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May Revision Focuses Legislators, Counties on Budget Issues

By Steve Keil, Interim Executive Director

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Released this week, the Governor's May Revision of the Budget outlines proposals for holding the line on state spending and pre-paying the state's debt. The May Revision outlines a number of new, often controversial proposals, including the proposed sale or lease of state-owned assets and an increased diversion of revenue from public transit to other General Fund-supported expenditures.

CSAC offers a mixed review of the May Revision. While we appreciate support of funding for important public safety programs and infrastructure, we are greatly concerned about the CalWORKs budget proposals, funding for county mental health, the diversion of transit funds, and the proposed elimination of \$39.1 million in Williamson Act subventions.

The Governor's May Revision, along with supporting information, is available [here](#). Budget subcommittees are scheduled to meet throughout next week to wrap up open items and finalize the budget plans to be sent to conference.

In addition, the State Legislative Analyst's Office (LAO) has reviewed the Governor's revised budget plan and indicates significant concern about the optimistic assumptions of the Administration. The LAO estimates that the May Revision overstates its reserve by about \$1.7 billion and questions even the reality of the remaining reserve levels, given the unlikely approval of many of the Administration's savings plans. Learn more about the LAO perspective [here](#).

Again, the May Revision marks the beginning of intense budget negotiations between the Administration and Legislature. As usual, CSAC will work to inform counties of budget activities throughout the summer. Check out our summary of the May Revision [here](#).

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How the May Revise Impacts Health and Human Services Programs

The May Revision of the Budget released this week did not alter many of the January proposals that counties objected to – including the CalWORKs changes, freezing state participation in In-Home Supportive Services wages and benefits, elimination of funding for homeless mentally ill adults (AB 2034), and the 5% rate reduction to county mental health plans under the Medi-Cal program.

It did add some proposals, including a new funding methodology for funding county costs to administer human services programs, Proposition 36 funding, and Transitional Housing Placement Plus Program (THP-Plus). The administration also released its Child Welfare Services budgeting methodology report just prior to the May Revise.

Methodology for Funding County Costs to Administer Human Services Programs

The May Revision does propose a new methodology for funding county costs to administer human services programs. Counties are pleased that the May Revision includes a proposal to fund cost-of-doing-business increases, recognizing the critical importance of this issue. Counties must be fairly funded for the efficient and effective delivery of human services in order to meet accountability and performance measures and to avoid federal penalties. While we welcome the administration's proposal as a positive step, we do have concerns about indexing the increases to state employee raises and instituting performance standards and a county share in penalties without ensuring stable and predictable funding to align funding to county programmatic responsibilities.

Counties are urging adoption of placeholder trailer bill language that would restore the process of budgeting human services programs based on reasonable current costs.

Proposition 36

The Proposition 36 May Revise proposal provides \$60 million for Substance Abuse and Treatment Trust Fund (SATTF) funding by \$60 million (down from \$120 million in 2006-07), and provides \$60 million for Offender Treatment Program (OTP) (up from \$25 million in 2006-07), for a total of \$120 million overall, down from \$145 million in 2006-07.

Given the recent passage of corrections reform proposal, it is imperative that more Californians be diverted into treatment and remain out of our local and state detention facilities. According to UCLA and the State Legislative Analyst's Office, Proposition 36 has proven to be very effective in reducing state prison and parole costs. The LAO estimates that Proposition 36 investments result in prison savings of approximately \$2 for \$1 invested. Additionally, the LAO also concludes that a reduction in funding for Proposition 36 would probably eventually result in increased prison costs proportional to the amount of the reduction.

Counties are concerned that the proposed level of funding for 2007-08 is vastly inadequate. The funding does not adjust for inflation, for increased caseloads, or for increases in costs to provide services mandated by new state regulations. Additionally, many of the requirements of the OTP includes requirements that may also increase costs — enhanced treatment services according to assessed need, placement of offenders in appropriate levels of treatment, maintenance of protocols for the use of drug testing.

In order to continue the success of the program, treatment and supervision must be fully funded. Based on county surveys conducted in 2005, counties believe that between \$230 and 265 million is needed statewide to adequately fund the appropriate levels of treatment and supervision for Proposition 36. It is unrealistic to expect counties to improve programs and outcomes when funding remains relatively flat.

Transitional Housing Placement Plus Program (THP-Plus)

Counties are also advocating for an additional \$20 million for the Transitional Housing Placement Plus Program (THP-Plus). The THP-Plus provides housing and supportive services to eligible emancipated foster youth between the ages of 16 and 24. The May Revise provides funding at \$15.5 million, \$20 million short of the funding needed to allow all counties to fully implement their housing programs.

Child Welfare Services Budgeting Methodology Report

Post-May Revise, counties are also advocating that the Legislature adopt trailer bill language to update the child welfare services program budget methodology. Specifically, we are requesting the adoption of language that would phase in the optimal SB 2030 Child Welfare Workload Study standards over a five-year period, per AB 190 (Bass).

After reviewing the administration's Child Welfare Services budget methodology report, mandated by last year's trailer bill (AB 1808), California counties are advocating for adoption of the SB 2030 standards. The report was released May 11 – more than three months after the due date. Unfortunately, the report is unresponsive to the Legislature's request to propose a new budget methodology and is inconsistent with last year's discussions regarding the need for a new way of budgeting the program.

The report is problematic in a number of respects. First, the report does not offer an alternative to the current methodology, and its recommendations will not halt the chronic underfunding of child welfare services. Instead, the report proposes to delay the development of a new methodology, while recommending that counties be given a greater share of program costs. The report confuses county allocation policies (which are not at issue) with the issue at hand: the inadequacy of California's outdated state-level budgeting methodology. Additionally, the report criticizes existing state

policy of holding counties harmless for caseload reductions at the same time it praises the implementation of the Title IV-E waiver demonstration project, which is premised on the exact same concept.

Finally, the report points to recent funding increases and improvements to child welfare outcomes *as de facto* evidence that the current methodology is working – without making any effort to determine whether these improvements are indeed sufficient. At the same time, the report exaggerates recent funding increases for the program by including funding for premise items that are not related to core child welfare activities.

As part of its work to prepare the budget methodology report, the state contracted with UC Davis in late 2006 to review the SB 2030 study and other states' approaches to budgeting. While the UC Davis report indicates that cross-state comparisons are difficult, it leaves no doubt that *SB 2030 is a viable budgeting methodology and that caseloads do matter* when it comes to providing quality child welfare services.

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California Research Bureau Issues Redevelopment and OPEB Reports

The California Research Bureau (CRB), the research division of the California State Library, has released two new reports, one on redevelopment oversight and one on public retiree benefits. Both are available in the "CSAC Advocacy" section of www.csac.counties.org, under "Government Finance and Operations" or by clicking the titles at the end of this article.

The "Rethinking Redevelopment" report examines what types of mechanisms – aside from the currently available, but rarely used, referendum and court appeals – might increase the input of local citizens and governments in sensitive redevelopment decisions. The report contemplates oversight by counties or by local agency formation commissions (LAFCOs), but focuses primarily on how binding arbitration could be used as an oversight tool.

The "Golden Years" report provides an overview of public retiree benefits in the state. It ranges from explaining how public retiree benefits are provided in California to reviewing arguments on both sides of the "defined benefit v. defined contribution" debate. The report also details the coming accounting changes and why they are causing some concern among some public officials.

[Rethinking Redevelopment Oversight: Exploring Possibilities for Increasing Local Input](#)
[Funding the Golden Years in the Golden State](#)

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Calendar of Events

Don't miss these upcoming CSAC [events](#).

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Administration of Justice

For more information, contact Elizabeth Howard at 916/327-7500, ext. 537 or ehoward@counties.org or Rosemary Lamb at 916/327-7500, ext. 503 or rlamb@counties.org.

Correction Reform AB 900 Implementation Efforts Underway

As counties are aware, the Governor signed into law on May 3 AB 900 (Solorio), a corrections reform package that contains significant investment in state and local detention facilities and sets out an expansive rehabilitation effort. Last week, Governor Schwarzenegger announced the creation of two AB 900 Strike Teams — one focusing on rehabilitation and the other on facilities construction. The purpose of these strike teams is to expedite the implementation of the corrections package. For further details on the provisions of AB 900, please refer to the April 30 Bulletin.

The Rehabilitation Strike Team will focus on all components of AB 900 that center around rehabilitation service delivery, including: education, vocational training, mental health and substance abuse treatment, continuity of care for the parolee after he or she is released from parole and public safety. Kathy Jett — formerly the director of the California Department of Alcohol and Drug Programs and now director of the California Department of Corrections and Rehabilitation (CDCR) Division of Addiction and Recovery Services — has been appointed the chair of this team. Other members include representatives from universities, a community college, community-based agencies, an attorney, a research institute and an executive from CDCR. Staff from the Department of Finance and Department of Personnel Administration will be assisting the strike team as well.

The Facilities Construction Strike Team will begin to work immediately on building the re-entry, infill, medical and jail beds. Deborah Hysen, formerly the Chief Deputy of the Department of General Services and a member of the California Performance Review Team, has been appointed chair of this team. Other members include: a retired deputy sheriff, a retired CDCR employee, engineer, several state employees representing the Department of General Services, Corrections Standards Authority and the Department of Finance.

Members of each strike team are to be compensated for their work and travel by CDCR from its 2007-2008 budget. An arrangement has been worked out for those state employees assigned to the strike teams to be loaned to the strike team for 6-12 months. For further information on the teams, please refer to the Governor's Office [press release](#).

In related news, the state this week filed a [brief](#) to the federal court detailing the ways in which AB 900 will address the problems of overcrowding in the state prison system. Filed in response to a February 15, 2007 federal court order, the court documents lay out state's arguments that an aggressive construction initiative, coupled with significant rehabilitative efforts, should forestall federal court intervention.

Finally, Robert Sillen, the receiver overseeing the prison health care system, has released several reports in the last week related to both a plan for the prison health care system, as well as commentary on the state's efforts to address through AB 900 prison overcrowding. The receiver's documents can be found at the report this week on the receiver's [Web site](#), under the tab "Court Documents."

May Revision

On May 14, the Governor released his May Revision to his initial budget released in January for budget year 2007-2008. Many aspects of the January budget proposals under the Administration of Justice arena remained unchanged. However, there were some changes that should be highlighted. These include the following:

- **California Adult Probation Accountability and Rehabilitation Act.** The May Revision proposes to fund the California Adult Probation Accountability and Rehabilitation Act (CAPARA) at \$25 million, down from \$50 million proposed in the January budget. This new initiative would provide support to all local probation departments to expand adult probation services, with targeted program and supervision of adult probationers aged 18 to 25. CSAC is in strong support of this new initiative, as we believe that up-front investment in the probation system can help address the "revolving door" in the criminal justice system.
- **Court Collections.** As described above, the Governor's May Revision contemplates a multi-pronged gang abatement effort. To fund this initiative, the May Revision proposes to increase from 20 to 40% the existing state surcharge used to calculate the state penalty assessment. Further, the Governor proposes to realign responsibility for court collections from the counties to the court, for purposes of consistencies and efficiencies. Based on preliminary discussions with AOC staff, the implementation of the latter proposal regarding the collections responsibility would take into consideration county concerns. CSAC met with representatives from the Department of Finance and staff from AOC on May 17 to discuss court collections. Language regarding this change has been sent to counties for comment. This measure will be heard before Assembly and Senate budget subcommittees next week. CSAC has grave concerns about the specifics and timeline of this proposal and will be articulating those concerns.

- **Juvenile Justice Realignment.** The May Revision slightly amends the Governor’s January budget proposal to transfer to counties control and supervision of certain juvenile offenders. The proposal — that would stop intake into the state Division of Juvenile Justice of certain non-violent male offenders and all female offenders on July 1, 2007 — has been adjusted slightly to account for lower-than-expected juvenile institutional and parolee populations in 2007–08. Counties should be aware that there appears to be significant interest in the Legislature regarding arriving at an agreement that can carry out the policy objective of keeping more juvenile offenders locally.
- **Adult Corrections Reform.** The Governor’s May Revision proposes various funding elements to support the implementation of AB 900 (Solorio), the adult corrections reform proposal signed by Governor Schwarzenegger on May 3. While the May Revision does not contain funding for all aspects of AB 900, the Governor recently announced the creation of two strike teams (detailed above) that, in part, are charged with making certain recommendations regarding AB 900 implementation and related fiscal implementations. AB 900 items funded in the May Revision include:
 - **Out-of-state transfers:** To permit the transfer of up to 5,060 inmates to correctional facilities located in other states, the May Revision contains a proposed augmentation of \$9.6 million in 2007-2008 and \$27.8 million in 2008-2009.
 - **State and local infrastructure program support:** To administer the state and local construction programs established in AB 900, the May Revision dedicates (1) \$2 million to the Corrections Standards Authority for the jail bed construction program and (2) \$581,000 to the California Department of Corrections and Rehabilitation’s (CDCR) Office of Facilities Management to provide staffing needs to support prison construction projects.
 - **California Rehabilitation Oversight Board:** To support the activities of the board — created by AB 900 to examine various mental health, substance abuse, educational, and employment programs for inmates and parolees — \$810,000 to the Office of the Inspector General, who is designated as the board chair.

It should also be noted that the May Revision reverts proposed funding to support a Sentencing Commission.

Fine and Forfeiture MOEs
AB 227 (Beall) – Co-Sponsor

AB 227, by Assembly Member Jim Beall, would make permanent adjustments to counties’ fine and forfeiture maintenance of effort (MOE) obligations, based on reductions resulting from two previous legislative measures enacted in 2005. AB 227 passed out of the Assembly on April 26, and will be heard on May 22 in the Senate Judiciary Committee. We strongly encourage counties to join in support of this measure. CSAC is co-sponsoring AB 227 with the Judicial Council.

Assumption Program for Loans for Law in the Public Interest
AB 171 (Beall) – Sponsor

AB 171, by Assembly Member Jim Beall, seeks to expand eligibility in the Assumption Program for Loans for Law in the Public Interest (APLLPI) to include county counsel. The measure’s other provisions seek to assist the Student Aid Commission in effectively and efficiently administering this program, AB 171 passed out of the Assembly on May 3 and now awaits hearing before the Senate Education Committee. CSAC is sponsoring AB 171 on behalf of the County Counsels’ Association; we strongly encourage counties to weigh in with support on this measure.

Incompetent to Stand Trial
AB 1121 (Lieber) – Oppose

As counties are aware, AB 1121, by Assembly Member Sally Lieber, relates to defendants who are found by a court to be incompetent to stand trial. It requires that an individual who is found incompetent to stand trial be transferred to a state hospital within 14 days of that decision. If the state is not able to transfer the individual to a state hospital within that time frame, the individual must then be placed in a public or private facility located in the community until he or she can be transferred to a state hospital. Furthermore, the measure requires that once the individual is found to be competent to stand trial, a determination must be made prior to their transfer back to the county jail for trial, that the transfer to the county jail will not result in the individual’s mental health decompensating.

CSAC and the California Mental Health Directors Association have joined in opposition on this measure. While we appreciate the fact that AB 1121 clearly highlights an area of significant need, we are concerned that the measure, as currently written, would impose significant and impractical obligations on counties with no identified funding source or competency treatment to support these new duties. The net effect of this measure, in our view, will not be improved outcomes or greater access to meaningful treatment, but rather increased pressure on already stretched state and local systems due to

the establishment of standards and expectations that cannot reasonably be met without a significant infusion of resources.

On May 14, AB 1121 was placed on the Suspense File by Assembly Appropriations Committee.

Social Security Numbers AB 1168 (Jones) – Request for Comment

AB 1168, by Assembly Member Dave Jones, would require local public agencies and universities to truncate Social Security numbers from any public documents before those documents are released if more than four digits in the social security number are displayed. Furthermore, the bill authorizes the Attorney General or any other affected person to bring a civil action to enforce this provision.

Another area of study relates to public agencies' ability to reconcile requirements set forth in the Public Records Act related both to timing and disclosure. It is not clear how this bill will affect government agencies' ability to comply with the public records requests, while at the same time ensuring that no document released shows more than the last four digits of an individual's Social Security number.

Moreover, CSAC is aware that many local agencies may legitimately use Social Security numbers as an identifier for internal or administrative purposes. We are requesting that counties consult with their county counsels, social service department directors and any other departments or agencies that might potentially be affected to discuss the implications of this bill and what would be required of local agencies to comply with AB 1168. We are most specifically interested in receiving information on what county records (outside of records that are officially recorded) — that could conceivably be sought and made available through a public records request — contain a Social Security number.

Counties respects our responsibilities to assure the public's privacy and desires to protect individuals' personal information, and are trying to assess the practical application and operational ramifications of implementing this bill as currently conceived. CSAC will continue to meet with the author's office as well as with other interested parties to discuss this bill in the coming weeks.

AB 1168 is currently on suspense in the Assembly Appropriations Committee. A hearing regarding all suspense items will be held in the coming weeks. County feedback will be helpful as we discuss the implications of this measure with the author.

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Agriculture and Natural Resources

For more information, contact Karen Keene at 916/327-7500, ext. 511, or kkeene@counties.org or Cara Martinson at 915/327-7500, ext. 504, or cmartinson@counties.org.

Budget Williamson Act

As reported in the CSAC Budget Action Bulletin, the Governor's May Revise proposes to permanently eliminate *all* funding, amounting to approximately \$39.1 million, for subventions to counties for property tax losses incurred by enrolling agricultural land in Williamson Act contracts. The administration claims that due to the state's fiscal condition, the state cannot continue to provide funding for this program.

CSAC, the Regional Council of Rural Counties (RCRC), the League of California Cities, and the California Chapter of the American Planning Association have submitted a joint letter to all members of the Assembly and the Senate that voices strong objections to the proposed cut.

The letter states that, "Eliminating the subvention payments is the first step towards a total unraveling of the broadest based agricultural conservation program in the State. Both cities and counties have relied on the Williamson Act to support general plan and zoning objectives, prevent leapfrog development and promote orderly growth." The organizations also expressed doubt regarding the ability of local governments to continue to utilize this important planning tool without the existing financial incentive. Counties should contact their legislative delegation to urge their support for restoration of the Williamson Act Subventions to the State Budget.

Employee Relations

For more information, contact Steve Keil at 916/327-7500, ext. 521, or skeil@counties.org.

Visit the CSAC Web site for a complete listing on [Employee Relations](#) legislation.

Health and Human Services

For more information, contact Kelly Brooks at 916/327-7500, ext. 531, or kbrooks@counties.org or Farrah McDaid Ting at 916/327-7500, ext. 559, or fmcdaid@counties.org.

Health Reform Update

This week, both Speaker Fabian Nuñez and Senate President Pro Tempore Don Perata released results of the cost analysis of their respective health reform proposals (AB 8 and SB 48). Dr. John Gruber, health economist with the Massachusetts Institute of Technology (MIT), performed the analysis. Please recall that Dr. Gruber also developed the model to provide estimates about the Governor’s proposal.

The analysis shows that both the Senate and Assembly proposals are sufficiently funded, and would actually generate reserves (\$610 million under SB 48 and \$380 million under AB 8). These estimates are based on a 7.5% of payroll employer fee, which is the amount that will be amended into both AB 8 and SB 48. Note this is significantly higher than the 4% employer fee in the Governor’s proposal.

Below is a brief overview of what the Gruber model shows.

	AB 8 (Nuñez)	SB 48 (Perata)
How many uninsured would be covered?	3.4 million or 69% of the state’s 4.9 million uninsured.	3.4 million or 69% of the state’s 4.9 million uninsured.
Minimum employer contribution for health expenditures.	7.5% of total Social Security wages (capped at \$97,500 on health expenditures for both full time and part time employees.)	7.5% of total Social Security wages (capped at \$97,500 on health expenditures for both full time and part time employees.)
Number of Californians in statewide purchasing pool	In AB 8, Cal-CHIPP is the purchasing pool. 3.23 million are projected to enroll in Cal-CHIPP.	In SB 48, the Connector is the purchasing pool. 4.1 million are projected to enroll in the Connector (3.6 million adults, 500,000 children).
Estimated premiums for individuals	Individuals would pay between 0 and 2.8 percent of income for coverage. Families would pay up to 4.5 percent of income on coverage.	Individuals would pay between 0 and 2.8 percent of income for coverage. Families would pay up to 4.5 percent of income on coverage.
Fiscal Impact	\$380 million reserve Revenues: <ul style="list-style-type: none"> • individual contributions • federal matching funds • employer payroll fees 	\$610 million reserve Revenues: <ul style="list-style-type: none"> • individual contributions • federal matching funds • employer payroll fees

While the report also estimates that both AB 8 and SB 48 would cover 3.4 million or 69% of the state's 4.9 million uninsured, it would vary in the two plans under which program or insurance model these newly insured would receive coverage. For example, under AB 8, there would be a reduction in public program enrollment and increase in employer-based employment, due to the wrap-around coverage the state would provide to low-income workers.

Dr. Gruber presented his estimates, at a Capitol briefing Wednesday morning. His presentation is available at <http://www.calhealthreform.org/>. Please note that the charts containing data on costs to individuals and families are for premiums only, and do not reflect out-of-pocket costs for co-pays and deductibles. At the briefing, Dr. Gruber and California HealthCare Foundation, which funded the work, announced that no additional level of detail will be provided at this time since the political situation is still "evolving."

Senate Appropriations will hear SB 48 on May 21. AB 8 is not yet scheduled for hearing in Assembly Appropriations.

For more information, contact Kelly Brooks at 916/327-7500 ext. 531, or kbrooks@counties.org or Farrah McDaid Ting at 916/327-7500, ext. 559, or fmcdaid@counties.org.

DMH Releases Initial Planning Estimates for the MHSA Housing Program

The California Department of Mental Health (DMH) released the initial per-county funding estimates for the Mental Health Services Act Housing Program's (MHSA) Community Services and Support (CSS) component on May 14. The total funding amount is \$400 million, which includes allocations of up to \$115 million per year for three and a half years to finance the capital costs associated with the development, acquisition, construction and/or rehabilitation of permanent supportive housing for individuals with mental illness and their families.

The initial funding level was supposed to be \$75 million per year, but the DMH, in consultation with the California Mental Health Directors' Association (CMHDA), determined that an additional \$40 million per year was required to finance the operating subsidies needed to make the capital projects successful.

Also, based on the recommendation of CMHDA, DMH is setting aside 8% for small counties rather than the 5.3% that was originally set forth in the Planning Estimate Formula. A complete list of each county's allotment can be found at http://www.dmh.ca.gov/DMHDocs/docs/letters07/07-06_Enclosure1.pdf.

The DMH letter setting forth the funding parameters and application process can be found here: <http://www.dmh.ca.gov/DMHDocs/docs/letters07/07-06.pdf>.

Legislation

AB 121 (Maze) – Support

AB 121, as introduced by Assembly Member Bill Maze, would revise the definition of "qualified employee" in the Personal Income Tax Law and the Corporation Tax Law to include "qualified former foster care recipient," as defined. This would allow employers to receive a tax credit for hiring former foster care recipients. AB 121 was placed on the Assembly Revenue and Taxation Committee's Suspense File on May 7, but is scheduled to be heard again by that committee on May 21.

AB 298 (Maze) – Support

AB 298, as amended on March 15 by Assembly Member Bill Maze, would specifically provide that a relative caregiver's preference for legal guardianship rather than adoption under circumstances that do not include an unwillingness to accept legal or financial responsibility for the child may not constitute a basis for recommending removal of the child from the relative caregiver for purposes of adoptive placement. AB 298 passed out of the Assembly on May 17 and now moves to the Senate.

AB 714 (Maze) – Support

AB 714, as amended on April 9 by Assembly Member Bill Maze, would allow counties to search for and contact members of the child's birth family, including non-related extended family members when the child was previously a dependent of the

court, has been returned to the custody of the county child welfare agency, and no members of the adoptive family are willing or able to provide care. Currently, if the birth parent's parental rights have been terminated, the birth family is no longer related to the child. Current law prohibits the county from approaching these birth family members to inquire about becoming caregivers for a child whose parental rights have been terminated.

AB 714 seeks to remedy the problem when children are placed back in foster care in the custody of a county child welfare agency when an adoption is disrupted for situations such as death or incapacitation of the adoptive parent. The bill has been identified as an open issue for the May Revise Budget, and is scheduled to be heard in the Senate Judiciary Committee on May 22.

AB 845 (Bass) – Support

AB 845, as amended on April 10 by Assembly Member Karen Bass, appropriates \$10.5 million (General Fund) to the state Department of Social Services (DSS) for funding increased costs related to the Transitional Housing for Foster Youth Program (THP-Plus). This bill is necessary to ensure that THP-Plus is 100% state-funded as intended in the 2006-07 budget.

Forty-six counties have committed to implementing THP-Plus in the current year (2006-07). However, the budget only includes \$4.8 million, which is insufficient to provide services to the eligible youth in these counties. With the \$10.5 million increase, the participating counties will be able to provide housing and services to more than 1,200 foster youth.

CSAC has also submitted a letter to both Budget Subcommittees urging them to increase the \$15.5 million funding level in the Governor's May Revised 2007-08 Budget to \$35 million to increase county participation and help cover ongoing operation costs associated with the program.

The Assembly Appropriations Committee passed AB 845 unanimously on May 9, and the measure is scheduled for a third reading (Item #89) on the Assembly Floor on May 21.

AB 1578 (Leno) – Support

AB 1578, as amended April 26 by Assembly Member Mark Leno, is called the Foster Youth Higher Education Preparation and Support Act and would provide grant funding to operate an education-based foster youth services program to provide educational and support services for foster children. Additionally, AB 1578 would also authorize new Cal Grant B awards for tuition and fees in the first year for current or former foster youth attend college. The bill would also establish the California Guardian Scholars Program for purposes of providing comprehensive support on college and university campuses to students who are former foster youth.

This bill will benefit California's foster youth in their efforts to attend college and to succeed once they enter. AB 1578 will eliminate many of the barriers foster youth encounter in their efforts to continue their education and to become productive adults. Financial assistance and the provision of housing and campus assistance are vital components to success for all college students, for foster youth it could be the difference in their future. Counties know first-hand about the shortage in viable housing and struggle to meet the needs of homeless youth, many of whom have emancipated from the foster care system.

Counties are vitally concerned about the health, education and well being of children. In addition to protecting foster youth during their adolescence and teen years, the need to provide support for transitioning into adulthood is also critical. AB 1578 would help eliminate many of the obstacles foster youth face. The bill was heard in the Assembly Appropriations Committee on May 16 and placed on the suspense file.

SB 197 (Ducheny) – Support

SB 197, as amended on April 26 by Senator Denise Ducheny, would allow a foster child who faces the elimination of developmental and child care services due to a new foster care placement to continue to receive services if the service provider is able to verify the ongoing need for services and the child remains within the same service area of the child development program.

SB 197 will help ensure the continuity of care for foster children even as their foster home placements change. The bill was passed out of the Senate on May 17, and has yet to be assigned to a committee in the Assembly.

SB 720 (Kuehl) – Support

SB 720, as amended on March 29 by Senator Shelia Kuehl, would provide clean-up language to SB 500 (Statutes of 2005). Recall that SB 500 encouraged the joint placements of infants and their teen parents when both fall within the jurisdiction of the juvenile dependency court. The bill created a new type of licensed placements called “whole family” placements in which the teens and their children were supported by trained foster parents. As SB 500 was implemented, the state Department of Social Services identified three areas that needed further clarification, including group home placements, existing placements, and non-related legal guardians. SB 720 was passed by the Senate Appropriations Committee on May 14 and is scheduled for a third reading (Item #137) on the Senate floor on May 21.

SB 785 (Steinberg) – Support

SB 785, as amended on April 26 by Senator Darrell Steinberg, will help to ensure that foster children placed outside of their home county are able to access mental health services. Due to the complexity of the state’s mental health program, when children are placed outside their home counties, they often have difficulty accessing needed care. This measure will assist in resolving this problem and meeting the mental health needs of children in the foster care system. SB 785 has been scheduled for a third reading (Item #76) in the Senate on May 21.

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Housing, Land Use and Transportation

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Housing

SB 46 (Perata) – Pending

SB 46, as amended April 10 by Senator Don Perata, would provide the statutory framework for expenditure of the \$850 in Proposition 1C’s Regional Planning, Housing, and Infill Incentive Account. The bill would require the Department of Housing and Community Development (HCD) to administer a competitive program to provide capital outlay grants for infill housing development and for related infrastructure that is an integral part of the infill housing development.

SB 46 is scheduled for a hearing in the Senate Appropriations Committee on May 21.

SB 303 (Ducheny) – Oppose

SB 303, by Senator Denise Ducheny, is sponsored by the homebuilders. This measure would impose significant new mandates in the planning area, extending the housing element planning period to 10 years for the designation of sites, and requiring general plan revisions every 10 years. This measure has numerous other provisions associated with the housing element process, including requiring cities and counties to complete zoning to meet their 5-year housing needs within a shorter time frame than currently required. CSAC, the League of California Cities and California Chapter of the American Planning Association (CCAPA) were joined by numerous environmental groups in opposition to the measure. While the recent amendments did address a number of concerns, we know several remain, including the cost implications associated with the new mandates.

SB 303 is also scheduled for a hearing in the Senate Appropriations Committee on May 21.

Land Use

SB 167 (Negrete-McLeod) – Support

SB 167, as amended on March 12 by Senator Negrete-McLeod, would require the Governor's Office of Planning and

Research (OPR) to administer four programs funded by the \$90 million made available in Proposition 84 for planning grants and incentives. The four programs include grants and loans for general plan revisions, general plan implementation, regional blueprint projects, and municipal service reviews and spheres of influence.

CSAC supports the use of the \$90 million for planning grants and incentives to assist local governments in the development and implementation of general plans, as well as for blueprint planning. CSAC's policy recognizes the need to invest in rural, suburban and urban communities alike and we support a countywide approach to dealing with growth through collaboration between a county and its cities to address housing needs, protection of resources and agricultural lands, compatible general plans and revenue and tax sharing agreements for countywide services. For these reasons, we support SB 167.

SB 167 is scheduled for a hearing in the Senate Appropriations Committee on May 21.

SB 375 (Steinberg) – Pending

SB 375, as amended May 2, would require regional transportation planning agencies (RTPAs) to adopt preferred growth scenarios that establish measures to reduce the region's greenhouse gas emissions inventories by a certain amount to be determined by the Air Resources Board (ARB). It would also require the California Transportation Commission (CTC) to adopt guidelines for the use of travel demand models by RTPAs that meet specified standards as well as provide for various forms of CEQA relief in communities that conform their general plans to the preferred growth scenario.

SB 375 is scheduled for a hearing in the Senate Appropriations Committee on May 21.

Transportation

SB 286 (Lowenthal & Dutton) – Co-Sponsor

SB 286, as amended May 14 by Senators Lowenthal and Dutton, is the CSAC and League of California Cities' co-sponsored bill to provide for implementation, accountability and appropriation of the \$2 billion dollars for local streets and roads included in the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, passed by the voters in November 2006. Specifically, SB 286 would require the bond proceeds for local street and road purposes to be allocated to cities and counties by the controller in two cycles that cover four years, with the first cycle of payments to be made to eligible local agencies not later than January 1, 2008. An appropriation in the budget is needed for this to occur as well.

Additionally, the bill would require a city or county to submit a list of projects expected to be funded with bond funds to the Department of Finance. These projects must be consistent with Proposition 1B provisions as passed by the voters and must also be included in a city or county budget adopted at a public meeting. The measure includes further accountability provisions requiring cities and counties to report additional project information to the Department of Finance regarding expenditure of these funds. Cities and counties are also subject to audit by the state controller's office to ensure expenditure of these funds is in compliance with statute.

Finally, the legislation includes a three-year "use it or lose it" provision and would direct the controller to redistribute unused funds to other cities and counties.

CSAC encourages individual counties to express their support for SB 286 to their legislative delegations. SB 286 is scheduled for a hearing in the Senate Appropriations Committee on May 21.

SB 748 (Corbett) – Concerns

SB 748, as amended April 10 by Senator Ellen Corbett, would state the intent of the Legislature to appropriate \$200 million for the State-Local Partnership program from bond funds in each of five fiscal years beginning in the 2007-08 fiscal year. SB 748 would define eligible local matching funds required to obtain funding under the program as any revenue from any voter-approved local or regional tax or fee dedicated to transportation improvements. Tax or fee for purposes of this bill would mean a countywide sales tax, a property or parcel tax in a county or counties or district, and voter-approved bridge tolls or voter-approved fees dedicated to specific transportation improvements. Additionally, the bill would limit the amount of bond funding for a single project to \$25 million in a single-funding cycle, would describe the categories of projects that may be funded through the program, would establish timelines for expenditure of the funds, and would provide for the reallocation of funding if those timelines are not met.

While this bill is broader than just including sales tax as a local eligible match, it does not include uniform developer fees.

SB 748 is scheduled for a hearing in the Senate Appropriations Committee on May 21.

SB 842 (Ackerman) – Pending

SB 872, as amended May 8 by Senator Dick Ackerman, would create the State-Local Partnership Program and state the intent of the Legislature to appropriate \$200 million per year for 5 years beginning in the 2010-11 fiscal year. The bill would provide for allocation of state funds to eligible highway and mass transit guideway projects nominated by local agencies that are to be funded with at least 50 percent of local funds derived from a locally imposed transportation sales tax.

SB 872 is also scheduled for a hearing in the Senate Appropriations Committee on May 21.

May 18, 2007

Revenue and Taxation

For more information, contact Jean Hurst at 916/327-7500, ext. 515, or jhurst@counties.org, or Geoffrey Neill at 916/327-7500, ext. 567, or gneill@counties.org.

May Revise Indicates School District Property Tax Variance

There is a \$300 million discrepancy between the 2006-07 property tax numbers reported by counties and the Board of Equalization on the one hand, and K-12 schools on the other. The state will have to backfill that money this year, but is planning to conduct a \$2 million audit to figure out where the money went so they won't have to do the same next year. The difference is most likely due to reporting inconsistencies caused by recent embellishments such as the Triple Flip and the reduced vehicle license fee (VLF) rate.

California Research Bureau Issues Redevelopment and OPEB Reports

The California Research Bureau (CRB), the research division of the California State Library, has released two new reports, one on redevelopment oversight and one on public retiree benefits. Both are available by clicking the links below or by visiting the "CSAC Advocacy" section of www.csac.counties.org, under "Government Finance and Operations."

The "Rethinking Redevelopment" report examines what types of mechanisms – aside from the currently available but rarely used referendum and court appeals – might increase the input of local citizens and governments in sensitive redevelopment decisions. The report contemplates oversight by counties or by local agency formation commissions (LAFCOs), but focuses primarily on how binding arbitration could be used as an oversight tool.

[Rethinking Redevelopment Oversight: Exploring Possibilities for Increasing Local Input](#)

The "Golden Years" report provides an overview of public retiree benefits in the state. It ranges from explaining how public retiree benefits are provided in California to reviewing arguments on both sides of the "defined benefit v. defined contribution" debate. The report also details the coming accounting changes and why they are causing some concern among some public officials.

[Funding the Golden Years in the Golden State](#)

Several Local Revenue Bills Move Along

AB 373 (Wolk), **AB 1260** (Caballero), and **AB 1042** (Spitzer) all achieved passage in the Assembly this week, and **AB 402** (Ma) moved to the Assembly floor from the Appropriations Committee. CSAC supports all four bills.

AB 373 would change many provisions of the Mello-Roos Community Facilities Act of 1982. It mirrors a bill from last year that was passed but vetoed, except that the author has removed the provision to which the Governor objected.

AB 1260 attempts to clarify the requirements of Proposition 218 (Article XIII D of the California Constitution), specifically as it relates to property-related fees and charges. The California Supreme Court recently ruled that charges for water, sewer, and sometimes garbage collection are subject to the Prop. 218 restrictions.

AB 1042 would allow the clerk of a county board of equalization to accept electronic applications for changed assessments, given that certain security requirements are met. The bill is optional, and many counties would likely increase efficiency and improve customer service by accepting the filings electronically.

AB 402 would provide that foster children, like natural and adopted children, could receive property from their foster parents without triggering Proposition 13's "change in ownership" reassessments, as long as they were not eligible to be adopted before they "aged out" of the foster care system. The bill separately requires owners of jointly-owned residential property that transfers ownership interests without the use of recorded deeds to report certain information to the county assessor upon that official's request.

May 18, 2007

Washington, D.C., Report

For more information, contact Joe Krahn, Waterman and Associates, 202/898-1444, or e-mail jk@wafed.com.

There was a flurry of legislative activity on Capitol Hill the week of May 14, with lawmakers focusing much of their attention on completing a fiscal year 2007 emergency supplemental spending measure to pay for the ongoing wars in Iraq and Afghanistan. Although Congress approved a war spending bill (HR 1591) in late April, President Bush vetoed the legislation due to his objections over the bill's troop withdrawal language. Congressional leaders have committed to finishing a revised version of the supplemental spending bill before leaving for their Memorial Day recess, which is set to begin May 25.

Last week, House Democratic leaders successfully marshaled two revised fiscal year 2007 emergency spending packages through the lower chamber. The first bill (HR 2206) would provide \$42.8 billion in funding for overseas military operations, an increase in the minimum wage, and funding for small business tax incentives. Additionally, the bill would provide \$52.8 billion in "fenced off" war funding, which would be available pending a report from the White House on the progress made in Iraq.

The measure also includes a one-year moratorium on a Centers for Medicare and Medicaid Services proposal that would shift \$5 billion in Medicaid administrative costs to state and county governments over the next five years.

The second bill (HR 2207) would provide \$3.5 billion for several key domestic spending items, including funds for a one-year extension of the Forest County Payments program. The legislation also would provide funding for agriculture disaster relief and wildfire suppression.

Across Capitol Hill, the Senate approved May 17 a "placeholder" fiscal 2007 supplemental spending bill. The legislation, which passed the upper chamber on a voice vote, would provide no money; instead, the measure expresses the sense of the Senate that Congress should not undermine the safety of U.S. troops overseas.

With both chambers approving their respective spending bills, the stage is now set for a House-Senate conference committee, where lawmakers will be attempting to produce a final package that is acceptable to the White House. Although the upper chamber's bill does not contain any legislative language, champions of a long-term reauthorization of the Forest County Payments program (which was included in the Senate's initial emergency spending legislation) are continuing to push for inclusion of the multi-year deal in the final spending measure that is sent to President Bush.

In other news, both the House and Senate approved May 17 a \$2.965 trillion budget resolution (S Con Res 21) for fiscal year 2008. The non-binding budget resolution, which does not require the president's signature, sets the overall tax and spending targets for the fiscal year that begins October 1.

The budget blueprint assumes roughly \$2.965 trillion in spending authority and approximately \$2.685 trillion in federal revenues. Included in the budget baseline is about \$954.1 billion in discretionary outlays, although that amount would likely increase by several billion dollars once advance appropriations and potential upward adjustments for some policy initiatives are included.

As expected, the budget resolution allows for increased spending on several Democratic priorities, such as veterans' health care, education, and children's health care, including \$50 billion in budget authority for a five-year reauthorization of the State Children's Health Insurance Program. The resolution also includes a Sense of the Congress provision that notes that additional legislative action is needed to ensure that states have the necessary resources to collect all child support that is owed to families and to allow them to pass 100% of support on to families without financial penalty.

It should be noted that the House and Senate action on the budget blueprint sets Congress on a potential collision course with the White House. Although it is still early in the fiscal year 2008 appropriations process, President Bush has indicated that he will veto spending bills if they total more than the \$933 billion that was proposed under the administration's budget.

On a related matter, and with next fiscal year's budget cap now officially set, the House Appropriations Committee wasted little time in scheduling the first markup of the fiscal year 2008 spending cycle. At press time, the Homeland Security Appropriations Subcommittee was set to consider a spending package that would provide slightly more homeland security funding than the \$34.8 billion Congress allocated in fiscal 2007 and the \$34.5 billion in discretionary spending the Bush administration requested for fiscal year 2008.

The chairman of the subcommittee, Representative David Price (D-NC), has indicated his intention to provide additional spending for local first responders. Price and other key Democrats have been critical of the Bush administration for proposing to cut the Homeland Security Department's first-responder programs by \$800 million.

In another significant development, the Senate overwhelmingly approved May 16 legislation (HR 1495) that would reauthorize the Water Resources Development Act (WRDA). The bill would provide \$14 billion for hundreds of projects involving coastal restoration, environmental infrastructure, and flood control works.

The legislation now moves to a conference with the House, which passed its own WRDA renewal bill in mid April. For his part, House Transportation and Infrastructure Chairman James Oberstar (D-MN) – the likely chairman of the WRDA conference committee – noted that he expects bicameral negotiations on a final bill to last “no more than a couple of hours.”

In other news, CSAC recently was joined by 14 other state associations of counties in sending a letter to Congress urging that the State Criminal Alien Assistance Program (SCAAP) be funded at the fully authorized level of \$950 million in fiscal year 2008. The program, which is currently funded at roughly \$400 million nationwide, reimburses states and localities for a very small portion of the costs that jurisdictions incur as a result of incarcerating undocumented criminal aliens.

On a related matter, the fiscal year 2008 budget resolution includes a provision that expresses “the Sense of the Congress that SCAAP funding for fiscal year 2008 should be consistent with the goal of achieving the program's fully authorized level.”

Finally, on the immigration front, a bipartisan group of senators recently struck a deal on a comprehensive plan for immigration reform. Led by Senator Edward Kennedy (D-MA), a number of Democratic and Republican senators have endorsed a bill that would legalize the estimated 12 million illegal immigrants in the country, while at the same time limiting the importance of family ties in determining who can gain entrance into the country.

In the wake of the recent announcement on the immigration deal, Senate Majority Leader Harry Reid (D-NV) has scheduled a key procedural vote for May 21. At that time, a vote on limiting debate on a motion to proceed to a new version of last year's Senate bill (S 1348) will occur, with the new bipartisan package available to be offered as a substitute. A total of at least sixty votes will be needed to proceed.