

OVERVIEW OF GOVERNOR'S FY 2019-20 PROPOSED BUDGET

COUNTY ADMINISTRATIVE OFFICE JANUARY 23, 2019

On January 10, 2019, Governor Newsom released his proposed budget for the fiscal year beginning July 1, 2019. The newly elected Governor sustained outgoing Governor Brown's focus on fiscal prudence by making commitments to reserves and paying down debts but also departed from Brown's practices by making increased investments in numerous policy areas. These proposed investments were made with a backdrop of continued robust state revenue growth including a revised projected fiscal year 2018-19 surplus of \$21.4 billion. It is important, however, to note that the economy is on its longest expansion in modern history and the state's revenues continue to depend on volatile sources such as income and sales tax. While most of the proposed investments appear to be positive news for Monterey County, the proposal is considered a starting point for the state budget process. Changes are expected before the May 10th revised budget proposal as the Legislature also debates priorities.

The following is a summary of the Proposed Budget's major potential impacts to Monterey County. This summary was developed with input from the County's Departments. Please note that Departments had only a hand-full of days to analyze the proposal but will report back as pertinent developments arise.

Health and Human Services

CalWORKS The Governor's Proposal includes several changes to the California Work Opportunity and Responsibility to Kids program. These include increasing the grants amounts to families up to 50 percent of the 2019 federal poverty level, increasing the County's single allocation used to administer the program, and expanding the Home Visitation program. The County anticipates increased revenues from the state as a result of these changes, however caseloads which the revenues depend on continue to decline.

Expanded Medi-Cal and Subsidies for Covered California Increased subsidies for Californians with incomes up to 600 percent of the federal poverty level are proposed through Covered California. Additionally, undocumented eligible young adults aged 19 to 25 would be covered by Medi-Cal. The impacts of these proposals for Monterey County would be increased revenues at Natividad Medical Center due to a higher proportion of insured clients, increased AB85 redirections to the State due to expected County savings in indigent health, a small savings in the County's Esperanza care program that currently offers limited health services to our undocumented population, and an estimated additional \$530,000 in revenue for Medi-Cal administration.

In-Home Support Services The Governor took a series of steps in his proposed budget to close the gap between the growing costs of the IHSS program and its revenues. Notable is the changes in formula used to determine the County's IHSS Maintenance of Effort (MOE) resulting

in a lower County cost in the short-term. Consequently, a discontinuance of redirection of realignment revenue from social services back to mental health and public health was proposed resulting in an estimated local redistribution of \$400,000. A one-time infusion to help counties comply with the federally mandated IHSS Electronic Visitation Verification system required by January 2020 is also proposed resulting in an estimated \$104,000 locally.

Continuum of Care Reform The proposed budget includes continued allocations for the implementation of CCR which was enacted to reduce the use of group homes, increase the availability of trauma-informed services and improve outcomes for foster youth. Offsetting these expected increases is a reduction in Foster Parent Recruitment, Retention, and Support funding of an estimated \$400,000.

Homelessness

Regional Homelessness Coordination The Proposed FY 2019-20 budget builds on the FY 2018-19 commitment to the growing problem of homelessness in the state. A total of \$500 million one-time funding is proposed for entities with established joint regional plans for emergency shelters, navigation centers, and supportive housing. Of this \$500 million, \$200 million will be directed to local Continuums of Care, \$100 million to the state's largest cities (not applicable to Monterey County), and \$200 million for jurisdictions displaying progress in developing housing and shelters. Details of how these funds will be distributed are sparse but will be followed closely by staff.

Expanded Whole Person Care A \$100 million statewide one-time increase is proposed to provide housing and supportive services to WPC program participants with mental illness. Funds would be distributed by a formula not yet detailed.

Accelerated No Place Like Home Act The Governor proposed accelerating the allocations of the No Place Like Home Act, a \$2 billion bond approved by voters in November to build supportive housing for the homeless and those at risk of homelessness with severe mental illness. These bonds will be repaid by ongoing redirected Counties' Mental Health Services Act revenues of which Monterey County has a current fund balance of \$1 million.

CalWORKS Rapid-Rehousing The proposal includes an increase of \$24.2 million into the Rapid-Rehousing program for CalWORKS families. Monterey County has experienced success in this program and its allocation in the current year increased to \$1 million. Staff is hopeful for an increased allocation due to this proposal but details are currently unknown.

Housing Production

Planning Grants and Incentives In attempts to increase housing production in the state, the Governor proposed \$250 million in planning grants and technical assistance and another \$500 million to be allocated for local government production incentives. Funds would be distributed by the Department of Finance and the Business, Consumer Services, and Housing Agency with

details to come. Staff believes the planning grants could help fund a Housing Sustainability Plan for Monterey County.

Expanded Tax Credits and Subsidies To address funding gaps for affordable housing production the Governor proposed significant investments by supplementing current federal tax credits and subsidizing affordable housing for moderate income Californians. Included is \$300 million to expand low-income housing tax credits, \$200 million to develop housing for households with income between 60 to 80 percent of Area Median Income, and \$500 million for the Mixed-Income Loan Program for moderate-income households. Although these investments are mainly directed toward private and non-profit affordable housing developers, they would help the County reach its housing development goals.

Enhanced Infrastructure Financing Districts and Opportunity Zones To encourage infrastructure investments at the local level following the dissolution of Redevelopment Agencies, the Governor proposed removing the 55 percent voter approval for EIFDs to issue debt. In addition, he proposed resources to augment federal Opportunity Zones. Some such zones exist within Monterey County and could benefit from proposed deferred and reduced taxes on capital gain for investments in green technology or affordable housing.

Linking Transportation Funds to Housing Production A potential threat to Monterey County, the Governor suggested withholding transportation funding, specifically SB1 money, if local jurisdictions do not meet their housing production goals. Staff will be following this proposal closely as it develops.

Public Safety and Emergency Preparedness

Post Release Community Supervision The County's portion of Post Release Community Supervision funding is estimated to be \$174,250 lower from the current year's allocation due to a reduction in the state PRCS population.

9-1-1 Fee Structure A one-time \$60 million investment into the State Emergency Telephone Number Account (SETNA) is proposed to offset declining revenues while the fee structure is modernized. The County anticipates utilizing SETNA funds in the upcoming fiscal year to replace the 9-1-1 Phone System.

Fire Prevention and Management Grants Included is the first allocation of the five-year SB 901 Wildfire Protection Package. The statewide allocation of \$213 million is to be used for fuels reduction, prescribed burns, illegal fireworks disposal, and to streamline regulations for fuel reductions. These grants could increase the likelihood that the recently approved contract with the Resource Conservation District of Monterey County will produce local fire prevention activities.

Education Grants A one-time \$50 million allocation is included to begin a statewide public educational program to increase emergency preparedness. Grants will be made locally with an emphasis on high-risk areas.

Other County Services

Green Economy Apprenticeship Grants An investment of \$27 million in grants for local Workforce Development Boards was included to increase job training and apprenticeship opportunities in a low carbon economy. These grants, which target disadvantaged communities, will be made available on a competitive basis.

Increased Arts Council Allocations The proposal includes increasing the California Arts Council budget by \$10 million. The County provides discretionary funding to the CAC's local counterpart the Monterey County Arts Council. It is currently unknown if a state Maintenance of Effort will be required.

This report briefly reviews the major potential impacts of the Governor's Proposed Budget to Monterey County and is not intended to serve as an exhaustive analysis. A more thorough explanation may be found in the attached California State Association of Counties (CSAC) report. Departments are also available for details specific to their corresponding programmatic areas.