



# County of Monterey

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

## Board Report

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Receive a report on funding options to provide matching funds for the Salinas Valley Promise Scholarship Program.

**RECOMMENDATION:**

It is recommended that the Board of Supervisors:

Receive a report on funding options to provide matching funds for the Salinas Valley Promise Scholarship Program.

**SUMMARY:**

On March 19, 2019, representatives for the Salinas Valley Promise Scholarship Program presented a funding proposal to the Board of Supervisors. The representatives cited their vision of increasing college completion and growing an educated workforce to promote a vibrant, prosperous and secure community. To help achieve this vision, the program plans to create 30 cohorts of 35 students and offer scholarships to help defray student costs. Expected outcomes include: increased certificates and degrees awarded, faster degree completion, higher rates of transfer to universities, lower unemployment, and increased earnings among others. To accomplish these outcomes, the representatives propose an annual budget of \$1.1 million to be funded by contributions from the County and cities and supplemented with \$211,000 authorized under AB 19 (California College Promise, Chapter 735, Statutes 2017). The contribution requested from the County is a two-year commitment of \$300,000 annually for a total of \$600,000.

**DISCUSSION:**

On April 12, 2019, the Board of Supervisors (Board) held its annual budget workshop in which it received information on over \$40 million in requests for augmentations, including:

- \$7.8 million to sustain “status quo” staffing levels and prevent loss of 56 filled positions;
- \$2.9 million to fund “status quo” costs beyond County staffing, such as the annualized cost of the recently negotiated In-Home Support Services worker agreement, trial-related expenses for the District Attorney and Public Defender, and Probation Department costs for in-custody youth;
- \$2.5 million for the Sheriff’s Office to staff the new jail upon expansion;
- \$15.7 million for capital spending, including the juvenile hall cost over-run, deferred maintenance at the Lakes Resorts, and information technology infrastructure to help ensure efficiency and continuity of operations; and
- Over \$11 million in requests to support new staff, First Five early childhood education, enhance building and planning services, purchase library books, match funding for a soccer field in Salinas, among many other requests including the requested contribution to the Salinas Valley Promise Scholarship Program.

Prioritizing these requests will present formidable challenges as demands far exceed available resources.

County programs depend on annual growth in discretionary revenue as the primary source of funding to keep up with rising costs. However, this revenue growth has not been enough to cover sharply rising pension contributions, increased employee health insurance costs, higher workers' compensation and general liability program expenditures. These and other costs are straining departments' capacity to sustain current program levels and caused general fund staffing to fall by 68 positions last year, with another 56 filled positions requiring increased funding to be continued next fiscal year. To help keep up with fiscal pressures and continue status quo service levels, staff estimate discretionary revenue to grow \$11.4 million over amounts in the current year adopted budget.

The \$11.4 million in estimated discretionary revenue growth is enough to fund augmentations to maintain status quo services and staffing. However, there are many other demands for this funding. In addition to the \$40 million in augmentation requests, the County and its bargaining units are currently negotiating new agreements to begin in July 2019. In addition, the strategic reserve remains an estimated \$20 million below its policy target and there are potential requests from the Water Resources Agency to help fund dam and spillway repairs. Meanwhile, the country is experiencing one of the longest economic expansions in modern history and the inevitable contraction in revenue would be disruptive to County programs.

Beyond discretionary revenue growth is the County's cannabis program revenue. As reported by cannabis program staff during the budget workshop, these revenues are estimated at \$11.3 million in the current year compared to \$3.7 million in currently authorized expenditures. Assuming no other commitments are made in the current year, and taking into account unspent prior year monies, the "cannabis assignment" would have a balance of \$15.7 million at year-end. The combined discretionary revenue growth and the cannabis assignment are still insufficient to meet the \$40 million in augmentation requests, to-be-determined costs of bargaining agreements, and other needs. Should the Board choose to fund the Salinas Valley Promise Scholarship Program, the cannabis assignment would be the likely funding source.

#### OTHER AGENCY INVOLVEMENT:

Staff prepared this report at the request of the Board during its March 19, 2019 meeting.

#### FINANCING:

Funding the Salinas Valley Promise Scholarship Program would reduce discretionary funding for supporting other County programs and initiatives by \$300,000 annually for two years.

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