposes to Restructure Managed Care Organization (MCO) Tax to Comply With Federal Requirements . . . The state currently imposes a 3.9 percent tax on Medi-Cal MCOs' gross receipts. Under existing law, this MCO tax expires June 30, 2016. The state uses the tax revenue to draw down federal Medicaid funds. The state then uses these federal funds to (1) reimburse Medi-Cal MCOs for the amount of tax paid and (2) offset General Fund spending in Medi-Cal. The federal government recently indicated that taxes structured like California's MCO tax are impermissible sources of revenue for drawing down federal Medicaid funds. The federal government has advised that California—by no later than the end of this legislative session—make changes necessary to bring their tax structures into compliance. The Governor's budget proposes to restructure the state's MCO tax to both comply with federal Medicaid requirements and fund additional purposes, as described immediately below.

. . . and to Fund Restoration of Service Hours for IHSS. Under the Governor's proposal, revenues from the restructured MCO tax will draw down sufficient federal funds to maintain the current General Fund offset ($1.1 billion in 2015-16). The restructured tax will also raise an additional $216 million in 2015-16. This amount will provide the nonfederal share of Medicaid funding needed to restore IHSS hours that were eliminated as a result of the current 7 percent reduction in service hours initially enacted as a budget solution in a prior year. The total cost of restoring these IHSS hours is estimated to be $483 million.

Budget Includes Funds for High-Cost Hepatitis C Drugs. The Governor's budget includes $100 million General Fund in 2014-15 and $200 million General Fund in 2015-16 to pay for new breakthrough drugs used to treat Hepatitis C. These funds are currently not allocated to specific departments, but are reserved for the state's drug costs in treating certain individuals infected with Hepatitis C. These include inmates in state prisons, patients in state hospitals, and individuals enrolled in Medi-Cal and the AIDS Drug Assistance Program. The administration expects these drugs to cost approximately $85,000 per treatment regimen, making them costly relative to most other prescription drugs. There is uncertainty around the exact cost of these drugs and the medical guidelines for prescribing them to individuals infected with Hepatitis C. Given this uncertainty, the amount of funds set aside in the Governor's budget will likely be adjusted as new information becomes available.

Potential Costs Related to President's Immigration Actions. The Governor's budget does not include funding for potential costs related to the President's recent executive actions on immigration. These actions, which are currently pending, are intended to allow certain undocumented immigrants to temporarily stay in the United States without fear of deportation. If the actions are implemented at the federal level, then under existing law some undocumented immigrants may newly qualify for full-scope Medi-Cal, IHSS, and/or the Cash Assistance Program for Immigrants. (The benefits received by undocumented immigrants through these programs are almost entirely funded by the state.) This would result in General Fund costs that could total in the hundreds of millions of dollars annually.

Legal Uncertainty of Federal Labor Regulations Could Create Savings for IHSS and DDS. In 2013, the federal Department of Labor issued regulations for the home-care industry that impact the state's IHSS program and DDS. Under these regulations (originally to take effect in January 2015), the state is required to make overtime payments as well as payments for newly compensable work activities to IHSS providers and provide funding in the DDS budget to enable home-care vendors to make overtime payments. For IHSS, the budget includes a total of $316 million General Fund to fund overtime payments and other newly compensable work activities of IHSS providers. For DDS, the budget includes $22 million to increase rates to vendors that provide home care services to individuals with developmental disabilities. However, a recent federal court case challenges the legality of the new federal labor regulations. The presiding federal district court judge has issued a temporary stay of the regulations until a court hearing scheduled for January 14, 2015. If the outcome of the federal court case ultimately renders all or some of the new federal labor regulations unenforceable, then the state would realize General Fund savings.

Medi-Cal

Budget Assumes Increased Medi-Cal Local Assistance Spending in 2014-15 and 2015-16. The Governor's budget proposes revised 2014-15 Medi-Cal local assistance spending of $17.8 billion General Fund, a $560 million increase, or 3.2 percent, over the 2014-15 budget appropriation. The budget also proposes 2015-16 Medi-Cal spending of $18.6 billion General Fund, a $771 million increase, or 4.3 percent, over revised 2014-15 spending. The increases in Medi-Cal spending are due to a variety of factors, and we are continuing to evaluate these estimates.

Assumes Medi-Cal Caseload of 12.2 Million. The Governor's budget assumes total annual Medi-Cal caseload of 12.2 million for 2015-16. This is a 2.1 percent increase over the revised caseload estimate for 2014-15. The budget projects annual caseload associated with the Patient Protection and Affordable Care Act (ACA) will be 3.3 million, or a 3.8 percent increase compared to 2014-15. This includes 1.1 million enrollees who were previously eligible for Medi-Cal prior to the ACA's implementation. These previously eligible individuals—referred to as the *mandatory* expansion—are assumed to have enrolled as a result of eligibility simplification, enhanced outreach, and other provisions and effects of the ACA. The budget also projects 2 million enrollees—mostly childless adults—who became newly eligible for Medi-Cal under ACA. This is referred to as the *optional* expansion. The remaining 200,000 enrollees are associated with other changes under the ACA, such as express lane enrollment and hospital presumptive eligibility. (Both are streamlined processes that allow certain individuals to enroll in Medi-Cal without completing a full application.)

Developmental Services

Budget Assumes Increased DDS Spending in 2014-15 and 2015-16. The revised DDS budget for 2014-15 is $3.1 billion General Fund, an increase of $137 million (4.6 percent) above the 2014-15 budget appropriation. The 2015-16 budget is proposed to be $3.3 billion General Fund, an increase of $201 million (6.5 percent) above the revised 2014-15 level. Our understanding is that a key driver of these budgeted cost increases is due to caseload growth and higher utilization, and we are continuing to evaluate these estimates.

Federal Funding for Developmental Centers (DCs) at Risk. The state's Department of Public Health (DPH) licenses health facilities and certifies them on behalf of the federal government. Facilities must be certified in order to receive federal Medicaid funding. The state's three DCs—Fairview, Porterville, and Sonoma—have recently been found by DPH to be out of compliance with federal certification requirements generally related to clients' health, safety, and rights. For instance, some DC residents were found to be inadequately protected from abuse or harm. Currently, four living units at Sonoma DC no longer receive federal Medicaid funding as a result of noncompliance with federal certification requirements, requiring a General Fund backfill of about $13 million annually. Federal funding has so far been maintained for other Sonoma DC living units and for Porterville and Fairview DCs. However, without sufficient improvements to the DCs, the problems identified by DPH put DDS at risk of losing an additional $80 million in annual federal Medicaid funding. The current-year budget provides funding to make improvements, and the 2015-16 budget assumes that (1) the three DCs will meet certification requirements and retain federal Medicaid funding and (2) the four living units at Sonoma DC will regain federal funding by March 1, 2015.

CalWORKs

Full-Year Funding for Previously Approved Grant Increase. The Governor's California Work Opportunity and Responsibility to Kids (CalWORKs) proposal includes full-year funding for a 5 percent increase to CalWORKs cash grants that was approved as part of the 2014-15 budget package and is scheduled to go into effect in April 2015. As provided in the 2014-15 budget package, this grant increase is to be funded with certain funds redirected from 1991 realignment revenues, with the General Fund making up the difference if the redirected funds are insufficient. The Governor's proposal assumes that the full-year cost of the grant increase in 2015-16 is $175 million. Redirected realignment revenues are assumed to cover much, but not all, of this cost, with the General Fund covering an estimated shortfall of $73 million.

Foster Care

Funding to Begin Implementation of Continuum of Care Reform. As part of the 2012-13 budget package, the Legislature directed the Department of Social Services (DSS) to convene a stakeholder working group that was to recommend changes to the various foster care settings in which children may be placed—referred to as the "continuum of care"—to promote better outcomes. Concurrent with the release of the *2015-16 Governor's Budget,* DSS has released a report with 19 recommendations based on working group discussions. These recommendations will form the basis of a multiyear plan, yet to be formalized, that would reduce reliance on group home placements in favor of placements with foster families. The Governor's budget proposal includes funding to begin implementation of two of these recommendations: the proposal includes $9.6 million ($7 million General Fund) to (1) increase payments for social worker activities in agencies that typically have served children in foster homes that are at risk of group home placement and (2) provide funding for additional recruitment, outreach, and support of foster families.

RESOURCES AND ENVIRONMENTAL PROTECTION

Water Bond (Proposition 1) Implementation

Proposal. In November 2014, California voters approved the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1). The measure made $7.5 billion in general obligation bond funds available for projects to (1) increase water supplies, (2) protect and restore watersheds, (3) improve water quality, and (4) increase flood protection. The Governor's 2015-16 budget proposes $532.5 million to begin implementing Proposition 1. As shown in Figure 13 (see next page), this amount includes:

- $178 million to multiple agencies for watershed protection and restoration projects.
- $137.2 million to the State Water Resources Control Board (SWRCB) and the Department of Water Resources (DWR) for water recycling projects.
- $135.5 million to the SWRCB for projects to treat drinking water and wastewater.

The proposed expenditures from Proposition 1 are one component of the administration's proposed effort to implement the administration's Water Action Plan (January 2014), which identified actions it intends to take over the next five years.

Cost-Effective Implementation of Proposition 1. It will be important to ensure that Proposition 1 funds are spent in a way that provides the greatest public benefit. In considering the proposed expenditures, the Legislature may wish to consider how the administration intends to select projects (such as the specific criteria), determine the most cost-effective projects, and calculate the benefits of projects. In addition, the Legislature may want to ask implementing agencies to explain how they will ensure that Proposition 1 funds are only used for public benefits and that other funds are made available for any private benefits of projects.

Ensuring Accountability and Oversight. It will also be important to ensure that the Legislature, administration, and the public can ultimately assess the outcomes associated with projects funded by Proposition 1. The Legislature may wish to consider what information or processes would be useful in evaluating how well projects are delivered by state and local agencies. Such measures could allow the Legislature to hold agencies accountable for their performance, as well as inform future decisions about what types of water system-related projects should be funded.

Proposition 1E Flood Control Funding

Background. In November 2006, California voters approved the Disaster Preparedness and Flood Prevention Bond Act of 2006 (Proposition 1E), which made $4.1 billion in general obligation bonds available for flood control projects and required that all funds be appropriated by July 1, 2016. Subsequently, the Legislature passed the Central Valley Flood Protection Act of 2008 (Chapter 364, Statutes of 2007 [SB 5, Machado]). Chapter 364 required the DWR to develop a plan—the Central Valley Flood Protection Plan (CVFPP)—for reducing the risk of flooding in the Central Valley, including recommended actions and projects. Chapter 364 describes a number of objectives that the CVFPP and the recommended actions are intended to meet, such as reducing the risk to human life, linking the flood protection system with the water supply system, and increasing the ecological value of habitat associated with floodplains. The CVFPP was developed by DWR in 2012 and identified $14 billion to $17 billion in total flood control funding needed from various sources.

Proposal. The Governor proposes $1.1 billion (nearly all from Proposition 1E) for DWR to support various flood control activities. This amount is primarily for capital outlay projects, but includes some funding for local assistance and state operations. The proposal would appropriate all remaining Proposition 1E funding. The proposal does not identify specific projects that would be funded. Instead, it would give DWR ten years to commit the funds to projects and an additional two years to expend the funds. (This significantly exceeds the typical three-year appropriation for capital projects.) The proposal would also allow the department to transfer funds between state operations, local assistance, and capital outlay as it deems necessary. The administration has indicated that it will seek legislation to appropriate some funding prior to the passage of the *2015-16 Budget Act* with the intent to expedite flood projects.

Maintaining Appropriate Legislative Authority. The proposed ten-year appropriation period, as well as the ability to transfer funds of this magnitude without legislative approval, is highly unusual. This raises concerns regarding the Legislature's ability to exercise oversight and direct funding to its priorities. The Legislature will want to consider how to balance its interests in expending Proposition 1E funds with its traditional oversight and appropriation authority.

Cost-Effective Spending on Legislative Objectives. The proposed appropriations would fund a fraction of the total cost of the CVFPP. Accordingly, it will be important to ensure that the expenditure of these funds furthers the objectives of Chapter 364 to the greatest degree possible. The Legislature may wish to provide direction to the administration on which

Figure 13

2015-16 Proposition 1 Expenditure Proposals

(In Millions)

Purpose	Department	Amount
Watershed Protection and Restoration		**$178.0**
Watershed restoration projects	Various[a]	139.1
Enhanced stream flow projects	Wildlife Conservation Board	38.9
Water Recyling		**$137.2**
Water recycling projects	SWRCB	131.7
Water recycling and desalination	Water Resources	5.5
Safe Drinking Water		**$135.5**
Drinking water treatment projects	SWRCB	69.2
Wastewater treatement projects	SWRCB	66.3
Water Supply Reliability		**$59.9**
Integrated regional water management	Water Resources	32.8
Water conservation	Water Resources	23.2
Improvements to state water system	Water Resources	3.3[b]
Stormwater management	SWRCB	0.6
Groundwater Sustainability		**$21.9**
Groundwater management	Water Resources	21.3
Groundwater contamination	SWRCB	0.6
Total		**$532.5**

[a] Includes Department of Fish and Wildlife, state conservancies, and Natural Resources Agency.
[b] Does not include $1.4 million proposed for expenditure in 2014-15.

SWRCB = State Water Resources Control Board.

objectives or specific projects it considers to be the highest priority and ask the administration how it will ensure that these funds are spent in the most cost-effective way.

Challenges to Delivering Proposition 1E Projects. The state has faced some challenges in expending Proposition 1E funds, such as difficulties in (1) securing funding for the federal share of certain flood control projects due to limited federal appropriations; (2) identifying projects developed by local agencies that have gone through preliminary design and cleared environmental reviews; and (3) securing local, state, and federal permits needed to complete projects. The Legislature may wish to consider ways to address these challenges.

Various Drought-Related Activities

Proposal. In response to years of below-average rainfall and snowpack, the Legislature appropriated a total of $838.5 million (mostly bond funds) in 2013-14 and 2014-15 for various drought-related programs, such as emergency water supplies, wildland fire suppression, and protection of vulnerable fish and wildlife. As shown in Figure 14, the budget proposes an additional $115 million ($93.5 million General Fund) to continue many of these activities in 2015-16. Over half of these funds are for the California Department of Forestry and Fire Protection to continue expanded fire prevention and suppression activities.

LAO Comments. Although some initial measures of water availability indicate that 2015 could be another dry year, a definitive assessment

Figure 14

Drought-Related Appropriations

(In Millions)

Purpose	Department	2013-14 Actual	2014-15 Actual	2015-16 Proposed
Increased fire suppression and prevention	Forestry and Fire Protection	—	$66.0	$61.8
Emergency drinking water supplies	Public Health/SWRCB	$15.0	—	15.9
Actions to protect fish and wildlife	Fish and Wildlife	2.3	38.8	14.6
Emergency water supply activities and education	Water Resources	1.0	18.1	11.6
Emergency regulations and enforcement	SWRCB	2.5	4.3	6.7
Drought response coordination and guidance	Office of Emergency Services	1.8	4.4	4.4
Food assistance	Social Services	25.3	5.0	—[a]
Grants for local water supply projects	Water Resources	472.5	—	—
Flood control projects	Water Resources	77.0	—	—
Housing assistance	Housing and Community Development	21.0	—	—
Grants for projects that save water and energy	Water Resources	20.0	—	—
Groundwater cleanup and sustainable management	Water Resources/SWRCB	14.0	9.1	—
Drought response and water efficiency	California Conservation Corps	13.0	—	—
Grants for irrigation improvements to save water and energy	Food and Agriculture	10.0	—	—
SWP water-energy efficiency	Water Resources	10.0	—	—
Training for workers affected by drought	Employment Development	2.0	—	—
Water conservation in state facilities	General Services	—	5.4	—
Totals		**$687.4**	**$151.1**	**$115.0**

[a] Does not include a carryover of $7 million General Fund from prior years to 2015-16.

SWRCB = State Water Resources Control Board and SWP = State Water Project.

of water conditions will not be available until closer to the end of California's typical rainy season in April. Thus, it remains to be seen to what extent funding for drought-related activities will be required in 2015-16. The Legislature may wish to ask the administration for additional information on specific, on-going problems that are caused by the drought, and how the magnitude of these problems would change depending on water conditions during the rest of the year. In addition, as discussed above, many of the proposed expenditures would be continuations of the activities performed in previous years. As such, some information on the efficacy of past spending on these programs should be available. The Legislature may wish to ask the administration how the proposed appropriations reflect lessons learned from the drought-related activities funded to date.

Cap-and-Trade Expenditures

Background. The Global Warming Solutions Act of 2006 (Chapter 488, Statutes of 2006 [AB 32, Núñez/Pavley]), established the goal of reducing greenhouse gas (GHG) emissions statewide to 1990 levels by 2020. To help achieve this goal, the state established a cap-and-trade program that places a "cap" on aggregate GHG emissions from large emitters and allocates a certain number of allowances equal to the cap. Large emitters must obtain an allowance for each ton of carbon dioxide equivalent emitted. A portion of the allowances are auctioned by the state and the auction revenues are used to fund various programs intended to reduce GHG emissions.

Cap-and-Trade Expenditures Reflect 2014-15 Budget Agreement. The Governor's budget assumes the receipt of $1 billion in state revenue from cap-and-trade auctions. Chapter 3, Statutes of 2014 (SB 862, Committee on Budget and Fiscal Review), provides continuous appropriations of auction revenues of specified percentages to certain programs. Consistent with that legislation, the Governor's budget assumes that 60 percent of cap-and-trade revenues would be allocated in 2015-16 as follows: (1) 25 percent ($250 million) for the state's high-speed rail project, (2) 20 percent ($200 million) for the Affordable Housing and Sustainable Communities Program, (3) 10 percent ($100 million) for the Transit and Intercity Rail Capital Program, and (4) 5 percent ($50 million) for the Low Carbon Transit Operations Program. The Governor's budget proposes to allocate the remaining $400 million (40 percent)—which is not continuously appropriated—to other state agencies in a manner that is identical to what was provided in the 2014-15 budget. In addition, the administration intends to work with the Legislature and stakeholders in developing a 2030 GHG reduction target and a plan for meeting such a target.

More Revenue Likely Available for Expenditure. The total amount of revenue that will be raised from future cap-and-trade auctions is subject to substantial uncertainty, based on several factors (such as the allowance sale price). If all of the allowances that are estimated to be auctioned in 2015-16 sell for the minimum price set by the state (between $12 and $13), state revenue would exceed $2.3 billion. Based on our preliminary analysis of different factors (such as the outcomes of prior auctions), it is likely that the state will sell most or all of the allowances offered for sale in 2015-16. Therefore, state auction revenue will likely be significantly higher than what is assumed in the budget. To the extent revenues exceed the amount assumed in the budget, those programs that are continuously appropriated specified percentages of auction revenue would receive significantly more funding in 2015-16 than is identified in the Governor's budget. The rest of the additional revenue would be available to be allocated by the Legislature in the budget or future years based on its priorities.

STATE EMPLOYEES AND RETIREES

Most State Employees Scheduled to Receive Pay Increase. The state has active labor contracts—referred to as memoranda of understanding (MOUs)—with all 21 of its employee bargaining units. Pursuant to these MOUs, most state employees are scheduled to receive a 2.5 percent general salary increase in 2015-16. Most of the proposed $560 million ($203 million General Fund) augmentation to employee compensation in 2015-16 would go towards paying these and other scheduled pay increases.

Four Labor Contracts Expire in July. As can be seen from Figure 15, the state's MOUs with four bargaining units will expire in July 2015. The Legislature must ratify any subsequent agreements before they can go into effect. Depending on the terms of any subsequent MOUs, the state's costs in 2015-16 could be higher than proposed. For example, a 1 percent increase in pay for employees in these four bargaining units and their managers would increase state costs by more than $70 million ($40 million General Fund).

Governor Proposes New High Deductible Health Plan. As part of its employee compensation package, the state provides health benefits to eligible employees and retirees. The CalPERS board negotiates and approves premiums for state health plans. The state's contributions towards these premiums are based on a weighted average of the four health plans with the highest enrollment. In an effort to reduce state health plan costs, the Governor proposes directing CalPERS to establish a high deductible/lower premium cost health plan. To make this new plan attractive to employees, the Governor proposes contributing additional funds to a Health Savings Account for participating employees. If the high deductible health plan becomes one of the four most enrolled health plans offered to state employees, the Governor's proposal could reduce the overall amount of money that the state pays for employee and retiree health premiums in the future.

Governor Proposes Civil Service Modernization. The framework for California's state civil service system was established in 1934 by Proposition 7. The civil service requires that all appointments and promotions be made under

Figure 15

Most Current Memoranda of Understanding (MOUs) Will Expire Within Two Years

Bargaining Units With MOUs Expiring July 2015
6 (Corrections) 9 (Professional Engineers) 10 (Scientists) 12 (Craft and Maintenance)
Bargaining Units With MOUs Expiring July 2016
1, 3, 4, 11, 14, 15, 17, 20, and 21 (Units represented by SEIU, Local 1000) 2 (Attorneys and Hearing Officers) 7 (Protective Services and Public Safety) 13 (Stationary Engineers) 16 (Physicians, Dentists, and Podiatrists) 18 (Psychiatric Technicians) 19 (Health and Social Services Professionals)
Bargaining Units With MOUs Expiring July 2017
8 (Firefighter)
Bargaining Units With MOUs Expiring July 2018
5 (Highway Patrol)

a general system based on merit determined by competitive examination. All state positions are subject to civil service requirements unless specifically exempted by the Constitution (for example, judicial, legislative, and university employees). For decades, the state's civil service system has not operated in an optimal manner for either the state, its employees, or the public. We have long recommended that the state significantly revise the civil service system. In our 1995 report, *Reinventing the State Civil Service*, we provided a set of basic principles to assist the Legislature in this endeavor. Over the past two decades, there have been attempts at modernizing the state's civil service. While none of these past efforts yielded significant improvements to the state's civil service, we commend the Governor's expression of interest in modernizing the system.

Retiree Health Benefits

Addressing Unfunded Liability Should Be High Priority. The state pays for retiree health benefits as costs come due on a pay-as-you-go basis. In 2015-16, the state is expected to pay almost $2 billion annually for these benefits for current retirees. Pay-as-you-go is the most expensive way to pay for future obligations and violates the fundamental tenet of public finance that costs should be paid in the year in which they are incurred. Because virtually no money has been set aside to pay for earned retiree health benefits, an estimated unfunded liability of about $72 billion exists. We think that addressing this unfunded liability and developing a system to fund retiree health benefits as they are earned is financially prudent and should be a high priority of the Legislature. Implementing a plan to meet these goals, however, would require significant additional spending to fund a retiree health trust. The most recent valuation of the state's liabilities by the State Controller's Office suggests this additional spending would need to total around $2 billion (current dollars) more annually if the entirety of the unfunded liability is to be retired for state and CSU workers within about 30 years. This funding could come from a mix of General Fund, special fund, federal fund, and employee sources, and reductions in assumed future benefits could substitute for a portion of this funding.

Governor Suggests Discussing Liability at Bargaining Table. As current MOUs expire, the administration indicates that it will negotiate with each bargaining unit a plan to fund retiree health benefits earned in the future. The Governor's stated goal is that employees and the state share the "normal cost" for retiree health benefits. That is, employees and the state each will pay half of the sum actuaries estimate is necessary—combined with assumed future investment earnings—to pay the cost of the benefit that employees earn in a given year. For non-university executive branch employees, the administration indicates that the additional state costs of this plan would be roughly $600 million per year (all funds) a few years from now. The administration also indicates its intent to pay off all of the unfunded retiree health benefit liabilities in about 30 years.

No Funds to Implement Goal in Budget. The Governor does not include any resources for this effort even though—as we discussed earlier—the voters gave the state the ability to use money from Proposition 2 for this purpose. Should the Governor reach agreements with unions on these efforts, it then would be up to the Legislature to consider whether to approve and how to fund such agreements. The Legislature will want to scrutinize any agreement the Governor makes to consider whether it creates new retiree health commitments beyond those in current law and whether such commitments are covered by constitutional contract impairment prohibitions.

OTHER PROPOSALS

Proposition 47 Implementation

Background. Proposition 47, which was approved by voters in November 2014, reduces penalties for certain offenders convicted of nonserious and nonviolent property and drug crimes. The measure also allows certain offenders currently serving sentences for such crimes to request that the courts resentence them to lesser terms. These changes will reduce state prison population and associated costs by (1) making fewer offenders eligible for prison and (2) reducing the terms of the inmates resentenced by the courts. Under the proposition, state savings resulting from its implementation will be used to provide additional funding for mental health and substance abuse treatment, truancy and dropout prevention, and victim services beginning in 2016-17.

Proposal. The Governor's budget assumes that Proposition 47 will reduce the population in the state's 34 prisons by 1,900 inmates in 2015-16. While the proposed budget for the California Department of Corrections and Rehabilitation reflects funding adjustments due to various changes in the prison population, it does not provide a specific savings estimate for the population reduction from Proposition 47. The budget also proposes additional General Fund support for the courts due to increased workload associated with the resentencing hearings—$26.9 million in funding in 2015-16 and $7.6 million in 2016-17.

LAO Comments. The administration's proposal raises several issues for legislative consideration. First, our preliminary analysis indicates that the Governor's budget likely underestimates the reduction in the prison population that will occur from the implementation of Proposition 47. Second, given the expected significant reduction in the prison population over the next few years, it will be important for the Legislature to work with the administration in developing a plan for reducing prison capacity. In developing such a plan, the state should consider the most cost-effective approaches for reducing prison capacity. Lastly, the Legislature could consider providing guidance on how state savings from Proposition 47 will be spent on mental health and substance abuse treatment, truancy and dropout prevention, and victim services beginning in 2016-17. While the measure allocates certain portions of the savings to these specific purposes, it generally does not specify what criteria the administering agencies shall use to identify grant recipients or what requirements shall be placed on the recipients.

Deferred Maintenance

Governor's Proposal. The Governor's budget and the associated five-year infrastructure plan identify state infrastructure deferred maintenance needs of $66 billion, the large majority of which is related to the state's transportation system. The budget proposes one-time spending totaling $504 million from the General Fund (including $379 million in Proposition 98 funds) towards addressing these needs.

Of the total proposed deferred maintenance spending, the Governor proposes $125 million in non-Proposition 98 General Fund support for various entities as shown in Figure 16 (see next page). (By comparison, the 2014-15 enacted budget included up to $200 million in one-time non-Proposition 98 General Fund spending for deferred maintenance, contingent on certain budget conditions being met. This funding was not provided as the Department of Finance determined that the relevant conditions were not satisfied.)

The remaining $379 million of the Governor's proposal is one-time Proposition 98 funds for

Figure 16

Administration's General Fund (Non-Proposition 98) Deferred Maintenance Proposal

(In Millions)

Department/Program	Proposed Amount
University of California	$25
California State University	25
Parks and Recreation	20
Corrections and Rehabilitation	15
Developmental Services	7
State Hospitals	7
California Fairs	7
General Services	5
State Special Schools	3
Emergency Services	3
Military	2
Forestry and Fire Protection	2
Veterans Affairs	2
Food and Agriculture	2
Total	**$125**

the California Community Colleges. Under the proposal, this funding could be used to address deferred maintenance, but is available to districts for any one-time purpose. In addition, the Governor's budget highlights the administration's desire to explore additional funding options for addressing the significant maintenance and repair needs on the state's highway system.

Focus on Deferred Maintenance Is Positive. We believe that it is important for the state to address its accumulated deferred maintenance needs. While deferring annual maintenance lowers costs in the short run, it often results in substantial costs in the long run. As such, we commend the Governor for his continued interest in addressing the state's deferred maintenance backlog. As the Legislature evaluates the specifics of the Governor's proposal, it may want to consider whether the proposed projects have been prioritized to meet the state's most pressing deferred maintenance needs. The Legislature may also want to (1) explore whether the administration has a long-term plan to address the remaining deferred maintenance backlog and (2) request that the administration identify and take steps to address the specific factors that have contributed to the development of the backlog.

Cash Flow Borrowing

Because General Fund revenues and expenditures tend to peak in different months, the state regularly borrows from internal sources (the state's hundreds of special funds) and external sources (the revenue anticipation notes [RANs] sold annually to investors) to ensure there is sufficient cash available to meet payment obligations throughout the year. The administration's projection of cash flow assumes that the state does not issue a RAN in 2015-16. (The budget includes $20 million for interest and issuance costs associated with the RAN, an amount that can be deleted from the budget if the state does not need a RAN.) If the projections of the state's cash position hold, 2015-16 would be only the second year since the mid-1980s that the state has not issued a RAN, a reflection of how much the state has improved its finances in recent years.

APPENDIX

State Spending Summary

(In Billions)

	2014-15[a]		2015-16	
	June 2014 Budget Act	Jan. 2015 Governor's Budget (Estimated)	Jan. 2015 Governor's Budget (Proposed)	Change From 2014-15 (Governor's Budget Figures)
General Fund				
K-14 Education	$49.7	$52.1	$52.6	$0.5
UC, CSU, and Other Higher Education	7.9	8.0	8.6	0.6
Subtotals, Education	($57.5)	($60.1)	($61.2)	($1.2)
Health and Human Services	$29.7	$30.5	$31.9	$1.4
Corrections and Rehabilitation	9.6	10.0	10.2	0.2
Legislative, Judicial, and Executive	3.0	3.0	3.1	0.1
General Government and Government Operations	4.5	4.3	3.1	-1.2
Natural Resources and Environmental Protection	2.3	2.6	2.6	0.1
Business, Consumer Services, and Housing	0.8	0.8	0.6	-0.2
Other	0.5	0.4	0.5	0.1
Totals	**$108.0**	**$111.7**	**$113.3**	**$1.6**
Special Funds				
Health and Human Services	$19.4	$19.3	$20.5	$1.3
Transportation	8.4	8.5	8.8	0.3
General Government and Government Operations	5.6	6.1	4.8	-1.3
Natural Resources and Environmental Protection	4.1	4.6	4.2	-0.3
Legislative, Judicial, and Executive	3.0	3.0	3.1	0.1
Corrections and Rehabilitation	2.4	2.4	2.5	0.1
Other	1.5	1.8	1.6	-0.2
Totals	**$44.3**	**$45.6**	**$45.5**	**—**
Project Spending, Selected Bond Funds				
Transportation	$1.9	$1.4	$2.2	$0.7
Natural Resources and Environmental Protection	1.0	3.0	1.9	-1.1
K-12 and Higher Education	0.8	0.4	1.4	1.1
Other	0.4	0.5	0.4	-0.1
Totals	**$4.0**	**$5.3**	**$5.9**	**$0.6**
Federal Funds				
Health and Human Services	$69.9	$68.6	$72.5	$3.9
Education	12.2	12.5	12.3	-0.2
Labor and Workforce Development	7.4	7.5	7.2	-0.3
Transportation	6.1	5.4	5.9	0.5
Other	2.4	2.5	2.5	-0.1
Totals	**$98.0**	**$96.5**	**$100.4**	**$3.9**

[a] General Government costs in 2014-15 include $1.6 billion of one-time costs to retire economic recovery bonds pursuant to Proposition 58 (2004).

Note: Debt service and employee compensation costs generally are budgeted by program area. Via a routine budgeting mechanism, for 2014-15, hundreds of millions of dollars in certain General Government budget items in the June 2014 budget act were distributed across departments statewide before the January 2015 budget proposal in order to cover increases in departmental personnel costs.

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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: February 3, 2015

SUBJECT: Analysis of President Obama's Fiscal Year 2016 Budget

On February 2, the Obama administration delivered its fiscal year 2016 budget request to Congress. Release of the tax and spending blueprint represents the first official step in the budget and appropriations process for the fiscal year that begins on October 1. In the coming weeks, White House officials will be appearing before various congressional committees to discuss - and in some cases, defend - the administration's fiscal policies.

As previewed by President Obama in his recent State of the Union Address, the central theme and overriding goal of the fiscal year 2016 budget proposal is to "bring middle-class economics into the 21st Century." According to the White House, the budget is designed to help working families achieve economic security by, among other actions, reforming the tax code, tripling the child care tax credit, ensuring access to health care, and bolstering job-training initiatives.

In addition to emphasizing policies that will spur continued economic recovery, the president's budget proposes to focus federal resources on a variety of administration priorities, including combating climate change, modernizing the nation's infrastructure, fighting terrorism, and preventing and stopping the spread of infectious diseases. The Obama budget also highlights the need for tax reform.

As expected, the president's budget request received a chilly reception from GOP congressional leaders. With Republicans squarely in control of both chambers of Congress, very little of the administration's proposal is expected to become law. However, a number of key features of the budget plan - particularly on the tax-reform side - may very well lay the foundation for a broader tax deal between the White House and GOP leaders. Additionally, the president's budget will serve as a benchmark for congressional Democrats as they push their party's federal spending priorities.

All told, the president's budget proposes to spend nearly $4 trillion in fiscal year 2016 while assuming same-year revenues of $3.53 trillion. The resulting $474 billion deficit would equate to 2.5 percent of gross domestic product (GDP), slightly down from the estimated 2.6 percent in fiscal year 2015. Over ten years, the administration estimates that its budget policies would reduce cumulative deficits by $1.8 trillion.

Notably, President Obama's budget would effectively scrap the post-sequester discretionary spending caps that were established under the 2011 *Budget Control Act* (BCA, PL 112-25). Pursuant to the administration's plan, base discretionary spending would amount to $1.091 trillion in fiscal year 2016, or $75 billion above the $1.016 trillion allowed under the BCA. The additional outlays - which would amount to a seven percent funding increase - would be split almost evenly between defense and non-defense programs ($38 billion and $37 billion, respectively). The plan also would repeal the post-sequester caps through their scheduled end in 2021.

To pay for the increased spending, the White House is proposing a combination of offsetting budget cuts and tax-code adjustments. On the budget reduction side of the ledger, the administration would trim various mandatory and discretionary programs by roughly $600 billion over 10 years, with about 70 percent of total savings coming from proposed changes to mandatory health care programs. Among the targeted discretionary spending cuts are reductions to the Community Development Block Grant, elimination of the State Criminal Alien Assistance Program, and cuts to the Environmental Protection Agency's Clean Water State Revolving Fund.

With regard to new revenues, the administration's sequester replacement plan would raise nearly $640 billion in tax proceeds by limiting itemized reductions for the wealthy. Additional revenue raisers, including higher taxes on capital gains for upper-income taxpayers and a new tax on large financial institutions, would be used to pay for other administration priorities and for long-term deficit reduction.

To follow are highlights of President Obama's fiscal year 2016 budget request.

TRANSPORTATION

The administration's budget includes an ambitious, $478 billion six-year surface transportation reauthorization plan. Under the White House proposal, highway and transit spending would increase by roughly 30 percent and 75 percent, respectively over the life of the program. The increased infrastructure investment would be paid for through a combination of gas-tax receipts and a one-time infusion of $238 billion generated by a tax on overseas corporate profits.

Pursuant to the administration's proposal, the Highway Trust Fund would receive roughly $40.1 billion in fiscal year 2016 from so-called repatriated tax funds, as well as $39.6 billion from federal fuel taxes. The administration would boost trust fund spending to $60.5 billion, or nearly $7 billion more than the current fiscal year, which would leave the fund with a $20 billion balance at the end of next fiscal year.

The budget also would expand financing options under the Transportation Infrastructure Finance and Innovation Act (TIFIA), which leverages federal dollars by facilitating private participation in transportation projects and encouraging innovative financing mechanisms to help advance infrastructure projects. The proposal calls for providing $6 billion over 6 years, which would result in roughly $60 billion of direct loans.

The proposal also would place the Department of Transportation's competitive TIGER grant program outside of the purview of the congressional appropriations process. Under the administration's budget, TIGER grants would receive $1.25 billion next year, or more than double the amount the program is receiving in the current fiscal year.

DROUGHT RESPONSE

The president's budget notes that in 2015 the Bureau of Reclamation is implementing its 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 2016, the administration is proposing to increase funding for drought response activities.

The president also is proposing to increase funding for the Department of the Interior's WaterSMART initiative, which is designed to enhance water supplies and help identify adaptive measures to address the impacts of climate change. Specifically, the budget includes $58.1 million for water sustainability efforts, an increase of $7.5 million. The budget also includes $31 million for the U.S. Geological Survey WaterSMART Availability and Use Assessment initiative, a $14.6 million increase.

Additionally, the budget notes that the Departments of the Interior, Agriculture, and Commerce are continuing to work with the State of California in an effort to accelerate water transfers and exchanges, provide operational flexibility to store and convey water, expedite environmental review and compliance actions, and pursue new or fast-track existing projects that might help stretch California's water supplies.

JUSTICE ASSISTANCE FUNDING

For the third year in a row, the president's budget does not include funding for the State Criminal Alien Assistance Program (SCAAP). Congress appropriated $185 million for SCAAP in fiscal year 2015, a modest boost over the previous fiscal year's funding level. Solano County received $188,415 in fiscal year 2014 SCAAP funding to help partially offset the cost of housing undocumented criminals.

Although the Obama budget would eliminate SCAAP, the administration is proposing increases for several other key local justice-assistance programs. For one, the president is recommending a nearly $70 million increase for Community Oriented Policing Services (COPS) hiring grants. The budget also proposes to increase funding for offender reentry programs, the Title V juvenile delinquency and prevention program, and the Byrne/Justice Assistance Grant (JAG) program.

TAX EXEMPT STATUS OF MUNICIPAL BONDS

President Obama is proposing to cap the value of the tax exemption for interest paid by municipal bonds. Under the budget, the value of tax benefits would be limited for the top two percent of earners to 28 percent from the current 35 percent. This is the fifth time that the Obama administration has suggested capping the value of the tax exemption for high-income earners. The independent, bipartisan tax-reform group, known as Bowles-Simpson, also proposed limiting the tax break.

INDIAN AFFAIRS

The White House budget once again includes language that would overturn the U.S. Supreme Court's *Carcieri v. Salazar* decision. In *Carcieri*, the Court ruled that the secretary of the Interior's trust land acquisition authority is limited to those tribes that were under federal jurisdiction at the time of the passage of the *Indian Reorganization Act of 1934*. The president's budget does not propose any reforms to the Bureau of Indian Affairs' (BIA) land-into-trust process.

To follow are charts that provide a comparison between the president's fiscal year 2016 budget request and the current enacted level of funding for select programs. The numbers in the charts are in millions of dollars.

FISCAL YEAR 2016 PRESIDENT'S BUDGET
KEY PROGRAMMATIC FUNDING LEVELS

WATER RESOURCES		
	FY 2015 ENACTED	FY 2016 PRESIDENT'S BUDGET
SOLANO PROJECT (Bureau of Reclamation (BoR))	$3.7	$3.7
CALIFORNIA BAY-DELTA RESTORATION (BoR)	$37	$37
SJ RIVER RESTORATION FUND	$32	$35
ECOSYSTEM RESTORATION - BAY-DELTA (FWS)	(FWS Discretionary)	+$1.1 (FWS Program Change)
WATER RECLAMATION & REUSE PROJECTS (BoR)	$21.5	$20
WATERSMART GRANTS (BoR)	$19	$23.4
ESA RECOVERY IMPLEMENTATION (EPA)	$22.7	$24.4
CLEAN WATER STATE REVOLVING FUND (EPA)	$1,450	$1,116
DRINKING WATER STATE REVOLVING FUND (EPA)	$906	$1,186

DEPARTMENT OF JUSTICE		
	FY 2015 ENACTED	FY 2016 PRESIDENT'S BUDGET
SCAAP	$185	--
COPS HIRING GRANTS	$180	$249.5
METHAMPHETAMINE ENFORCEMENT	$7	$11
BYRNE/JAG	$376	$388

RESIDENTIAL SUBSTANCE ABUSE TREATMENT	$10	$14
OFFENDER REENTRY PROGRAMS	$68	$120
JUVENILE ACCOUNTABILITY BLOCK GRANT*	---	$30
PART B - STATE FORMULA GRANTS	$55.5	$70
TITLE V - DELINQUENCY PREVENTION	$15	$42
PRISON RAPE PREVENTION/PROSECUTION	$13	$10.5
YOUTH MENTORING GRANTS	$90	$58

*The omnibus zeroed out the JABG program. However, the legislation provided $55.5 million for Part B-State Formula Grants, $10 million of which can be used for JABG-related activities, including building, expanding, renovating, or operating temporary or permanent juvenile correction facilities.

DEPARTMENT OF TRANSPORTATION		
	FY 2015 ENACTED	**FY 2016 PRESIDENT'S BUDGET**
FEDERAL-AID HIGHWAY OBLIGATION LIMIT	$41,000	$50,070
TIGER GRANTS	$500	$1,250
TRANSIT FORMULA PROGRAM	$8,600	$13,900
CAPITAL INVESTMENT GRANTS	$2,100	$3,250
GRANTS-IN-AID FOR AIRPORTS	$3,350	$2,900
HIGH SPEED RAIL	--	--

HUMAN SERVICES		
	FY 2015 ENACTED	**FY 2016 PRESIDENT'S BUDGET**
TANF	$16,500	$16,500
FOSTER CARE	$7,343	$7,601
SSBG	$1,700	$1,700
LIHEAP	$3,390	$3,390
CHILD SUPPORT ENFORCEMENT	$4,038	$4,215
HEAD START	$8,598	$10,118
CHILD CARE DEVELOPMENT FUND	$2,435	$2,805
OLDER AMERICANS ACT PROGRAMS	$1,200	$1,300
ELDER JUSTICE ACT	$4	$25
COMMUNITY SERVICES BLOCK GRANT	$674	$674
SNAP/FOOD STAMPS	$81,800	$83,692
WORKFORCE INVESTMENT ACT PROGRAMS	$2,843	$2,951

HEALTH PROGRAMS		
	FY 2015 ENACTED	**FY 2016 PRESIDENT'S BUDGET**
MEDICAID	$328,525	$344,447
RYAN WHITE HIV/AIDS PROGRAM	$2,319	$2,323
MATERNAL & CHILD HEALTH BLOCK GRANT	$637	$637
PREVENTIVE HLTH/HEALTH SERVICES GRANT	$160	--

HOUSING AND URBAN DEVELOPMENT		
	FY 2015 ENACTED	FY 2016 PRESIDENT'S BUDGET
CDBG	$3,000	$2,800
HOME INVESTMENT PARTNERSHIPS PROG.	$900	$1,060
CHOICE NEIGHBORHOODS INITIATIVE	$80	$250
HOMELESS ASSISTANCE GRANTS	$2,135	$2,480

DEPARTMENT OF HOMELAND SECURITY		
	FY 2015 CONTINUING RESOLUTION	FY 2016 PRESIDENT'S BUDGET
ASSISTANCE TO FIREFIGHTER GRANTS	$680*	$670
EMERGENCY MGMT PERFORMANCE GRANTS	$350*	$350
STATE HOMELAND SECURITY PROGRAM	$446*	--
URBAN AREA SECURITY INITIATIVE	$600*	--
NATIONAL PREPAREDNESS GRANTS**	--	$1,043

* *The Department of Homeland Security is currently funded under a Continuing Resolution that will expire on February 27, 2015.*

***For the fourth year in a row, the administration's budget includes a proposal to consolidate several current state and local preparedness grant programs (such as State Homeland Security Grants and the Urban Area Security Initiative) into a comprehensive National Preparedness Grant Program (NPGP).*

DEPARTMENT OF AGRICULTURE		
	FY 2015 ENACTED	FY 2016 PRESIDENT'S BUDGET
USDA RURAL DEVELOPMENT PROGRAMS	$2,674	$2,875
USDA WATER & WASTE DISPOSAL GRANTS	$465	$448
RURAL COMMUNITY FACILITIES GRANTS	$27	$62
RURAL BROADBAND GRANTS	$10	$20
DISTANCE LEARNING AND TELEMEDICINE	$22	$25

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: February 12, 2015

Agenda Item No: V.2

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

Title /Subject: Provide Input and Adopt the City-County Coordinating Council's Revised Proposed 2015 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 County Water Agency, 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.

Consistent with CCCC direction at the November 13, 2014 meeting, staff has worked with the City of Benicia on the proposed 2015 State and Federal Legislative Platform (*Attachment 1*). Attachment 1 also 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 2015 State and Federal Legislative Platform.

While the Proposed 2015 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 2015 State and Federal Legislative Platform.

Attachments:
1 - Revised City-County Coordinating Council's 2015 State and Federal Legislative Platform (Redline)
2 - Revised City-County Coordinating Council's 2015 State and Federal Legislative Platform (Final)

Note: City of Benicia proposed edits are italicized and highlighted

SOLANO
City-County Coordinating Council
~~2014~~ 2015 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.

~~2014~~ 2015 State and Federal Legislative Priorities (Listed Alphabetically)

1. **Funding for Key Infrastructure Projects.** Support efforts in Congress to authorize and ~~appropriate~~ fund fund~~ing~~ for infrastructure projects in Solano cities and the county, including key water infrastructure initiatives pursuant to the newly authorized Army Corp's project selection process under the Water Resources Reform and Development Act (WRRDA) ~~funding for water projects identified as priorities by Solano cities and the county~~.

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.

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.

2014 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 ~~funding for~~ improved mapping of flood hazard areas and advocate for the US Army Corps of Engineers and other federal *and state* agencies to protect ~~the~~ 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.
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 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 ongoing future PILT funding.

Housing, Community and Economic Development, and Workforce Investment

1. 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. 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. 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. Support funding and incentives for smart growth and sustainable development, including infrastructure funding.
5. Oppose Federal legislation that would reduce U.S. Economic Development Administration (EDA) funds and support the expanded eligibility and access to these funds.
6. 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 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.*
~~2.~~4. *Support funding to integrate climate change and sea level rise impacts into Local Hazard Mitigation Plans and Emergency Operation Plans.*
~~3.~~5. Support funding to address emergency preparedness needs, particularly those that include communications equipment, training/exercises, or ongoing operations and maintenance costs.
~~4.~~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.
~~5.~~8. Support legislation that improves the availability, affordability and coverage for earthquake and flood insurance.
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.

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. Seek funding from the Cap and Trade measure to pay for green road maintenance*, regionally integrated transit,* and other enhancements to the transportation network that reduce greenhouse gas emissions.

~~8.~~9. 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.

10. Support or sponsor legislation that provides for the ~~imposition~~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%.
11. Support legislation and administrative rule making that improves rail and rail car safety for transport of hazardous material including crude oil.

~~9.~~12. 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 ~~2014~~ 2015 with the Public-Private Partnership (P4) process. 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 ~~2014~~ 2015 legislative state priorities and programs as outlined and adopted by the Solano Transportation Authority.

SOLANO
City-County Coordinating Council
2015 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.

2015 State and Federal Legislative Priorities (Listed Alphabetically)

1. **Funding for Key Infrastructure Projects.** Support efforts in Congress to authorize and fund fund for infrastructure projects in Solano cities and the county, including 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.

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.

2014 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.
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 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 ongoing future PILT funding.

Housing, Community and Economic Development, and Workforce Investment

1. 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. 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. 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. Support funding and incentives for smart growth and sustainable development, including infrastructure funding.
5. Oppose Federal legislation that would reduce U.S. Economic Development Administration (EDA) funds and support the expanded eligibility and access to these funds.
6. 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 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.
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.
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.

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 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 with the Public-Private Partnership (P4) process. 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 legislative state priorities and programs as outlined and adopted by the Solano Transportation Authority.

SOLANO
City County Coordinating Council
Staff Report

Meeting of. February 12, 2015

Agency/Staff: Michelle Heppner, Solano County Administrator's Office

Agenda Item No: V.3

Title /Subject: Discussion to Consider Incorporating Educational Leaders into CCCC

Background:
At the November 13, 2014 CCCC meeting, Supervisor Vasquez requested a discussion be brought forward to amend the structure and operations of the CCCC to add the Superintendent of Schools. After a short discussion the CCCC voted in favor of such a discussion. Supervisor Vasquez agreed to make contact with the Superintendent of schools to ensure his continued interest in participating in the CCCC's.

Discussion:
During the CCCC Joint Steering Committee meeting on January 26, 2015 a discussion on amending the CCCC structure and operations resulted in an alternative approach. Committee members suggested that instead of amending the existing structure, it would be more feasible to start up a standing adhoc committee on education and invite educational leaders to participate in the discussions when issues arise that may impact the educational community. It was also suggested that in addition to considering the Superintendent of Schools or his/her designee, the Community College leadership also be invited to participate in the standing adhoc committee.

This report is to begin the discussion on options to ensure the educational leaders in Solano County have the opportunity to participate in regional issues that may impact their communities or operations.

Recommendation: Discussion and direction.

Attachments:
1. CCCC Structure and Operations

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 Count 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 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

Solano City county Coordinating Council
^
Joint Steering Committee
^
Executive Committee
^
Technical Advisory Committee

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 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, the 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.