



March 13, 2017

To: Nicholas E. Chiulos, Assistant County Administrative Officer

Fr: John E. Arriaga, JEA & Associates

Re: State Report

Budget

While the Governor and the Legislative Analysts' Office (LAO) continue to battle over true revenue projections – State Controller Betty Yee released her January fiscals that clearly indicate that the Governor is correct in being cautious but the situation is improving. In mid-February, the Controller reported that California revenues of \$15.04 billion for January beat projections in the proposed 2017-18 budget Governor Jerry Brown introduced in January by \$884.4 million, or 6.2 percent.

In December, the “big three” sources of California general fund dollars—personal income taxes, corporation taxes, and retail sales and use taxes—all fell short of monthly and fiscal year-to-date budget estimates. For January, all three outpaced 2016-17 Budget Act assumptions and projections in the governor’s proposed 2017-18 budget.

Additionally, Controller Yee is a Board Member of both CalSTRS and CalPERS, and stressed that the state needed to get these investments and benefits under control quickly, though their recent decision to reduce the discount rate and the proposed budget’s increase of \$172 million for state employer contributions is helping.

But like the Governor, the Controller continued to express trepidation at any significant and/or long-term bounce-back citing an inevitable future economic downturn, coupled with unpredictable federal funding under the new Trump Administration. Budget sub-committees will begin convening in the beginning of March.

IHSS MOE

After the release of the Governor's proposed budget, the dismantling of the Coordinated Care Initiative (CCI) that triggered the elimination of the In-Home Support Services Maintenance of Effort (IHSS MOE) became CSAC's and every county's top priority. With the threat of reverting back to the local share of cost (35% rather than 2011-12 base with a 3.5% inflator) and assuming a \$625 million cost in just the first year, CSAC is looking towards a cooperative and workable solution with the State. Understanding that the 1991 Realignment dollars would not even cover a fraction of the costs and the fact that the General Fund will not be able to fully backfill for a sustainable future, if at all, CSAC is looking towards ways of avoiding the problem altogether. The hope is to work with the Legislature and the Administration in tweaking the CCI to make it more programmatically and fiscally efficient, thus not triggering the elimination of the MOE. CSAC's Executive Board and staff met with the Department of Finance on February 13th to begin negotiations. However, the Assembly Budget Sub-Committee #1 heard the issue on March 8th, and is proposing an alternative approach that puts the first year costs on the counties with some supplemental funding from a newly created account and then would revert back to the 3.5% match until our 1991 Realignment growth funds can fully fund the IHSS MOE. What is inherently problematic is that these supplemental funds are essentially a loan from the state that the counties will have to pay back through any excess 1991 Realignment growth, which would eliminate any programmatic adjustments and/or future expansion.

In response to this proposal, Matt Cate addressed the weekly caucus about his concerns over the sheer size and uncontrollable variables of this "fix" and, what should be, our lack of endorsement. He is not optimistic that this is the solution, and many of the counties are prepared to "fight this tooth and nail." Additionally, the County Counsels are in the midst of meeting with the state's attorneys, in their contention that the trigger on the MOE was pulled in error. There is serious discussion of a lawsuit being filed shortly.

For Monterey County, if the proposal is passed would constitute a \$7+ million hit to the budget just in the first year with that growing exponentially as the minimum wage, sick leave and the restoration of the 7% reduction in service hours goes into effect.

On March 6th, the County sent an opposition letter to the Governor and the legislative delegation. This letter, as well as testimony in opposition, was presented to the Assembly Budget Sub-Committee #1 at their hearing on March 8th. The Committee agreed to keep the item open for two weeks, in order for the counties to look closer at the sub-committee's proposal. JEA & Associates will report back to the Legislative Committee and county staff on the meeting as well as any pertinent updates.

Legislative Update

With the February 17th bill introduction passed, JEA & Associates and County staff have been analyzing and vetting hundreds of bills through county and department staff for positions, and will

be updating the Legislative Committee as we progress. Since the last Legislative Committee, the County has taken a support position on several bills and a budget item, including:

- SB 167 (Skinner) – Would require the Secretary of the Department of Corrections and Rehabilitation to establish memoranda of understanding with the federal Social Security Administration to allow a person incarcerated in a correctional institution to apply for and receive a replacement social security card and to allow the administration to process SSI claims under the prerelease program.
- SB 222 (Hernandez) – This bill requires county human services agencies to suspend Medi-Cal eligibility for incarcerated individuals for an indefinite timeframe, rather than terminating benefits after one year per the current one-year limitation in statute
- Adult Protective Services Program – Home Safe – Homeless Prevention for Seniors - One-time \$10 million budget augmentation to establish Home Safe, a homeless prevention demonstration project for victims for elder abuse and neglect

The following bills have been brought to the Legislative Committee for consideration of position at the request of the Chair, Supervisor Alejo:

SB 2 (Atkins) – This bill establishes the Building Homes and Jobs Act (Act) and imposes a \$75 fee on real estate transaction documents, excluding commercial and residential real estate sales, to provide funding for affordable housing.

This is a re-introduction of AB 1335 (Atkins) from 2015 that attempted to establish a dedicated fund for the state's affordable housing issue. In addition to the numerous housing, labor, and social justice/poverty groups supporting the bill, the League of Cities and locally, the Monterey Bay Economic Partnership are in support as well. In speaking with Chris Lee, from CSAC, they are planning on supporting the bill, as they did its previous iteration, and even more so, since SB 2 now includes monies for counties to update their general plans. One of the main opponents of the bill are the County Recorders' Association of California, who argues that this would raise the minimum recording fee by 750% (\$10 to \$75), which will impact small contractors recording mechanic liens, individuals releasing child support, tax or liens to clear credit; or a widow/widower recording an affidavit of their spouse's death, and so on. Additionally, the Association outlines the administrative challenges for the Recorders. The Inyo Board of Supervisors is also recorded in opposition. The bill passed out of Senate Transportation and Housing Committee on February 28th on a 9-3-1 vote and set for hearing in Senate Governance and Finance Committee on March 15th.

SB 54 (De Leon) – This bill prohibits state and local law enforcement agencies and school police and security departments from using agency or department money, facility, property, equipment or personnel to investigate, interrogate, detain, detect or arrest persons for immigration enforcement purposes, including but not limited to any of the following:

- Inquiring into or collecting information about an individual's immigration status.
- Detaining an individual on the basis of a hold request.
- Responding to notification or transfer requests.

- Providing, or responding to requests for, nonpublicly available personal information about an individual, including, but not limited to, information about the person's release date, home address, or work address for immigration enforcement purposes.
- Making arrests based on civil immigration warrants.
- Giving federal immigration authorities access to interview individuals in agency or department custody for immigration enforcement purposes.
- Assisting federal immigration in conducting a search of a vehicle without a warrant.
- Performing the functions of an immigration officer, whether formal or informal.

SB 54, and several other early introductions of immigration measures, was in response to the Trump Administration's executive orders on immigration, as well as threats to sanctuary counties/cities. SB 54 would build upon the Trust Act (governs when and how a local entity may detain a person subject to an immigration hold), passed in 2013, and strengthen the state's sanctuary status. The support for the bill is lengthy, with a majority of civil and social justice groups; however, there is no recorded support by any local government (county and city). In speaking with Darby Kernan at CSAC, she said that they would not be supporting the bill, as they believe that the funding threat to sanctuary localities is real and imminent. In recorded opposition is the CA State Sheriffs' Association citing that the bill restricts local law enforcement from working with their federal counterparts, and from responding to federal requests. SB 54 passed Senate Public Safety Committee 5-2 and will be heard in Senate Appropriations on March 13th.

AB 696 (Caballero) - Transfer the proceeds of the sale of the former Prunedale Bypass right-of-way parcels of land to the Transportation Agency for Monterey County for use on already programmed transportation projects in the U.S. Highway 101 corridor in Monterey County.

This is sponsored by the Transportation Agency of Monterey County and a re-introduction of last year's AB 2730 (Alejo). The bill was vetoed on the premise that it removed proceeds from the General Fund that would pay existing debt service on transportation projects statewide. This version is attempting to tie the proceeds from the sale back to already programmed STIP projects in Monterey County, as opposed to general Highway 101 improvements.

Transportation Funding Legislation – AB 1 (Frazier) & SB 1 (Beall)

With the Governor declaring an arbitrary deadline of April 6th for a transportation funding package from the Legislature, the Senate has ramped up and is moving SB 1 (Beall) through its committee process. With no surprise, the bill was triple-referred, passing Senate Transportation and Housing, Environmental Quality, and Governance and Finance Committees. JEA & Associates have testified in support on behalf of the County at each hearing. It is still unknown if the Assembly will start to move SB 1's counterpart, AB 1 (Frazier) in the near future.

Despite the bill's passage in committee, the package still faces considerable hurdles. In a meeting in early February, Senator Monning stated that while both houses have a super-majority to pass the funding package, that they will still need Republican votes. There are several members in both houses that had tough elections and are considered "marginal", and are not willing to vote for tax

increases of any size or measure unless there are some Republican votes for “cover”. We will keep you updated on any changes and/or developments.

No Place Like Home Implementation

AB 1618 (2016) created the No Place Like Home Initiative which will divert a portion of Mental Health Services Act (MHSA) funds - established through Proposition 63 in 2004 – to provide \$2 billion in bond funds for affordable housing to the target population of homeless individuals or individuals who are at risk of homelessness and who are living with a serious mental illness. Subsequently, AB 1628 (2016) made some technical changes to AB 1618 and also provides the details on the bond securitization of MHSA and the issuance of the bonds.

AB 1618 creates the No Place Like Home Advisory Committee. The committee will assist and advise the California Department of Housing and Community Development (HCD) on the implementation of the program, review and make recommendations on the department’s guidelines, review HCD’s progress in distributing funds, and provide advice and guidance more broadly on statewide homelessness issues.

Last Friday, the Governor announced his appointments to the No Place Like Home Technical Committee, below (county appointees bolded):

- **Patrick Kennedy, District 2 Supervisor in Sacramento County**
- **Alfredo Aguirre, Director of Behavioral Health at the San Diego County Health and Human Services Agency**
- **Robert Bendorf, County Administrator for Yuba County**
- Jacky Morales-Ferrand, Director at the City of San Jose Housing Department.
- Va Lecia Adams Kellum, President and CEO at the St. Joseph Center

These appointees join the other members of the NPLH Advisory Committee:

- Maggie Merritt, the Executive Director of the Steinberg Institute, who was appointed by the Senate Rules Committee in January
- The Director of Housing and Community Development
- The Director of Health Care Services, or their designee
- An Additional Representative from the Department of Health Care Services
- The Secretary of Veterans Affairs, or their designee
- The Director of Social Services or their designee
- The State Treasurer or their designee
- The Chair of the Mental Health Services Oversight and Accountability Commission, or their designee

The final member of the NPLH Advisory Committee, who will be a representative of a community mental health organization, has yet to be appointed by the Speaker of the Assembly.

Concurrently, CSAC has partnered with the CA Behavioral Health Directors Association (CBHDA), the Urban County Caucus (UCC) and the Rural County Representatives of CA (RCRC) in the formation of their own county technical advisory committee. The County has been actively participating in the committee, with Elliot Robinson and Margarita Zarraga from Department of Social Services representing the County on these calls. Currently, the Committee is preparing comments to HCD on the draft guidelines and papers. Despite the coordinated efforts between the state and CSAC and its affiliates, it is anticipated that counties will not be able to start applying for these funds until the summer of 2018.

Legislative/Issues Track

Currently, the County has positions on five (5) bills and two (2) budget items. As mentioned in the Legislative Update, the County continues to work with JEA & Associates on monitoring legislative introductions and amendments that directly impact the County and bring them forth to the Legislative Committee.