



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
County Manager



**Date:** July 28, 2014  
**Board Meeting Date:** September 9, 2014  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors

**From:** John L. Maltbie, County Manager

**Subject:** Analysis of the FY 2014-15 State Budget Act and County Manager's Report #13

**RECOMMENDATION:**

Accept these informational reports.

**Analysis of the FY 2014-15 State Budget Act**

**BACKGROUND:**

On June 20, 2014, Governor Brown signed Assembly Bill 852, the 2014-15 Budget Act. The new budget package, which includes \$156.4 billion in total state spending (\$108.0 billion General Fund) reduces budgetary debt by up to \$10.7 billion in 2014-15 and transfers \$1.6 billion to the state's rainy day fund, the Budget Stabilization Account.

The budget agreement includes language to place a constitutional amendment (ACA 1) on the November 2014 ballot, creating a rainy day fund that would replace the current reserve. Pending voter approval, ACA 1 would: 1) base rainy day fund deposits on 1.5 percent of annual General Fund reserves and require deposits when capital gains revenues in a given year exceed 8 percent of General Fund revenues; 2) increase the maximum size of the rainy day fund from 5 percent to 10 percent of General Fund revenues; 3) require half of each year's deposits for the next 15 years to be used for paying down certain debts and liabilities; and 4) allow for withdrawal of funds from the rainy day reserve, only if the Governor declares a budget emergency,

Other early repayments in the Budget include \$1.6 billion to pay off—one year earlier than anticipated—the deficit-financing bonds authorized by voters through passage of Proposition 57 (the Economic Recovery Act) of 2004 and \$5.2 billion to K-12 schools to pay down most of the outstanding debt attributable to payment “deferrals” in prior years.

Despite increased revenues and an improved fiscal outlook, the 2014-15 spending plan does not significantly increase fiscal support for public services and systems that continue to operate at diminished levels of funding following deep cuts during the Great Recession. Some of the major proposals in the final Budget include:

- \$872 million in a Cap and Trade investment plan with funding for the Sustainable Communities Strategy and Affordable Housing.
- \$607 million for baseline fire suppression activities.
- \$242 million to counties and cities for road maintenance.
- \$100 million in repayment of pre-2004 local government mandates.
- \$90 million for a Recidivism reduction package, including funding for the Mentally Ill Offender Crime Reduction Grants.
- \$70 million to restore 7,500 state preschool slots with wrap-around care for four-year-olds from low and moderate-income families.

## **DISCUSSION:**

The FY 2014-15 State Budget Act makes the following program and funding changes:

### **HEALTH SYSTEM**

**In-Home Supportive Services**—provides \$66 million statewide in General Fund in FY 2014-15 and \$237 million in FY 2015-16 to provide for the Fair Labor Standards final rule. The budget allows for the payment of overtime to IHSS providers, pursuant to federal overtime rules, set to implement January 1, 2015. The budget also leaves in place the 7 percent across-the-board reductions to IHSS approved hours.

- The Health System anticipates that the time limit will impact approximately 20 providers. The Department will work with clients to ensure that client needs are met.

**Black Infant Health**—includes \$4 million in General Funds in FY 2014-15. State funds were reduced a few years ago, leaving counties with only federal funds to operate. BIH provides pregnant and parenting African American women with health education, social support, individualized care management, home visitation and referrals to other services.

- The Health System does not know exactly how much funding it might receive; however, it received \$160,000 in past allocations. The department is reviewing the program to determine the highest need for the additional funding, if realized.

### **HUMAN SERVICES AGENCY**

**CalWORKs Grant Payments**—increases the maximum aid amounts to be provided under the CalWORKs program by 5 percent as of April 1, 2015.

- For a family of three in the County, the grant would increase from \$670 to \$704 per month.

**CalFresh**—extends counties' eligibility to receive the full allocation for CalFresh administration without paying the county's share of the nonfederal costs and extends the waiver through 2018-19.

- The waiver has provided HSA with opportunities to leverage additional funding. The extended phase out period will provide the department time to determine ways of maximizing funding.

**Benefits for Former Drug Felons**—provides \$10.6 million to fund a policy change which will allow those who have been convicted of a drug-related felony after 1997 and who meet current eligibility requirements to be eligible for CalWORKs and CalFresh services.

- This policy change will permit Service Connect to provide greater numbers of AB 109 clients with the food, job training and cash grant supports they need to make a successful reentry into the community.

**Housing and Homeless Support**—provides \$20 million statewide to provide housing supports, including financial assistance and housing stabilization and relocation, to CalWORKs families experiencing homelessness or housing instability. This will be a County opt-in program to be developed by the State Department of Social Services, in consultation with the County Welfare Directors Association.

- The Human Services Agency will be working in collaboration with the Housing Department to determine program requirements and current client housing needs to make a determination about program participation.

**Commercially Sexually Exploited Children**—includes \$5 million statewide for the establishment of the Commercially Exploited Children Program. Funding will be used primarily for training of county workers to identify, intervene and provide case management services to children who are victims of commercial sexual exploitation and to foster caregivers, as well as to assist with the development of county interagency protocols to respond to and serve children who are victims of commercial sexual exploitation.

- Specific County funding allocations have not been made at this time.

## **HOUSING**

**Supportive Housing**—includes \$100 million in General Fund revenue for supportive housing programs, specifically the Multi-Family Housing Program and the Multi-Family Housing Program's supportive housing projects. The purpose of these programs is to assist in the new construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households.

**Cap and Trade**—provides \$130 million of cap-and-trade auction revenues for dedicated the Affordable Housing and Sustainable Communities Program, which includes transit-oriented affordable housing development as an eligible activity, and key funding priority. Funds will be administered by the Strategic Growth Council and it is expected that at least half of this amount will be invested in affordable transit-oriented development.

For the long-term cap-and-trade investment plan, and as part of the Affordable Housing and Sustainable Communities Program, affordable transit-oriented development will receive at least 10 percent of cap-and-trade auction revenues. This could generate

\$200 to \$300 million statewide per year in funding for affordable transit-oriented development through 2020.

- The Housing Department's non-profit development partners will work to receive some of this funding through various statewide competitive processes.

### **2011 PUBLIC SAFETY REALIGNMENT**

The FY 2014-15 state budget enacts a comprehensive package of expanded local authority and new program funding to support the implementation of public safety realignment.

**Split Sentence Presumption**—the public safety trailer bill contains language amending the Penal Code to establish the presumption of a split sentence, unless the court finds that in the interests of justice such a sentence is not appropriate. This would take effect January 1, 2015. There is also a requirement that the Judicial Council promulgate rules of the court by January 1, 2015.

**Alternative Custody Program**—authorizes each sheriff to establish a voluntary alternative custody program (without Board approval) for specified inmates. Confinement options can include a residence, a substance abuse disorder treatment facility, transitional care facility, or a mental health clinic inmate in lieu of confinement in a county jail.

**Recidivism Reduction Fund**—provides \$90 million in FY 14-15 to fund an array of state and local public safety initiatives, including:

- **Mentally Ill Offenders Crime Reduction Grants**—\$18 million in one-time competitive grant program funding to be allocated to counties in the first year and available for expenditure for three years. Priority or preference shall be given to those grant applications that include a documented funding match that exceeds 25 percent of the total grant amount.
- **Community Recidivism Reduction Grants**—\$8 million in one-time funding for each county to provide small grants to nongovernmental entities engaged in a broad-scope of recidivism reduction efforts in the community. Boards of supervisors, in collaboration with the local Community Corrections Partnership, will be required to administer these grants, establish minimum requirements and funding criteria, and must transmit to the Board of State and Community Corrections data collected by the service providers as required.
  - San Mateo County is slated to receive \$250,000 of this pass through grant.

**Community Corrections Partnership Planning Grants**—includes \$7.9 million in an additional one-year appropriation to fund grants that support the work of the local CCPs in their AB 109 implementation efforts. As in previous years, counties will receive fixed amount depending on county size. Receipt of the planning grants is conditioned upon a county's submission of report to the state by December 6, 2014 regarding implementation efforts.

- The County is slated to receive \$150,000 in funding.

**AB 109 Allocation**—The AB 109 allocation for FY 2014-15 is still under development by the Realignment Allocation Committee (RAC). It has been announced that the new formula will be a limited term formula. It is important to note that legislative action is not required for the State Controller to distribute the AB 109 funds therefore; the AB 109 formula development is not part of the state budget process. Total AB 109 funding for FY 2014-15 is estimated to be \$934.1 million.

### **PROBATION**

**Senate Bill 678**—provides \$125 million in SB 678 funding in FY 2014-15 statewide and uses a new distribution methodology as revised by Senate Bill 105 of 2013.

- The Probation Department will receive \$200,000 in performance incentive funding down from \$500,000 received in previous years. According to the Department, the reduction represents the fact that San Mateo is not a “high performing” county, and that it does not send large numbers of offenders to state prison. Thus, savings to the state are minimal.

### **PUBLIC WORKS**

**Highway User Tax Account (HUTA) Loan Repayment**—includes \$100 million in HUTA loan repayment funds which will be allocated using the base gas tax formula (70 percent state; 30 percent cities and counties). In addition, the Budget provides \$142 million to cities and counties for local projects.

- The Public Works Department will receive a total of \$2,274,668 in HUTA reimbursement funding which will be used for County road maintenance.

### **GOVERNMENT FINANCE**

**Insufficient Triple Flip**—includes funding for three counties (Alpine, Amador and San Mateo) and their cities to cover insufficient Educational Revenue Augmentation Funds (ERAF) revenues to offset their costs associated with the Triple Flip and VLF Swap.

- The County will receive \$10.9 million in insufficient Triple Flip funding for FY 12-13.

**Mandates**—provides \$100 million in payments to local agencies for pre-2004 mandate claims. The counties’ share of this payment is about \$73 million. Payments to local agencies will be limited to the proportional amount of the total outstanding pre-2004 claims that have been approved for payment. The Budget also includes language that could direct up to an additional \$800 million if state revenues come in above Administration revenue estimates. That determination will be made in next year’s May Revision.

- The County is scheduled to receive \$1,685,106 in reimbursement funding sometime in August.

### **OTHER**

**CAP AND TRADE**—includes an \$872 million appropriation for cap and trade revenue and a three-pronged approach for expenditure of the funding of which \$400 million is

committed to High Speed Rail. In FY 2014-15 the remaining funding will be allocated statewide as follows:

- \$25 million for the Transit and Intercity Rail Capital Program
- \$130 million for Affordable Housing and Sustainable Communities
- \$75 million for Weatherization
- \$20 million for Energy Conservation Assistance for public buildings

The deal also proposes to allocate future revenues, beginning in FY 2015-16, as follows:

- 35 percent continuously appropriated for transportation, affordable housing and sustainable communities (15 percent for transit and 20 percent for affordable housing and sustainable communities)
- 25 percent continuously appropriated for High Speed Rail
- 40 percent annually appropriated in the budget or through legislation for low carbon transportation, natural resource programs, energy programs, and other GHG reducing program

Local governments should be eligible for grant funding under the FY 2014-15 programs, particularly within the waste diversion, water efficiency and energy efficiency programs. At full implementation, the cap and trade auction revenues could generate up to \$5 billion annually meaning counties could compete for a share of up to \$500 million in sustainable communities funds each year.

**CALFIRE**—provides \$607 million statewide for baseline fire suppression activities.

**CHILD CARE AND DEVELOPMENT SERVICES**—the FY 2014-15 Budget provides new funding for subsidized child care (designed to support low-income families) and the State Preschool program (designed as an educational program to help ensure children develop the skills needed for success in school) that will help to support County's Big Lift initiative:

- **Childcare and State Preschool Slots**—includes \$57 million General Fund and \$30 million Proposition 98 funding for 500 slots for the Alternative Payment Voucher Program (all age groups); 1,000 slots for General Child Care; 7,500 part-day State Preschool slots; and 7,500 part-day wrap around care slots. The Budget also specifies that an additional 4,000 full-day spaces will be added in FY 2015-16,
  - More full-day State preschool spaces for San Mateo County contractors will help The Big Lift preschool initiative to fill the gap more quickly with full-day spaces, which are the most costly to provide. These slots are likely to be added to existing contracts that indicate they have available space.
- **Provider Rates and State Preschool Fees**—provides \$24 million General Fund and \$25 million Proposition 98 funding to increase the standard reimbursement rate for state contracted providers by 5 percent, effective July 1, 2014 and \$19

million General Fund to update the regional market rate for voucher-based providers, effective January 1, 2015.

- The rise in the standard reimbursement rate may increase the San Mateo County Pilot rate, reauthorized by Assembly Bill 260 (Chapter 731, Statutes of 2013), from \$37.12 per day to approximately \$38.98 per day. The market-based vouchers rates would also increase by about 5 percent. These changes will stabilize providers and increase quality across the County, including in communities targeted by The Big Lift.
- **Elimination of Part-Day State Preschool Fees**—repeals part-day State Preschool family fees.
  - This change will open access to a 3-hour-per-day preschool experience for many very low income families who were no longer able to pay the fees. The Big Lift will not have to find a way to cover these parent fees.
- **Childcare and State Preschool Quality**—includes \$50 million in Proposition 98 funds for local block grants for locally driven quality improvement processes, \$25 million in onetime funding for preschool and transitional kindergarten teacher training in early childhood development, and \$10 million in onetime loans for State Preschool facility expansion.
  - The block grants are likely to go to First 5's in counties that are already a part of the state's Quality Rating and Improvement System Pilot (Race to the Top—Early Learning Challenge Grant Award) such as San Mateo County. The funding will help The Big Lift and districts improve 3<sup>rd</sup> grade reading and math proficiency for all children.
  - The facilities loan program could be leveraged to increase capacity and improve the quality of the County's child care and preschool facilities.

#### **FISCAL IMPACT:**

Analysis of the FY 2014-15 State Budget Act indicates that the County will receive a total of \$14.9 million in reimbursements from the state, including \$10.9 million for insufficient Triple Flip funding for FY 2012-13, \$2.3 million in HUTA funds, and \$1.7 million in pre-2004 mandate reimbursements. The County will receive an additional \$400,000 in new funding for the implementation of public safety realignment, including \$250,000 in pass through funding for the newly established Community Recidivism Reduction Grant. The County will also be able to compete for new funding available through the overhauled Mentally Ill Offenders Crime Reduction Grant program, as well as for funding for affordable housing and energy efficiency programs funded by cap and trade revenues. Finally, additional state funding for early childcare programs will assist with the implementation of the County's Big Lift Initiative.

## **County Manager's Report #13**

### **BACKGROUND:**

This report will provide you with updates on a variety of County initiatives focusing on Public Safety, Health and Human Services, Community Services and Performance, in addition to reports on legislation and issues that require your action. We also will keep you and the public informed about new services, upcoming events and general updates.

### **DISCUSSION:**

#### **Public Safety**

##### **Active Shooter Training**

On Friday, July, 18, the Sheriff's Office hosted a Violent Intruder/Active Shooter Scenario Training at Cañada College in Redwood City. This event was supported by the San Mateo County Police Chiefs and Sheriff Association, the San Mateo County Community College District, the San Mateo County Law Enforcement Training Managers Association, and the San Mateo County Central Fire Department.

This the first time this type of line-level scenario training has included multiple disciplines to this scale within the region.

The training scenario was based on tragedies our nation has faced over the past few years. Law, fire, communications, and emergency medical personnel from San Mateo and Santa Clara Counties were tasked with responding to and managing a fabricated mass casualty incident.

The intent of the training was to prepare first responders from all public safety disciplines physically and mentally for a violent intruder on a college campus. Over 180 first responders participated in the all-day event. The feedback received from all involved was extremely positive and the hope is this initial training will pave the way for future trainings to come.

##### **SMC Alert**

We are actively encouraging our employees and the public to sign up to receive emergency alerts by both text message and email by creating an account at [smcalert.info](http://smcalert.info).

By creating an account, a user can sign up to receive messages about incidents and emergencies that impact the cities or unincorporated areas that they are interested in. The messages are sent by our Office of Emergency Services as well as other first-responder agencies.

Our employees can sign up to receive notifications targeted for them and the locations where they work. These notifications can be sent in a very timely manner and may be the only way we can reach our employees during an emergency



## **Health and Human Services**

### **New EMS Director**

Please join me in welcoming Nancy Lapolla as our new Director of Emergency Medical Services in our Health System.

She comes to us from Santa Barbara County where she has served as EMS director since 1998. She is also a leader on statewide policy matters, currently chairing the Emergency Medical Services Administrator Association Disaster Committee and serving on the State's Trauma Advisory Committee. She holds a bachelor's degree in Community Health and a master's degree in Public Health.

We are pleased to be able to bring her leadership, experience and partnerships to benefit our work in San Mateo County. She will join our organization on September 8.

### **Services for Veterans**

After conducting a request for proposals, the County has contracted with Applied Survey Research (ASR) to conduct a needs assessment and stakeholder convening.

The assessment will include data analysis, research, and stakeholder input. The final report from this project will help San Mateo County understand the needs of veterans in the community and determine what specific programs, supports, and service delivery systems may help to improve the lives of veterans.

ASR will conduct a quantitative assessment and analysis, hold focus groups and interviews, plan a Stakeholder Convening, and develop a final report that will include the needs assessment findings and priorities identified from the October 3 convening.

The report and recommendations will be presented to your Board in November.

### **CalFresh**

August marks the 50th Anniversary of the CalFresh program. To encourage participation in this valuable program, the Human Services Agency and the Health System are partnering at several community events to assist eligible residents in applying for the benefit as well as teaching healthy cooking skills and promoting nutritious food choices.

Events will include a Fun Run in Pescadero and a Pop-Up Farmer's Market at one of the HSA regional offices. More information on CalFresh can be found at [hsa.smcgov.org/food-assistance](http://hsa.smcgov.org/food-assistance)

## **Community Services**

### **Fitzgerald Marine Reserve – A Winner**

“Bay Area must-do.” “Wonderful View and Tide pool experience.” “Best Tidepools in the area.”

Those are some of the reviews of our own Fitzgerald Marine Reserve posted at TripAdvisor.com. Thanks to those reviews and many others, TripAdvisor awarded the reserve with a 2014 Certificate of Excellence, "signifying that it has consistently earned outstanding feedback from TripAdvisor travelers."

I want to thank Marlene Finley, our Parks Director, and her incredible and dedicated staff for doing so much to preserve Fitzgerald and to make it a great destination.

According to a letter from TripAdvisor: "This prestigious award is based on the quality of reviews and opinions you've earned on TripAdvisor over the past year."

As another online reviewer put it, "A hidden gem, and really spectacular." I couldn't agree more.

### **News, Events and Updates**

#### **Good News Out of Sacramento**

How often can we say that?

California's counties will receive a total of \$100 million in sales taxes from Proposition 172 and the 1991 Realignment that were withheld by the state. This is a one-time payout following the discovery of a variance in revenues.

These adjustments are to restore funding shortfalls resulting from implementation issues surrounding the state's gas tax/excise tax swap. The problem that caused the Public Safety and 1991 Realignment shortfalls also caused 2011 Realignment underfunding though to a much lesser degree.

At this time we do not know what our share will be but this is obviously good news. We expect the one-time distribution will arrive in August.

#### **Civics 101 Launches September 16**

We are pleased to announce that the next round of the San Mateo County Civics 101 program will begin on September 16. This valuable program provides participants an in-depth and comprehensive look at the array of our programs and services and the ability to see first-hand out tax dollars are spent locally.

The program is open to anyone 18 years of age or older who lives or works in San Mateo County. This free program will run Tuesdays from 6 to 8:30 p.m. and will culminate with a graduation on November 18. Two Saturday field trips are also planned.

For the public that wishes additional details and an application, visit the County's website at [www.smcgov.org](http://www.smcgov.org) or contact Marshall Wilson at 650-363-4153 or at [mwilson@smcgov.org](mailto:mwilson@smcgov.org).

As you know, many of the participants go on to serve on our boards and commissions.

**Applications Due August 8 for new LGBTQ Commission**

I want to remind everyone that applications are due August 8 to serve on the newly created Lesbian, Gay, Bisexual, Transgender and Queer Commission.

This is an exciting opportunity to launch this important commission, the first of its kind in California at the city or county level. Commissioners will meet at least six times a year, develop a yearly work plan and provide recommendations to the Board of Supervisors at least once a year.

For more information and an application, I encourage anyone who lives in San Mateo County and has a passion for our community to visit [bnc.smcgov.org](http://bnc.smcgov.org) or to contact Honora Miller, the commission liaison, at [hmiller@smcgov.org](mailto:hmiller@smcgov.org) or at 650-363-4872.

**Save the Date: North Fair Oaks Festival August 17**

Every year the North Fair Oaks Community Festival welcomes the community to enjoy a day of free live entertainment, arts and crafts, food and beverages, children's rides and activities and a festive parade. This year's festival takes place on Saturday, August 17, along Middlefield Road in North Fair Oaks.

The festival proceeds benefit the many youth programs of the San Mateo County Sheriff's Office and provide scholarships through the Queen of the Festival scholarship program. Youth programs keep our youth safe and occupied during the critical, after-school hours and during the most vulnerable years of their school careers.