



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: January 21, 2014
Board Meeting Date: January 28, 2014
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: County Manager's Report #1

RECOMMENDATION:

A) Accept this report on an analysis of the FY 2014-15 Proposed State Budget

BACKGROUND:

The Governor's Budget, released January 9, 2014, includes \$108.7 billion in revenues, \$106.8 billion in proposed expenditures and \$2.5 billion in total reserves. Underscoring the need for fiscal restraint in the use of approximately \$6.3 billion in unanticipated revenues from 2012-13 to 2014-15 (driven primarily by growth in capitol gains), the proposed budget seeks to pay down budgetary debt from past years, specifically eliminating school deferrals; making a deposit to the state's Rainy Day Fund (the first deposit since 2007); paying off the Economic Recovery Bonds early; and investments in the state's infrastructure. In addition to debt repayment, the plan includes significant additional funding for K-12 education (\$10 billion) with some increases for health and human services and corrections and rehabilitation.

The Governor proposes placing a new Rainy Day Fund (also termed the Budget Stabilization Account) before voters to strengthen the provisions of Proposition 58 (2004). This constitutional amendment would replace ACA 4, a rainy day measure currently scheduled to appear on the ballot in November 2014. The new Rainy Day Fund would among others things, base deposits on when capital gains revenues rise to more than 6.5 percent of General Fund tax revenues; create a Proposition 98 reserve to smooth spikes in funding (but not impact guaranteed funding levels); double the size of the fund from 5 to 10 percent of revenues; and limit the maximum amount that could be withdrawn in the first year of a recession to half of the fund's balance.

The Governor's budget includes a number of proposals for the funding of environmental protection and natural resources programs. However, traditional funding sources to counties, such as the Williamson Act Subvention payments remain unfunded. In

addition, the proposed FY 14-15 budget appropriates \$850 million in Cap and Trade revenues for use in part, on High Speed Rail and energy efficiency and clean energy projects. Local governments will likely have access to portions of several different funding categories, including sustainable community funding as well as a portion of the energy efficiency and natural resource categories. The Governor's budget also proposes a \$815 million package of funding for existing infrastructure needs, including state parks, highways, local streets and roads, K-12 schools, community colleges, courts, prisons, state hospitals, and other state facilities.

Finally, the budget plan proposes to expand the tax-financing tool utilized by Infrastructure Financing Districts (IFDs) for a broader array of uses than currently provided under existing law. The proposed changes would, among other things, allow cities and counties that meet specified benchmarks to create new IFDs, and to issue related debt, subject to receiving a 55-percent voter approval.

DISCUSSION:

The Governor's FY 2014-15 proposed budget would have the following impacts to County residents, programs and services:

HEALTH SYSTEM

Expansion of Medi-Cal benefits—includes support for the Medi-Cal expansion, including paying for increased mental health and substance use disorder benefits for individuals released from prisons or jails.

- The Health System will be working with HSA, Probation and the Sheriff's Office to connect these clients to eligibility and services, but there are many state and local operational challenges to be worked through.

In-Home Supportive Services & Increase in Maintenance of Effort—proposes to restore 1 percent of the previous 8 percent reduction in hours, starting July 1, 2014.

- Aging and Adult Services does not anticipate any fiscal impact as a result of this change, but it will require additional administrative tasks.
- The County's FY 13-14 IHSS Maintenance of Effort is projected to increase 3.5 percent in FY 14-15, or \$400,000. The Governor's budget assumes that Realignment funding will increase sufficiently to offset the increased costs.

In-Home Supportive Services (Change in Overtime Rules)—proposes to prohibit home care providers from working more than 40 hours a week in response to a new federal ruling, effective January 2015, that mandates overtime for IHSS workers working more than 40 hours per week. Counties will be required to establish a home care provider "backup system" to assist clients to obtain a home care provider when their regular provider exceeds the allowable amount of hours.

- The Health System is unclear as to how many clients may be impacted; however, the change will likely cause disruptions for some clients. Workload for the Public Authority will also increase, if there is a substantial increase in home care provider enrollments and required on-going support.

HUMAN SERVICES AGENCY

CalWORKs, Parent-Child Demonstration Project—proposes a three-year, six-county demonstration pilot modeled after the evidence-based Chicago Child Parent Center Model to improve outcomes for 2,000 sanctioned CalWORKs families. The pilot is proposed to begin March 2015.

CalWORKs (Aid-payment)—includes continued funding of the 5 percent COLA for the maximum aid payment that was approved in Assembly Bill 85 using County redirected 1991 Realignment dollars.

- Despite the increase, the current aid-payment is still lower than pre-economic downturn levels.

1991 & 2011 Realignment Funding—projects conservative revenue increases of 6.6 percent in FY 13-14 than the amount of revenues received in FY 12-13, and 7.32 percent higher in FY 14-15 than estimated for FY 13-14.

2011 PUBLIC SAFETY REALIGNMENT

AB 109 Implementation—includes a number of proposals to assist counties in the implementation of Public Safety Realignment:

- **Long-term Offenders**—proposes that sentences of more than 10 years be served in state prison rather than county jail. This proposal is conditioned upon the state meeting the Three-Judge Panel's prison population cap.
- **Split Sentences**—proposes legislation to require that county felony jail sentences be "split" unless the Court makes a finding that a straight sentence is more appropriate.
- **Jail Facilities**—allocates another \$500 million be authorized for SB 1022 type facilities.
- **CCP Implementation Grants**—proposes an additional one-year appropriation of \$7.9 million statewide to fund grants that support the work of the Community Correction Partnerships in their AB 109 implementation efforts.
- **City Law Enforcement Funding**—allocates \$27.5 million for cities for front line enforcement activities.

The budget plan does not propose a new formula for AB 109 funding, rather it states support for a county-based decision making model and acknowledges it is premature for a permanent AB 109 formula to be put in place. The proposed budget revises growth estimates across all 2011 Realignment programs, projecting \$64.3 million in FY 13-14 growth for AB 109 (to be distributed in October 2014) and \$159.8 million for FY 14-15 (to be distributed in October 2015).

- If FY 13-14 growth is allocated in the same manner as growth funding in FY 12-13, the County would receive 0.98152566% or approximately \$631,000.

PROBATION

Senate Bill 678 Funding—counties would receive an expected \$128 million in continued funding under the revised allocation methodology pursuant to SB 105 (2013).

- The Probation Department anticipates a slight decrease of about \$30,000 in its SB 678 allocation in FY 14-15.

SHERIFF'S OFFICE

Trial Court Security—proposes a \$21 million increase in funding statewide.

- The amount that would be allocated to the County is unknown at this time, but when received the funds are deposited into a County trust dedicated for Court security.

PUBLIC WORKS

Highway User Tax Account Funding—estimates that due to reduced consumption, the annually adjusted gasoline excise tax will decrease in FY 14-15 by 3.1-cents from 39.5-cents to 36.4-cents. The reduction in the tax rate will result in as-of-yet unknown decrease in revenues to counties for local street and road maintenance.

OTHER COUNTY ISSUES

Excess Educational Revenue Augmentation Fund (ERAF)—proposes accelerated payments to pay off the Economic Recovery Bonds by 2015. Early repayment of the bonds will eliminate the need for the “Triple Flip.”

- The Governor’s Budget includes funding for San Mateo County to partially fund a Triple Flip funding deficit identified for FY 12-13. The CMO is currently working with CSAC and the Department of Finance to secure full funding.

State-County Assessor’s Partnership Agreement Program—includes a three-year pilot program, funded at \$7.5 million per year, to enhance local property assessment efforts. Nine county assessors’ offices would be competitively selected from urban, suburban and rural counties that are willing to match county funds at a specified amount.

Mandates—proposes to pay off the Wall of Debt in 2017-18. Included in this amount are the payments owed to local governments for pre-2004 mandates that statewide comprise about \$900 million. The FY 14-15 budget proposes to pay these costs over FY 2015-16 (\$748 million) and FY 2016-17 (\$152 million) with the majority of those funds paid to counties.

- The County is owed approximately \$28 million in unpaid mandate funding.

PERFORMANCE MEASURE(S):

Measure	FY 2012-13 Actual	FY 2013-14 Projected
Federal/State Measures analyzed and acted on	57	100

FISCAL IMPACT:

Overall, the proposed FY 2014-15 State Budget offers a cautious outlook in the coming budget year, holding most state funded County programs and services at the same level of funding as they received in FY 13-14. Slight decreased funding is anticipated for the County’s Road Fund as a result of decreases in Gas Tax revenues. The big unknowns

remain the AB 109 allocation formula (currently under discussion) and the continued impact that the Local Control Funding Formula will have on the County's Excess ERAF revenues in future years.

RECOMMENDATION:

B) Adopt a Resolution approving the San Mateo County 2014 Legislative Session Program

BACKGROUND:

The 2014 Legislative Session Program for San Mateo County articulates the state and federal legislative priorities for the County in the coming year. These priorities, in combination with standing positions and policies taken by the Board of Supervisors, guide the County's legislative advocacy efforts.

DISCUSSION:

In the current legislative session, County advocacy efforts will be focused on: 1) strongly opposing legislative actions that change the existing property tax allocation laws in order to redirect local Educational Revenue Augmentation Fund (ERAF) dollars to the state for payment of state program/service obligations; 2) working with the California State Association of Counties and public safety affiliates on a package of AB 109 reforms; 3) supporting the implementation of laws or regulations that promote streamlined and "no wrong door" processes for consumers to be screened and enrolled in public benefits programs such as Medi-Cal and subsidized health coverage through Covered California to maximize coverage and reduce reliance on scarce safety net healthcare resources; and 4) supporting pre-school for all funding efforts at the state level that will advance the goals of the "Big Lift," which seeks to design a model to deliver 2 years of high-quality preschool for all 3 and 4 year olds beginning in targeted communities.

County Counsel has reviewed the Resolution as to form.

Approval of this Resolution contributes to the Shared Vision 2025 of a Collaborative Community by providing a basic policy framework on a range of legislative proposals, priorities and policies approved by the Board of Supervisors and that guide County advocacy efforts.

PERFORMANCE MEASURE(S):

Measure	FY 2012-13 Actual	FY 2013-14 Projected
Federal/State Measures analyzed and acted on	57	100

FISCAL IMPACT:

None.

RECOMMENDATION:

C) Adopt a Resolution in support of Senate Bill 316, the Postal Service Protection Act of 2013

BACKGROUND:

The San Mateo County Central Labor Council has requested that your Board support the Postal Service Protection Act of 2013 and send a copy of the resolution to the President and Vice President of the United States, Majority Leader of the Senate, the US Postmaster General, and US Senators Barbara Boxer and Dianne Feinstein urging them to pass the Act.

DISCUSSION:

The Postal Service is the second largest civilian employer in the country with 22 percent of its employees being U.S. veterans. Senate Bill 316 would allow the Postal Service to manage its budget more effectively, be more competitive with other delivery service providers, and protect many of the jobs that are being threatened by Senate Bill 1486. Senate Bill 316, the Postal Service Protection Act of 2013, would prohibit cuts to Saturday mail service, reinstate overnight delivery standards, and prevent shutdowns of mail sorting centers.

County Counsel has reviewed the Resolution as to form.

Approval of this Resolution contributes to the Shared Vision 2025 of a Collaborative Community by advocating for mail service that is efficient and effective.

PERFORMANCE MEASURE(S):

Measure	FY 2012-13 Actual	FY 2013-14 Projected
Federal/State Measures analyzed and acted on	57	100

FISCAL IMPACT:

None.