

**SUMMARY OF ADOPTED STATE BUDGET IMPACTS AFFECTING  
COUNTIES**

ADMINISTRATION OF JUSTICE

**Booking Fees.** SB 1102, the general government trailer bill, contains provisions dealing with booking fees. Language in SB 1102 amends both Government Code Sections 29550 and 29550.4, which deal, respectively, with (1) county authority to charge a booking fee and (2) the backfill paid to cities and special districts for actual administrative costs charged by counties. Taken together the amendments to the booking fee statute result in the following:

- § Counties' authority to charge a booking fee remains unchanged for the 2004-05 fiscal year;
- § For the 2004-05 year, booking fee rates are "locked in" at the level in place on January 1, 2004;
- § Beginning in 2005-06, counties will be permitted to charge one-half of their actual administrative costs associated with booking and processing of arrestees; and
- § The \$38.2 million backfill to cities and special districts will continue through 2004-05, but will elapse on July 1, 2005.

**Rural and Small County Sheriffs' Local Assistance Grant.** The general government trailer bill (SB 1102) repeals language incorporated into statute last year (Government Code Section 30070) that suspends the continuous appropriation of \$18.5 million funding for rural county sheriffs' departments for the 2004-05 year. The effect of this change is that the \$500,000 appropriation made to 37 specified counties for local law enforcement services — which had been suspended in fiscal year 2003-04 — is restored on an ongoing basis.

**Juvenile Probation Funding.** Funding for juvenile probation services that historically have been supported through the federal Temporary Assistance for Needy Families (TANF) block grant will be sustained through a general fund appropriation. (At the time of this writing, the content of the budget bill is not yet available; it is expected that the provisions relating to juvenile probation funding will be contained in the SB 1113, the Budget Act of 2004-05.)

**COPS and Juvenile Justice Funding.** The Budget Act (SB 1113) contains \$200 million in funding to support the Citizens' Option for Public Safety (COPS) and the Juvenile Justice Crime Prevention Act (JJCPA). This appropriation would keep intact the level of current-year support — \$100 million for juvenile justice crime prevention and intervention programs, as well as \$100 million for the COPS program.

**Juror Pay for Governmental Employees.** SB 1102, the general government trailer bill, contains language to prohibit all governmental employees — federal, state, and local — from receiving trial court juror pay. Amendments to the Code of Civil Procedure Section 215 clarify that governmental employees cannot collect the \$15 daily fee (after the first day of jury service) if they are receiving their regular compensation and benefits during the period of service. The language does, however, permit governmental employees to collect mileage reimbursement specified in this same section — i.e., \$0.34 per mile for one-way travel after the first day of juror service. These changes are expected to generate \$2.3 million in state savings.

***Transfer of Undesignated Fees.*** *Counties should continue to be mindful of the fact that the Governor's 2004-05 budget assumes a second-year \$31 million*

*transfer of revenues from various undesignated fees from the counties to the courts. This revenue shift is consistent with the provisions of AB 1769 (2003), which set forth the general elements of the undesignated fee shift.*

## AGRICULTURE AND NATURAL RESOURCES

**California Forestry and Fire Protection: State Responsibility Area (SRA) Fees.** The Legislature passed SB 1112, which would repeal the SRA fees. According to the analysis prepared by the Senate Budget and Fiscal Review Committee, the Budget Bill provides \$102.5 million General Fund to backfill a shortfall in the Department of Forestry and Fire Protection's fire suppression budget due to the repeal of the State Responsibility Area fire fees. The committee analysis also indicates that the budget approved by the Legislature provides \$7.5 million in resources bond funds for fuel reduction in the Sierra Nevada region. The majority of these bond funds will be for grants to private landowners and local fire safe councils.

SB 1107, the Resources Budget Trailer Bill also passed the Legislature and now moves to the Governor. This bill would make a wide range of changes to laws affecting various natural resources and environmental protection programs. The following is a brief summary of the provisions of particular interest to counties:

**River Parkways Program.** The Resources Budget Trailer Bill, SB 1107 would enact the California River Parkways Act of 2004, which specifies legislative parameters and guidelines for river parkway grants and land acquisitions made by the Secretary of Resources.

**Sierra Nevada-Cascade Conservation Grant Program.** SB 1107 would provide legislative parameters and guidelines for grants and land acquisitions made by the Secretary of Resources in the Sierra Nevada Cascade region. The bill would require any acquisition made pursuant to the program to be from a willing seller. SB 1107 would also appropriate \$9.2 million Proposition 50 bond funds for this purpose.

**Dairy Water Quality Program.** SB 1107 would also establish a new dairy water quality program at the State Water Resources Control Board to provide grants to dairy operations to assist dairy farms in making improvements to reduce water pollution from dairy operations.

**Department of Water Resources.** SB 1107 would provide the Department of Water Resources discretion over whether to form a flood management maintenance area outside the Central Valley in the future and would authorize the department to recover all costs related to establishing a new maintenance area. Of particular significance to local agencies is the provision that would shift the burden of defending future lawsuits and the payment of future damage awards from the State to local agencies that enter into project maintenance agreements.

**Watermaster Fees.** Consistent with the Governor's proposed budget, SB 1107 would increase fees paid by water users so those fees cover the entire costs of the Watermaster program.

## GOVERNMENT FINANCE AND OPERATIONS

**A Constitutional Amendment to Protect Local Government Revenues.** SCA 4, by Senator Tom Torlakson, is the approved vehicle for constitutional protection of local government revenues. SCA 4 contains provisions that protect property tax revenues received by counties, cities, and special districts on a countywide basis and Bradley-Burns sales tax revenues received by cities and counties. VLF revenues will continue to be dedicated to cities and counties, with the bulk of collected revenues dedicated to Realignment. The state may suspend the property tax protections with a declaration of a severe state fiscal hardship, a 2/3 vote of the Legislature, and a requirement to repay any borrowed funds with interest within a three-year period. Further, the Legislature may not suspend the protection provisions unless prior borrowing has been repaid,

including the VLF Gap Loan. The Legislature may not borrow more than 8% of local property tax revenues.

While the Legislature is prohibited from permanently altering property tax or sales tax revenues or allocations, the constitutional amendment allows local agencies to voluntarily exchange sales tax revenues for property tax revenues with a 2/3 vote of the Legislature.

SCA 4 also contains important provisions relating to state-local mandates. The Legislature must appropriate funds for state reimbursable mandates or suspend the provisions of those mandates. Additionally, the state may not reallocate property tax revenues among local agencies within a county to fund state mandated programs. SCA 4 contains language that expands the definition of reimbursable mandate to include cost shifts for shared state-local programs.

**Statutory Companion to SCA 4.** The statutory provisions of the local government package are contained in SB 1096 and include the following provisions:

- § Authorizes cities and counties to securitize their VLF Gap Loan payments.
- § Establishes repayment plan for deferred mandate reimbursements. Payments will be made over a five-year period commencing with 2006-07 and concluding with 2011-12.
- § Creates a substitute for the Controller's VLF Intercept Program.
- § Establishes a new 0.65% VLF rate.
- § Makes technical changes to the Triple Flip mechanism.
- § Swaps VLF backfill revenues for property tax revenues.
- § Requires a \$1.3 billion reduction for counties, cities, special districts and redevelopment agencies for 2004-05 and 2005-06. (A chart outlining the county share of the reduction is at the end of this Bulletin.)
- § Enterprise special districts will contribute 40% of their property tax revenues, not to exceed 10% of their total revenues. Non-enterprise special districts will contribute 10% of their property tax revenues. Fire, police, hospital, library, veterans' memorial, and mosquito/vector control districts are exempt from the shift. In 2006-07, regular property tax allocations to special districts will resume.
- § Authorizes extension of redevelopment agencies' plans and indebtedness. For those agencies with ten years or less of life remaining, they receive a two-year extension. For those agencies with more than ten but less than twenty years left, they would receive a two-year extension, if they comply with specified redevelopment and housing laws. If there are more than twenty years left, the agency receives no extension.
- § Clears up outstanding audit exceptions.
- § Deletes the Realignment poison pill relating to medically indigent adults.
- § Requires repayment of the VLF Gap Loan by August 15, 2006.
- § Establishes a new formula for distributing the remainder of VLF revenues collected, with 74.9% of VLF revenues dedicated to Realignment, payments for Orange County's bankruptcy debt, and the remainder to cities on a population basis.

CSAC has prepared a detailed outline of SB 1096. If you are interested in obtaining a copy, please e-mail Jean Hurst at [jhurst@counties.org](mailto:jhurst@counties.org).

**Supplemental Ballot Provisions.** SB 1119 contains the provisions that will place SCA 4 on the ballot for the November general election. SCA 4 will become Proposition 1A on the ballot and will be included on a supplemental ballot. The bill contains the title and summary and ballot label for the initiative.

**Technology, Trade and Commerce Agency.** The Legislature passed SB 1097, a budget trailer bill to provide technical clean-up for the former Technology, Trade and Commerce Agency. This bill includes changes to references to the TTCA as well as the following changes:

- § Requires the Department of Housing and Community Development to develop regulations governing the issuance of certification by a local government for the enterprise zone program.
- § Provides that the Department of Housing and Community Development may charge fees to enterprise zones for the cost of its administration of the program. HCD can assess each

enterprise zone a fee of not more than \$10 for each application it accepts for issuance of a certificate.

In addition, the Legislature also passed SB 1102, which provides for two additional members to the California Infrastructure and Economic Development Bank that includes the Secretary of the State and Consumer Services Agency and an appointee of the Governor.

## HEALTH AND HUMAN SERVICES

### In-Home Supportive Services

*(For associated trailer bill language, please see AB 1104.)*

- § **Quality Assurance Initiative.** Approved revised trailer bill language for the Quality Assurance initiative. The budget already contains \$5.087 million for the initiative. Additionally, they approved a compromise to add 2.8 positions and \$277,000 (\$139,000 GF) for Department of Health Services investigators to review IHSS cases as part of the IHSS Quality Assurance initiative.
- § **Federal Waiver.** The budget includes trailer bill language for the IHSS Plus Waiver. The waiver will result in \$208 million in General Fund savings.
- § **Wages and Benefits.** The Governor's proposal to reduce IHSS provider wages upon expiration of current collective bargaining contracts is NOT part of the budget package. Existing law continues to require the state to match county wages up to \$9.50 per hour plus \$.60 per hour for benefits.
- § **Employer of Record.** The budget continues existing law that requires all counties to have an employer of record. Additionally the budget maintains state funding for Public Authorities, and retains the Advisory Committees requirement.
- § **Domestic Services.** The budget maintains funding for domestic services for consumers who reside with family members. The Administration plans to pursue a waiver of the Medicaid comparability requirement to implement the elimination of services in the future.

### CalWORKs

*(For associated trailer bill language, please see AB 1104.)*

- § **CalWORKs Reforms.**
  1. Universal Engagement. Requires all CalWORKs participants to sign a welfare-to-work plan within 90 days of becoming eligible for CalWORKs.
  2. Expanded Work Requirements. Requires CalWORKs participants to engage in 20 hours of core work activities as a condition of participation in the program. Increases the work requirement of single adults with children from 20 hours to 32 hours a week.
  3. Sanction Report. Requires the Department of Social Services to report to the Legislature on the CalWORKs sanction policy, its implementation, and effect on work participation.
- § **Cost of Living Adjustment.** The budget delays implementation of the 2004-05 Cost of Living Adjustment until October 1, 2004, or for the first 90 days after the 2004-05 budget is enacted. Please note that the final budget does not include a 5 percent reduction in CalWORKs grants as proposed by the Administration.
- § **Employment Services.** The budget provides \$50 million in CalWORKs funding for county Employment Services. Additionally trailer bill language allows \$40 million in unspent current year CalWORKs Single Allocation funding to be used by counties in the budget year.
- § **Tribal TANF.** The budget adopts Tribal TANF trailer bill language to establish a new methodology for future funding, allows \$15.5 million in current year unspent funds to be reallocated to Tribal TANF programs in the budget year.
- § **TANF Transfers.** The budget eliminates \$180 million in TANF transfers. The Administration had proposed TANF transfers to replace General Fund obligations in non-CalWORKs related programs.

### **Child Care/After School Package**

*(For associated trailer bill language, please see AB 1104.)*

- § **Time-limiting Stage 3 Child Care.** The budget does NOT include a time limit on CalWORKs Stage 3 child care as proposed by the Governor.
- § **Tiered Reimbursement.** The budget does NOT include tiered reimbursement as proposed by the Governor.
- § **Tiered Eligibility.** The budget does NOT include tiered eligibility as proposed by the Governor.
- § **Increase Family Feed.** The budget does NOT include the Governor's proposal to increase family fees for child care and expand the number of families required to pay a family fee.
- § **Child Protective Services.** The budget limits eligibility for child protective services referrals to three months for non-county CPS program and one year for county CPS certified child care. After one year, child welfare services certified CPS cases could have their child care reauthorized.
- § **Child Care Fiscal Integrity.** The budget requires the California Department of Education (CDE) to conduct an error rate study to determine the error rate, overpayments, and fraud in child care programs. Requires CDE to develop best practices in consultation with stakeholders, for the prevention and elimination of child care fraud and programmatic errors and the identification and collection of child care overpayments. Requires CDE to amend child care contracts to implement best practices for the prevention of fraud, overpayments, and errors effective July 1, 2005.
- § **Afterschool Programs.** The budget establishes afterschool programs as the preferred placement for 11- and 12-year olds. Allows expansion of afterschool enrollment caps to accommodate additional 11- and 12- year old students. Allocates \$61.8 million in new 21<sup>st</sup> Century federal funds, with a priority for serving 11- and 12- year olds and an increased allocation for high school programs of \$5 million.
- § **One-time Federal After School Funds.** The budget allocates \$20 million to expand grant caps for 11 and 12 year olds and to expand the sessions for after school programs. Allocates the balance of the one-time funds (about \$5.4 million) for training, standards-aligned materials, and other allowable one-time costs.
- § The budget utilizes \$120 million in one-time funds to restore child care reform funding.
- § The budget modifies CDE accounting for TANF eligible child care expenses to include aided families receiving CDE child care.

### **Mental Health**

*(For associated trailer bill language, please see AB 1103.)*

- § **AB 3632, Mental Health Services for Special Education Students.** The 2004-05 state budget provides \$100 million in federal special education funding for AB 3632 services. Please note that Senator John Burton is carrying policy legislation pertaining to AB 3632 services – AB 1895. This measure is not one of the budget trailer bills. AB 1895 may contain additional policy changes to AB 3632 services.
- § **Early Periodic Screening Diagnosis and Treatment (EPSDT).** The budget does not include the Governor's proposal to increase the county share of EPSDT growth to 20 percent. Budget trailer bill language no longer includes language that would prohibit the state from shifting EPSDT costs to counties and providers.
- § The budget assumes \$3.9 million in savings to conduct additional reviews and oversight of EPSDT Program expenditures.
- § **Incompetent to Stand Trial.** The budget maintains the state responsibility for costs of patients in state mental hospitals deemed Incompetent to Stand Trial. The May Revision proposed trailer bill language that would require County Mental Health Plans to be financially responsible for any patients in state mental hospitals deemed Incompetent to Stand Trial.
- § **Children's System of Care.** The budget includes \$20 million to maintain this program. Please recall that the Governor proposed eliminating the Children's System of Care.

### **Medi-Cal**

*(For associated trailer bill language, please see AB 1103.)*

- § **County Organized Health Systems (COHS).** The budget includes a 3 percent increase in the Medi-Cal reimbursement rate for Medi-Cal COHS health plans. This is an attempt to maintain the viability of these health plans.
- § **Provider Rates.** The budget provides full funding for Medi-Cal provider rates. The Governor originally proposed a 10 percent provider rate reduction in addition to the five percent rate reduction enacted as part of the 2003-04 budget.
- § **County Administration of Medi-Cal.** AB 1103, the health trailer bill, includes language on the reconciliation process for error alerts from the Medi-Cal Eligibility Data System. Please see section 14154.5 on page 140 of AB 1103 for additional data. AB 1103 also requires the state Department of Health Services (DHS) to collaborate with the County Welfare Directors Association to develop options and recommendations for modifying the budgeting and allocation methodologies for county Medi-Cal administration.

### **Healthy Families**

*(For associated trailer bill language, please see AB 1103.)*

- § The budget increases premiums for all HFP children with family incomes above 200 percent of the federal poverty level (FPL) effective July 1, 2005. Subscribers at all income levels would be offered the same benefit package, but subscribers whose income is above 200 percent of FPL would be charged higher monthly premiums. The monthly premiums would be increased from \$9 per child and \$27 for three or more children to \$15 per child and \$45 for three or more children. Families' total out-of-pocket costs (premiums and co-pays) would not exceed the 5 percent maximum allowed under federal regulations.

### **Public Health**

*(For associated trailer bill language, please see AB 1103.)*

- § **West Nile Virus.** The budget includes \$977,000 as proposed in the May Revision for West Nile Virus activities.
- § **California Children's Services and Genetically Handicapped Persons Program Rate Restoration.** The budget restores the provider rates for the state-only programs that were not affected by the Court's decision to enjoin the state from applying the rate reductions to the Medi-Cal program. These program rates will be on par with rates paid to Medi-Cal providers.
- § **Medical Marijuana.** To implement SB 420 (Chapter 875, Statutes of 2003), the May Revision includes a \$983,000 loan from the Health Statistics Special Fund and eight positions to establish and implement the medical marijuana identification card program and registry. State staff will be developing regulations and printing new applications and identification cards. Please recall that under the legislation, county health departments will be issuing the identification cards.

### **Child Support**

*(For associated trailer bill language, please see AB 1104.)*

- § **Federal Child Support Automation Penalty.** Counties will not be required to pay a share of the federal child support automation penalty in 2004-05. The Administration secured an alternative penalty payment schedule from the federal government after the release of the May Revision. The state will not be required to pay the child support penalty in 2004-05. The federal government is allowing California to pay the penalty in the last quarter of the federal fiscal year, which is the first quarter of 2005-06. Please note that the federal government is not relieving California of paying the penalty in future years.
- § **County Share of Child Support Allocations.** The budget maintains the county share of child support collections at 2.5 percent.

### **Child Welfare Services**

*(For associated trailer bill language, please see AB 1104.)*

- § **SB 2030 Augmentation for Social Worker Caseload Reduction.** The budget maintains the SB 2030 augmentation without a county share. Please recall that the May Revision proposed to give counties a \$30 million share of this augmentation.

### **Foster Care**

*(For associated trailer bill language, please see AB 1104.)*

- § **Foster Care Reform.** The budget provides \$21.9 million in savings by: 1) reducing foster caseload to reflect the outcomes of reforms enacted in AB 636 (Steinberg), 2) shifting to annual reassessment of foster care caseloads, and 3) eliminating state reimbursement of audit costs for small group home providers.

### **Supplemental Security Income/State Supplementary Program (SSI/SSP)**

*(For associated trailer bill language, please see AB 1104.)*

- § **SSI Advocacy Project.** The budget requires counties with large Cash Assistance Program for Immigrants (CAPI) populations to implement a program designed to increase the number of CAPI recipients that qualify for federal SSI/SSP. The advocacy project is anticipated to save \$3.1 million in 2004-05.
- § **State Cost of Living Adjustment (COLA).** Budget trailer bill language delays the COLA to April 1, 2005.

### **Alcohol and Drug Programs**

*(For associated trailer bill language, please see AB 1104.)*

- § **Dependency Drug Court.** The budget provides a \$500,000 for dependency drug courts. Dependency drug courts work to reduce foster care costs and increase permanency for children by providing substance abuse treatment to parents who are involved in dependency court cases.

## HOUSING, LAND USE AND TRANSPORTATION

**Regional Housing Needs Assessment Mandate.** The Legislature passed SB 1102, which defers the Regional Housing Needs Assessment (RHNA) mandate for 2004-05, but provides that the COGs may charge fees to local governments for the implementation of the mandate. In turn, cities and counties may charge fees to applicants to cover the fees paid to COGs. In addition, this bill requires the Commission on State Mandates to reconsider former State Board of Control decisions regarding this mandate and determine whether the regional housing needs is a reimbursable state mandate.

**Special Distribution Fund.** The Legislature passed SB 1102, which includes provisions regarding changes to SB 621, including an extension of the current reversion date of June 30, 2004. The specific provisions are as follows:

- § Provides that moneys allocated for the 2003-04 fiscal year shall be eligible for expenditure through December 31, 2004. This provides an extension for those counties that missed the June 30 deadline and is only applicable this year.
- § Provides that if an eligible county does not have a tribal casino operated by a tribe that does not pay into the SDF, the money available to discretionary grants shall be available for distribution. This will resolve the issue for those counties with non-SDF tribes and their inability to access 20% of their allocated funds.
- § Clarifies that grants shall be subject to the sole sponsorship of the tribe that pays into the SDF.
- § Provides that the an eligible recipient tribe that receives money from the Revenue Sharing Trust Fund, which is backfilled by the SDF, may not receive an amount that would give the tribe an aggregate amount in excess of \$275,000 per eligible quarter, or \$1.1 million per year.

**Transportation.** SB 1099 is the budget trailer bill that suspends Proposition 42 for budget year 2004-05. SB 1098 is the budget trailer bill that includes some fairly minor implementation provisions related to AB 687 (Statutes of 2004, Chapter 91) that authorizes the sale of bonds for transportation purposes. As previously reported in the Budget Action Bulletin, AB 687 requires actual payment of \$97 million annually from five Indian Gaming Tribes to finance a \$1.214 billion bond for 2004-05 transportation projects to be repaid over 18 years and to be allocated as follows:

- § \$457 million to the State Highway Account
- § \$290 million to the 141 Traffic Congestion Relief Projects (TCRP) that have an economic impact.
- § \$192 million to cities and counties for local street and road projects as advance payment for the loan due in the 2008-09 fiscal year from the Proposition 42 suspension for the 2003-04-budget year.
- § \$192 million to the Public Transportation Account for project expenditures.
- § An additional \$83 million for the Public Transportation Account for project expenditures
- § Advanced funding of State Transit Assistance loans due for funding in the 2008-09 fiscal year.

It should be noted that AB 687 does also include a provision that would allow up to a \$1.5 billion bond for transportation purposes should additional revenues become available from future negotiations.

***It is very important to understand that these bonds will not be sold unless Propositions 68 and 70 related to Indian Gaming and slated for the November ballot fail passage.***

SB 1098 simply provides that should the transportation bonds be sold and allocations occur as outlined above that those amounts would be deducted from future Proposition 42 allocations from the 2003-04 suspension. Further, that the interest shall be allocated to those purposes in proportion to the amount they did not receive thru the advance payment. For example, should cities and counties receive the \$192 million early payment no interest would be provided to them in the future and the other categories would receive the interest in proportion to the amount that was owed. In addition, SB 1098 also requires Caltrans to prepare a 5-year Maintenance program coordinated with the Rehabilitation (SHOPP) program in order to achieve the greatest cost effectiveness.