



Governor's 2015-16 Proposed Budget

The Rural Rundown

January 09, 2015

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RCRC'S SUMMARY OF THE GOVERNOR'S 2015-16 PROPOSED BUDGET

Earlier today, the Brown Administration released details of the Governor's 2015-16 proposed Budget. This report, *The Rural Rundown*, is an in-depth look at the Governor's 2015-16 proposed Budget, its implications for member counties, details of RCRC's advocacy efforts on specific issue items, and an insider perspective into the reasoning and rationale behind elements of the proposal. In addition to *The Rural Rundown*, RCRC staff will present further findings and details on various programs of interest to RCRC member counties at the January 21, 2015 Board of Directors Meeting in Sacramento.

Overview

California's budget picture continues to improve. In 2011, the State was facing a \$26.6 billion deficit, with an ongoing annual gap between expenditures and revenues of approximately \$20 billion. Due to a more robust economy which has produced significant gains in personal income tax receipts, the current year State Budget (2014-15) and the Governor's 2015-16 proposed State Budget have helped restore previous spending reductions, and allowed for the expansion of programs. At the same time the State has reduced its most significant debts (school funding guarantees, Economic Recovery Bonds, etc.).

In part due to the passage of Proposition 2, the Brown Administration plans to place additional monies in the Rainy Day Fund in order to reach a goal of \$2.8 billion by the end of 2015. These monies are expected to be used during budget downturns as well as eliminate other debt obligations. Furthermore, the Governor is concerned about maintaining fiscal discipline and future obligations when economic activity is not as robust and outlines a spending plan which minimizes obligations in subsequent years.

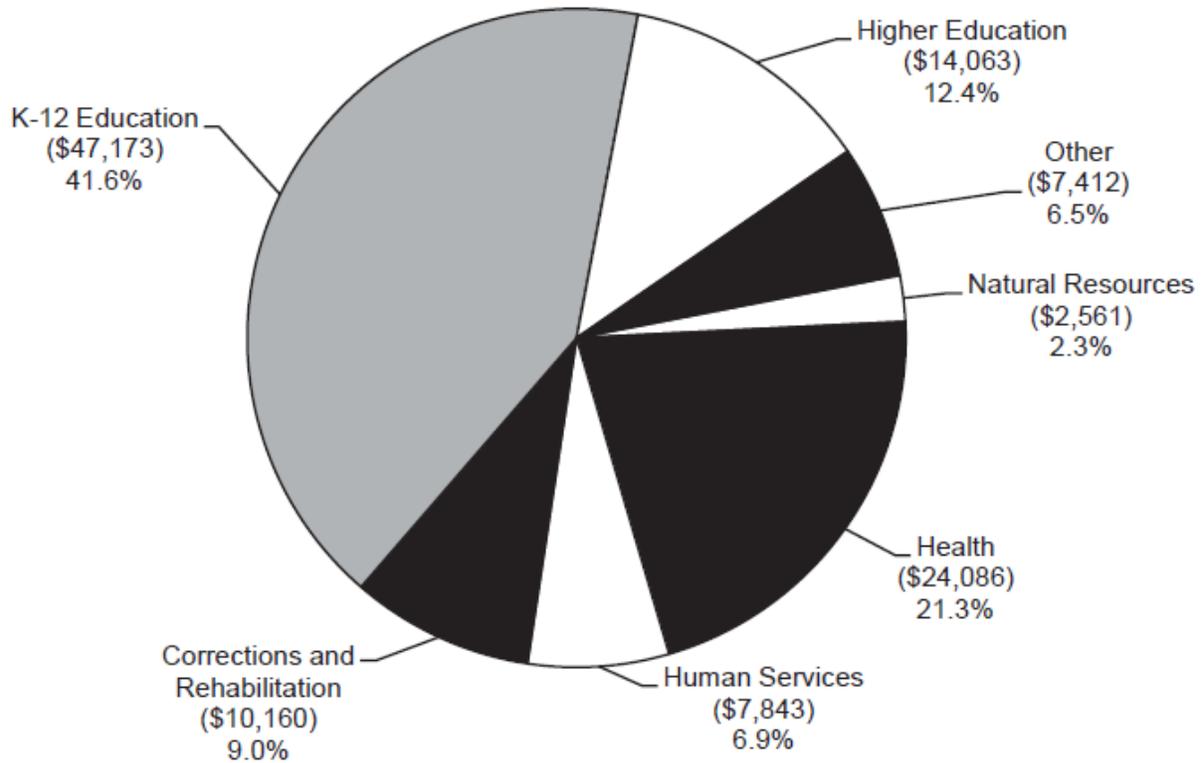
Governor Brown's 2015-16 proposed \$114.8 billion General Fund Budget reflects a modest growth of just over \$1.7 billion in General Fund spending, with K-12 receiving nearly 40 percent of the revenue. It should be noted the overall Governor's 2015-16 proposed Budget is nearly \$164+ billion, and reflects a spending plan that includes General Fund, special fund, and expenditures from bonds.

Key Issues/Changes for RCRC Member Counties

The Governor's proposed Budget:

- Provides \$644,000 for the State's Payment in Lieu of Taxes (PILT) Program for 2015-16;
- Estimates that additional payments for Pre-2004 Mandate Claims will be \$533 million, of which counties would receive nearly \$390 million;
- Outlines a *Five-Year Infrastructure Plan* for a variety of capital projects related to transportation, water, schools, and correctional facilities;
- Restores 7 percent across-the-board-cut in hours to In-Home Support Services recipients; and,
- No local grant funding allocated from State Responsibility Area Fee Fund.

Figure SUM-03
2015-16
General Fund Expenditures
(Dollars in Millions)



California’s Five Year Infrastructure Plan

Since 1999, Governors have been required to submit a *Five Year Infrastructure Plan* with the annual Budget. Due to the recession, the 2014 *Five Year Infrastructure Plan* submitted was the first since 2008, and indicated that the amount of statewide deferred maintenance was \$64 billion. The 2015 *Five Year Infrastructure Plan*, which was released with the Governor’s 2015-16 proposed Budget, continues to focus on deferred maintenance, and proposes a \$57 billion investment in state infrastructure over the next five years: \$482 million from the General Fund, \$8.8 billion from various special funds, \$1.6 billion from lease revenue bond funds, \$5.5 billion from General Obligation bond funds, \$15.2 billion from federal funds, \$4.2 billion from reimbursements and other governmental cost funds, and \$21 billion from High Speed Rail funds.

The 2015 *Five Year Infrastructure Plan* is based on guidelines set forth in Assembly Bill 857 (2002), which established infrastructure planning priorities to promote equity, strengthen the economy, protect the environment, and promote public health and safety. The 2015 *Five Year Infrastructure Plan* meets the guidelines by focusing on rehabilitating existing State infrastructure, with 92 percent dedicated to the State’s transportation system. The 2015 *Five Year Infrastructure Plan* also includes the first expenditures from the Water Quality, Supply, and Infrastructure Improvement Act of

2014 (Proposition 1), and includes investments in trial court facilities, the State park system, and facilities that support the California Highway Patrol.

The 2015 *Five-Year Infrastructure Plan* can be accessed [here](#).

Proposed Spending Under Infrastructure Plan (Dollars in Millions)		
Program Area	2015-16 Capital Funding	2015-16 Deferred Maintenance Funding
Judicial Branch	\$1,224	\$0
Transportation/High Speed Rail Authority	\$52,803	\$0
Natural Resources	\$1,398	\$22
California Environmental Protection Agency	\$366	\$0
Health and Human Services	\$180	\$14
Corrections and Rehabilitation	\$126	\$15
Education	\$234	\$406
General Government	\$243	\$21
TOTAL	\$56,574	\$478

The 2015 *Five Year Infrastructure Plan* also reports a statewide deferred maintenance need of more than \$66 billion (as opposed to the \$64 billion in deferred maintenance outlined in the 2014 *Five Year Infrastructure Plan*), with the majority in transportation infrastructure.

The 2014-15 State Budget provided \$687 million in funding for deferred maintenance projects. The 2015 *Five Year Infrastructure Plan* builds upon the 2014 *Five Year Infrastructure Plan* with a proposal for \$125 million in General Fund monies for the backlog of deferred maintenance, allocated as follows:

Proposed 2015-16 General Fund Deferred Maintenance Funding (Dollars in Millions)	
California State University	\$25
University of California	\$25
Department of Parks and Recreation	\$20
Department of Corrections and Rehabilitation	\$15
Department of State Hospitals	\$7
Network of California Fairs	\$7
Department of Developmental Services	\$7
Department of General Services	\$5
State Special Schools	\$3
Office of Emergency Services	\$3
Department of Forestry and Fire Protection	\$2

California Military Department	\$2
Department of Veterans Affairs	\$2
Department of Food and Agriculture	\$2
TOTAL	\$125

Administration of Justice

2011 Realignment of Public Safety Responsibilities to Counties. In 2011, the Governor and the Legislature enacted the realignment of various State programs to counties. Specifically, a realignment of various criminal justice populations occurred under Assembly Bill 109, known as Public Safety Realignment. Continued funding for several local public safety subventions (rural sheriff grants, COPS, etc.) is included in the overall scheme. Funding for Public Safety Realignment is made primarily via a dedication of 1.065 percent of the State portion of the sales tax rate, and secondarily through various vehicle license fee revenues. These revenue commitments are now constitutionally protected with the passage of Proposition 30 (Temporary Taxes to Fund Education) in 2012.

One of the primary sources of AB 109 funding to counties is the Community Corrections Subaccount. The base funding for the Community Corrections Subaccount is determined by the Department of Finance, subject to a permanent allocation schedule as determined last year by the California State Association of Counties, in conjunction with selected persons from the County Administrative Officers of California. The Governor’s 2015-16 proposed Budget estimates \$1.061 billion for counties in base funds. The Governor’s 2015-16 proposed Budget also projects \$113.7 million in growth funds; however, the final total in growth funds won’t be determined until later in the calendar year.

Additional County Probation Funding. The Governor’s 2015-16 proposed Budget includes \$125 million in Senate Bill 678 (Leno, 2009) funding for County Probation Departments. Although this is a slight decrease from the 2014-15 State Budget, the SB 678 (2009) formula is determined using the prior year funding allocation and county data that captures probation department success rates at decreasing the number of offenders returning to State custody.

SB 678 was enacted to provide counties with a financial incentive to reduce the number of reoffenders returning to State prison. With Public Safety Realignment in 2011, revisions to the incentive program needed to be made to ensure reductions in the re-offender population level were maintained.

The Governor’s 2015-16 proposed Budget also includes an additional \$16 million for county probation departments to supervise the temporary increase in the local offender population as a result of two new population reduction reforms – revisions to the parole determination process, and increased release credits for minimal custodial inmates.

Courthouse Construction Funding. The Governor’s 2015-16 proposed Budget includes nearly \$175 million in funding for courthouse construction projects. The Brown Administration proposes funding for projects in the following RCRC member counties:

	Projects	Funding Levels
El Dorado	New Placerville Courthouse	\$4,780,000 for acquisition and preliminary plans
Inyo	New Inyo County Courthouse	\$1,930,000 for acquisition and preliminary plans
Lake	New Lakeport Courthouse	\$40,803,000 for construction
Mendocino	New Ukiah Courthouse	\$6,068,000 for working drawings
Shasta	New Redding Courthouse	\$8,849,000 for working drawings and construction
Siskiyou	New Yreka Courthouse	\$56,936,000 for construction
Tuolumne	New Sonora Courthouse	\$4,066,000 for working drawings

A number of other courthouse construction projects continue in their respective construction and funding process absent language in the Governor’s 2015-16 proposed Budget. This is primarily due to appropriations made in previous Budgets, as well as the securing of monies from other sources. In addition, a new El Centro Courthouse in Imperial County is slated for funding in the next budget year.

Criminal Penalties Amnesty Program. The Governor’s 2015-16 proposed Budget calls for the establishment of an 18-month amnesty program for those who have been convicted of traffic infractions and certain misdemeanors and have outstanding monetary penalties. It is anticipated that \$12 million would materialize from the amnesty program.

Court-imposed fines, penalties, and forfeitures are collected and distributed in a very complex manner involving several specified funds. In recent years, these overall revenues have declined resulting in some funds nearing insolvency. The amnesty program is designed to address the solvency of some of these funds. Courts and counties would be able to recover their administrative costs by accessing a portion of the monies generated by the amnesty program.

Local Trial Court Operations. The Governor’s 2015-16 proposed Budget includes an additional \$180 million for the support of local trial courts. Specifically, these additional monies would assist with:

- Day-to-day trial court operations;
- Court employee benefits costs;
- Off-sets in reductions to fines and penalty revenues; and,
- Increased workload from Proposition 47, which reduced criminal penalties for a variety of lower-level crimes.

In the last several years, the State's trial courts have experienced a number of budget reductions. To address these reductions, trial courts were instructed to utilize their operating reserves, and make internal reforms to reduce costs – most notably, employee costs associated with pension benefits. The Brown Administration has recognized that trial court reserves have been spent down, and also recognizes some local trial courts have begun to make adjustments in their employee pension costs.

Proposition 47 Savings. The Governor's 2015-16 proposed Budget includes \$26.9 million specifically to the trial courts for caseload activities related to resentencing petitions by offenders classified under Proposition 47 of 2014. Proposition 47, which was approved by voters in November, reduces penalties for a variety of specified offenses and dedicates the 'savings' from prosecuting and housing these offenders into programs that support K-12 schools, victim services, and mental health and drug treatment. Proposition 47 requires the Department of Finance to calculate savings associated with the measure; however, the data is unclear and incomplete at this time. The Governor and the Department of Finance anticipate those calculations will occur and transfers will be made in the 2016-17 State Budget.

It should be noted that the RCRC Board of Directors voted to "oppose" Proposition 47 due to the concerns surrounding its impact on 2011 Public Safety Realignment and the overall level of 'savings.' Nevertheless, RCRC staff will work with other criminal justice stakeholders to ensure that counties' costs are mitigated and monies can be fully directed to criminal justice related activities.

Trial Court Security – New Court Facilities. The Governor's 2015-16 proposed Budget includes \$2 million to address increased court security costs from new trial court construction.

RCRC has been working with the California State Sheriff's Association and the California State Association of Counties to ensure that counties experiencing deficiencies in their trial court security funding are able to properly staff these recently-opened facilities.

In 2011, the Legislature realigned California's trial court security funding scheme so the State would pay counties directly, rather than indirectly through the courts. Like other criminal justice realignment programs, a fixed percentage of sales tax revenue is allocated to each county to pay for trial court security. A number of recently-opened, newly-constructed courthouses have resulted in increased court security costs, most notably in Calaveras County, and San Benito County. The 2014-15 State Budget provided \$1 million to assist counties and the State in meeting these obligations. To receive monies, counties must demonstrate to the Department of Finance the need for increased trial court security staff as a result of the recent (prior to October 9, 2011) opening of newer (and oftentimes larger) courthouses.

California Environmental Protection Agency (CalEPA)

Air Resources Board. The Governor's 2015-16 proposed Budget includes \$576.2 million for the Air Resources Board, a \$245 million decrease from the 2014-15 State Budget due to the termination of the \$1 billion in funding provided by the Goods Movement Emission Reduction Program from Proposition 1B: Highway Safety, Traffic Reduction Air Quality, and Port Security Fund of 2006. The entire \$1 billion has been appropriated in State Budgets over the past four years. The remainder of the funds and program expenditures are consistent with prior years.

Assembly Bill 32 Cap-and-Trade Proceeds. The Governor's 2015-16 proposed Budget follows the appropriation scheme for Cap-and-Trade proceeds established in the 2014-15 State Budget: 35 percent to the Transportation, Affordable Housing, and Sustainable Communities program (20 percent for the affordable housing and sustainable communities portion, and 15 percent for transit and intercity rail), 25 percent to fund the High Speed Rail Authority, and the remaining 40 percent for resources, energy, low carbon transportation, and other programs. The proposal allocates approximately \$1 billion to greenhouse gas emissions reduction efforts from Cap-and-Trade auction proceeds, an increase of nearly \$130 million from 2014-15, and continues funding programs that are already receiving funding in the current fiscal year. The proposal also promises to invest at least 50 percent of future Cap-and-Trade revenues in "healthy active transportation alternatives" such as transit, walkable and bikeable communities, and high speed rail.

Under the Governor's 2015-16 proposed Budget, all but three programs would be funded at the same level as the current budget year. The Transit and Intercity Rail Capital Program would receive an additional \$75 million for a total of \$100 million, the Affordable Housing and Sustainable Communities program would receive an additional \$70 million for a total of \$200 million, and the Low Carbon Transit Operations Program would receive an additional \$25 million for a total of \$50 million. The proposal does not continue the 2014-15 allocation of \$40 million to water energy efficiency programs outlined in the California Water Action Plan.

RCRC has consistently advocated for the allocation of more funding to natural resource projects such as fuel treatment and forest restoration projects, as well as dedicated funding for rural transportation and infrastructure projects. RCRC will encourage the State to increase funds for these purposes during the process to adopt the 2015-16 State Budget.

The Governor's 2015-16 proposed Budget appropriates the estimated \$1 billion from Cap-and-Trade auction proceeds as follows:

Program	2015-16
High Speed Rail	\$ 250 million
Transit and Intercity Rail Capital Program	\$ 100 million
Low Carbon Transit Operations	\$ 50 million
Affordable Housing and Sustainable Communities	\$ 200 million
Low Carbon Transportation	\$ 200 million
Energy Efficiency Upgrades/Weatherization	\$ 75 million
Agricultural Energy and Operational Efficiency	\$ 15 million
Energy Efficiency for Public Buildings	\$ 20 million
Wetlands and Watershed Restoration	\$ 25 million
Fire Prevention and Urban Forestry Projects	\$ 42 million
Waste Diversion	\$ 25 million
Total	\$ 1.002 billion

Department of Resources Recycling and Recovery. The Governor's 2015-16 proposed Budget includes \$25 million of the Greenhouse Gas Reduction Fund revenues for grants and loans for in-state development of infrastructure to process organic materials and recyclable commodities into new products. Unfortunately, while this funding is consistent with the allocation in the 2014-15 State Budget, it is not sufficient to meet the State's needs.

With the passage of Assembly Bill 1278 (Chesbro, 2014), businesses that generate a certain amount of organic waste will be required to begin recycling such waste in 2016. However, there is insufficient infrastructure capacity to process the amount of waste generated under AB 1278. As many of our member counties will qualify to be exempt from this requirement, most of these monies are likely to be spent in the more urban areas.

RCRC will engage in the allocation process of these funds to ensure accessibility to our member counties.

Department of Toxic Substances Control. The Governor's 2015-16 proposed Budget includes \$208.1 million to the Department of Toxic Substances Control (DTSC), a \$13.5 million decrease from the 2014-15 State Budget. However, the DTSC continues to implement reform initiatives to enhance and modernize the State's hazardous waste management programs. The most significant adjustments are \$1.6 million for enhanced permitting coordination, and \$840,000 for hazardous waste reduction in pilot projects that address hazardous waste generated in significant quantities, and that affect disadvantaged communities.

The California Environmental Protection Agency's (CalEPA) CalEnviroScreen tool was developed for the purpose of identifying those communities most impacted by environmental burdens and population characteristics. CalEPA chose to designate the top 25 percent of census tracts in California as disadvantaged communities for the purpose of investing Cap-and-Trade proceeds using the combined pollution burden and population characteristics scores, precluding 29 California counties from qualifying. RCRC expects DTSC to use the CalEnviroScreen for establishing project priorities. RCRC will continue to advocate funds be allocated on a more equitable basis.

Greenhouse Gas Emissions Reductions. The Governor's 2015-16 proposed Budget includes language stating the Brown Administration's intent to work with the Legislature and stakeholders to develop a "midterm" Greenhouse Gas (GHG) emissions reduction target for 2030. The midterm target would complement the goal set forth in the California Global Warming Solutions Act of 2006 (Assembly Bill 32) to reduce California's GHG emissions to 80 percent below 1990 levels by the year 2050. The proposal includes the intent to achieve GHG reductions in a number of areas including:

- Significant increases in the State's utilization of renewable energy;
- Significant energy efficiency improvements in existing state buildings;
- Significant reductions in vehicle miles traveled and the use of petroleum-based transportation fuels;
- Significant increases in the use of cleaner fuels in water and space heating in state buildings;
- Enhancing California's forests, rangelands, agricultural lands, wetlands, grasslands, and riparian areas to be net carbon sinks;
- Significant reduction of short-term carbon pollutants, such as methane and black carbon, from landfills, agriculture and other sources;
- Continuing policies that put a price on carbon to create incentives for development of clean technology; and,
- Implementation of climate adaptation strategies, including working with local governments to work on making natural landscapes more resilient.

Many of the areas targeted for emissions reductions by the Brown Administration were already included in the California Air Resources Board's 2014 update to the AB 32 Scoping Plan, and will result in additional regulations and programs over the next several months. RCRC will continue to advocate for reasonable regulatory requirements as the various State agencies release their GHG emissions reduction proposals.

Office of the Secretary for Environmental Protection/Rural Certified Unified Program Agency Assistance. The Governor's 2015-16 proposed Budget includes \$835,000 for the continued reimbursement of qualified Certified Unified Program Agency's (CUPA's) located in low-population counties. Each county CUPA is required to perform a number of hazardous material programs to ensure local environmental health. Under current law, many, but not all RCRC member counties receive additional State General Fund monies for the operation of their local CUPA, which is calculated based upon population thresholds and other criteria.

State Water Resources Control Board. The Governor's 2015-16 proposed Budget allocates \$1.54 million from the General Fund to establish a Marijuana Cultivation Enforcement Team to regulate and enforce waste discharge requirements on marijuana cultivation activities. In the 2014-15 State Budget, funds for marijuana regulation and enforcement activities were allocated from the Waste Discharge Permit Fund, which were backfilled by a fee for marijuana cultivation operations.

Education

California State Universities and University of California. The Brown Administration continues its focus on improving higher education while maintaining affordability and decreasing the time it takes for students to graduate. As such, the Governor's 2015-16 proposed Budget includes an ongoing increase of \$119.5 million to the University of California (UC) system, on condition they don't increase tuition and nonresident enrollment, and take necessary steps to reduce administrative costs. In November, the UC Board of Regents approved a tuition increase plan, which proposes to increase tuition by up to 5 percent per year over the next five years. At the Governor's request, the UC Regents is expected to convene an advisory committee which will focus on developing various proposals aimed at decreasing tuition costs, enhancing student access, and degree completion outcomes. The committee's proposals will be considered by the UC Board of Regents.

The Governor's 2015-16 proposed Budget provides an ongoing increase of \$119 million to California State Universities (CSU). The Administration anticipates this funding will circumvent the need for CSU to increase tuition and fees. To encourage and recognize CSUs that implement strategies to enhance completion rates for students, the Governor's 2015-16 proposed Budget provides \$25 million in innovation awards for CSUs.

The CSU and UC systems provide undergraduate and graduate education to approximately 697,000 students. Four RCRC member counties house public institutions: Butte, Humboldt, Merced and Yolo.

Community Colleges. The Governor's 2015-16 proposed Budget provides a number of investments designed to improve student outcomes and to expand technical education and apprenticeship program opportunities within the community college network. The Governor's 2015-16 proposed Budget provides \$200 million to expand student success programs and assist underrepresented students, \$29.1 million to expand and grow existing apprenticeship programs, and a \$48 million one-time allocation to support the Career Technical Education Pathways Program. Community

colleges are particularly critical in rural areas. Not only do they provide an entry to higher education for rural students, but may also fill the need for higher level courses for local high school students, as well as specialty training for individuals seeking to fill a particular need for skilled labor in their local communities.

RCRC has long supported community colleges receiving their full share of funding from Proposition 98, and recognizes their importance to the California educational system and to rural counties in particular.

There are 112 community college campuses in California, and of those, only 18 campuses are located in RCRC member counties. The California Community Colleges provide education and workforce training to over 2.1 million students.

California Student Aid Commission. The Governor's 2015-16 proposed Budget includes \$45 million for the second-year implementation of the Middle Class Scholarship Program, which is in its second year of a four year phase-in. The Middle Class Scholarship Program provides undergraduate students with family incomes of \$100,000 to \$150,000 scholarship grants covering up to 10 percent of their tuition cost. The Middle Class Scholarship Program provides an avenue to access higher education for rural students whose families may not be able to afford college otherwise.

Career Technical Education. Over the next three years, the Governor's 2015-16 proposed Budget provides \$250 million for a transitional Career Technical Education Incentive Program, which would require a dollar-for-dollar match by school districts and county offices of education that receive funding. Priority will be given to educational agencies that collaborate on regional programs.

K-12 Education. The Governor's 2015-16 proposed Budget provides significant investments in K-12 education, including \$4 billion for third-year implementation of the Local Control Funding Formula, and a one-time \$1.1 billion allocation of discretionary funds for school districts and county offices of education to support the ongoing implementation of the Common Core.

The Governor's 2015-16 proposed Budget repays the remaining \$992 million owed to schools and community colleges for deferred payments incurred during the recession when the State deferred nearly 20 percent of annual payments to schools.

The Governor's 2015-16 proposed Budget provides a one-time allocation of \$100 million for enhanced upgrades to internet connectivity and infrastructure in schools.

The Governor's 2015-16 proposed Budget allocates \$359.7 million to K-12 and community colleges to support energy efficiency grant projects.

General Government

County Revenues/Basic Aid Districts. The Governor's 2015-16 proposed Budget includes \$5.1 million to reimburse Alpine, Amador, and San Mateo Counties, and the cities located within, for funding shortfalls in their Sales & Use Tax and Vehicle License

Fee Adjustment Amounts. These shortfalls are triggered by Basic Aid school districts having a strong presence within their counties.

It should be noted that monies for previous fiscal years for Amador and San Mateo are not included. RCRC will join its partners in working to secure monies from previous years.

Debt Service. The Governor's 2015-16 proposed Budget includes \$6.374 billion in General Fund debt service expenditures, an increase of \$355 million over the 2014-15 State Budget. The increase is comprised of \$286 million in General Obligation debt service (\$5.377 billion total), and \$69 million in lease revenue bonds, for a total of \$997 million.

The increase in General Obligation debt service brings the total to approximately 6 percent of the proposed State General Fund Budget, which has been noted as an acceptable level of debt by the Legislative Analyst's Office and the State Treasurer. It is worth noting that General Obligation debt service is constitutionally one of the highest priority General Fund expenditures, which allows for a lower interest repayment and provides security for the bond investor.

Department of Food and Agriculture. The Governor's 2015-16 proposed Budget includes \$385 million in funding for the Department of Food and Agriculture (Department), which is consistent with last year's funding and not unexpected. The Budget has shown modest increases since the \$30 million budget reductions in 2011-12 and 2012-13 to address the structural Budget deficit.

The Governor's 2015-16 proposed Budget also includes \$80.5 million for the General Agricultural Activities Program. The program provides communications to California's agricultural industry, including County Agricultural Commissioners' and the statewide Fairgrounds, and also partially reimburses County Agricultural Commissioner Offices for carrying out agricultural programs authorized by the Food and Agricultural Code under the supervision of the California Department of Food and Agriculture.

While the Governor's 2015-16 proposed Budget represents an increase of \$20 million from two years ago, the relatively flat funding for the program over the last few years has counties absorbing more of the costs of programming thus making it more difficult to comply with the Department's contracts. RCRC will work with county Ag Commissioners and other stakeholders to help ensure that adequate resources are provided.

Fairs. The Governor's 2015-16 proposed Budget includes \$10.1 million for the support of local fairs. Specifically, the Governor's 2015-16 proposed Budget provides \$3.1 million to be directed to the Fairs and Expositions Fund for re-distribution to improve the financial situation of smaller fairs, as well as provide training for Fair Board members. In addition, \$7 million from the Governor's *Five-Year Infrastructure Plan* is proposed for deferred maintenance for fairs across the network based on their need.

RCRC will continue to work with the California Department of Food and Agriculture and other stakeholders to address a long-term solution to the viability of fairs in light of the elimination of State funding in recent years. RCRC, in partnership with the Western Fairs Association (the entity which advocates for all State Fairs) has worked to secure additional monies for fairs – particularly for infrastructure improvements.

Prior to 2009-10, fairs received State support primarily from horse race wagering proceeds. In 2009, the State supplanted horse race wagering with State General Fund support. The 2011-12 State Budget eliminated the \$32 million General Fund for the support of fairs. Subsequent State Budgets did not replace the funding for fairs.

The previous lack of support placed several of the small and medium sized fairs in jeopardy of closure, and funding provided in the Governor's 2015-16 proposed Budget should provide some relief until a long-term solution is realized.

Office of Emergency Services. The Governor's 2015-16 proposed Budget includes \$10 million to the Regional Railroad Accident Preparedness and Immediate Response Fund for the Office of Emergency Services (OES), through the reestablishment of a fee assessed on the transport of hazardous materials. Funding would be used to support emergency response activities, purchase equipment to aid in response, and deliver local response training. A number of northern RCRC member counties have rail lines that are used to transport hazardous materials, including the North Dakota Bakken Oil line, which has been of much debate and concern due to two major tank car disasters.

RCRC will work with OES to ensure our members are aware of funding opportunities and local response training.

State Mandates. The Governor's 2015-16 proposed Budget estimates a payment of \$533 million to local governments towards the repayment of funds owed for the implementation of pre-2004 mandates. The payment is a result of a trigger mechanism in the Governor's 2014-15 State Budget. Last year, the State paid \$100 million of the approximately \$900 million owed to local governments in total for pre-2004 mandates. The State is required to fully repay pre-2004 mandates by 2021, and nearly 73 percent of these monies will be distributed to counties, proportionate to what each county is owed.

The Governor's 2015-16 proposed Budget also includes a one-time payment to local governments of \$9.6 million to fund the back costs incurred from 2001 to 2013 for activities performed under the Public Records Act mandate. The Public Records Act was placed in the California Constitution by voters via Proposition 42 in 2014, removing the State's responsibility to fund local responsibilities related to the Act going forward.

Lastly, the Governor's 2015-16 proposed Budget continues the suspension of most mandates not related to law enforcement or property taxes, including elections mandates. The proposal adds the suspension of the Interagency Child Abuse and Neglect Investigation Reports Mandate (ICAN), which was eligible for repayment for the first time in 2014. The Commission on State Mandates recently adopted a statewide cost estimate of \$90.3 million, reflecting implementation and compliance costs to local

agencies from 1999-2011. The Governor's 2015-16 proposed Budget instead establishes a \$4 million option grant program to help fund activities related to the mandate. Suspending mandates has become a regular part of the State Budget, as it allows the State to avoid making payments to local agencies by ostensibly not making them perform mandated functions. However, oftentimes a discontinuation of some of these mandates could lead to lawsuits and other county liabilities, making discontinuation of these mandates even less practical. *A list of proposed funded and suspended mandates can be found in the appendix of this report.*

Veterans Affairs. The Governor's 2015-16 proposed Budget allocates \$347.1 million for the operation of the Veterans Homes within California, including those in the cities of Barstow, Chula Vista, Fresno, West Los Angeles, Lancaster, Ventura, Redding, and Yountville. Many veterans reside in rural areas, and RCRC will continue to advocate that funding be maintained throughout the Budget process.

Williamson Act. The Governor's 2015-16 proposed Budget includes \$1,000 for the Open Space Subvention Program. This is the lowest possible dollar figure that allows the Program to remain in the Budget.

The Williamson Act, also known as the California Land Conservation Act of 1965, authorizes cities and counties to enter into agricultural land preservation contracts with landowners who agree to restrict the use of their land for a minimum of 10 years in exchange for lower assessed valuations for property tax purposes.

In the 2003-04 fiscal year, then-Governor Schwarzenegger proposed to save approximately \$39 million by ending the State subventions. The first cuts came in 2008-09 when a Budget trailer bill reduced the State subventions by 10 percent. The Legislature's 2009-10 Budget reduced the subventions to \$27.8 million. However, Governor Schwarzenegger essentially eliminated the subventions by cutting the appropriation to \$1,000.

Given the ongoing reluctance of the Legislature and the Brown Administration to fund Williamson Act subventions, discussions relative to changes to the Williamson Act are appropriate. RCRC will continue to work with agricultural, environmental and local governmental organizations to explore sources of sustainable funding as well as potential changes to the program itself.

Workforce Investment and Opportunity Act. The Governor's 2015-16 proposed Budget maintains just over \$390 million in federal Workforce Investment and Opportunity Act (WIOA) funding for State and Local Workforce Investment Boards (WIB) to continue investments in local and regional education, employment, job training programs and services, and rapid response activities. The Governor's 2015-16 proposed Budget maintains \$3 million for the California State Workforce Investment Board to continue implementation of the job training component of Proposition 39, the California Clean Energy Jobs Act of 2012. In addition, the Governor's 2015-16 proposed Budget includes intent language to maintain federal funding for the Governor's SlingShot Regional Grant Initiative and the Regional Workforce Accelerator

Program Grants, which are both funded through the Governor's WIOA discretionary funds.

The WIOA was enacted to reauthorize and modernize the Workforce Investment Act (WIA) of 1998, which serves as the nation's employment and job training program. WIOA provides federal funding to states for job training, education, and employment-related services for unemployed and underemployed workers and youth. Through WIOA reforms, California is using this new policy framework to develop a Unified State Workforce Strategic Investment Plan that will strengthen alignment between WIBs, K-12 schools, Community Colleges, Rehabilitation Programs, CalWORKS, and Community Corrections Programs, in an effort to produce education outcomes that are aligned with the needs of regional industry sectors and a workforce equipped with industry-recognized certificates and/or degrees for in-demand job occupations.

Health and Human Services

The Governor's proposed 2015-16 Budget for Health and Human Services focuses on continued implementation of ongoing programs, while attempting to minimize risk to the State due to federal action, legal challenges, or technical difficulties.

Behavioral Health. The Governor's 2015-16 proposed Budget includes \$190 million for 2014-15, and \$320 million for 2015-16 to fund certain behavioral health activities, such as autism treatment, that are required under the Affordable Care Act (ACA) starting July 1, 2014. This requirement and funding will ease the burden on county education and mental health systems by ensuring that treatment and care for individuals with autism and other specified behavioral health conditions is funded through the Medicaid system.

CalHEERS. The Governor's 2015-16 proposed Budget allocates funds to counties to attempt to address issues relating to the lengthy Medi-Cal application process within the new California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS). The Governor's 2015-16 proposed Budget allocates \$150 million in the current Budget year 2014-15, and leaves open the possibility of additional funds being available in 2015-16 based on assessed need. Small and rural counties have struggled since the inception of the Affordable Care Act (ACA) and the requirement to manage eligibility through CalHEERS. Complaints from all counties highlight that it takes longer to process applications, therefore requiring more staff time per client. Additional complaints include that the system is not stable, and often doesn't work properly, requiring entries to be made multiple times before final resolution. In small counties, where properly trained and skilled individuals are difficult to recruit and retain, this has created a backlog of cases waiting to be processed, and long staff hours for those able to do the processing.

RCRC will continue to advocate for the State to make all counties "whole" as to the implementation and utilization of CalHEERS as the eligibility system for the State, and sees this as an excellent first step.

California Work Opportunity and Responsibility to Kids. The Governor’s 2015-16 proposed Budget includes \$5.8 billion for the California Work Opportunity and Responsibility to Kids (CalWORKs) program. This amount accounts for the five percent increase from March 2014, and the five percent increase scheduled to occur in April 2015. Most of the State costs created by these grant increases are covered by growth in the Child Poverty and Family Supplemental Support Subaccount of 2011 Realignment (\$267.2 million), with the balance covered by the General Fund for \$73.3 million.

CalWORKs provides cash grants and services to low income families with children in all 58 California counties. CalWORKs offers a three-stage childcare program:

- Stage One is for families who have not yet acquired stable work;
- Stage Two is for families who have stable work or are transitioning off of cash aid; and,
- Stage Three is reserved for families who have successfully transitioned off of aid for more than two years but still have a need for child care.

The Governor’s 2015-16 proposed Budget decreases Stage Two funding by \$11.6 million, and increases Stage Three funding by \$38.6 million. Many rural areas have high utilization rates of CalWORKs programs and services, so grant levels and child care availability are especially relevant to those areas.

Coordinated Care Initiative. The Governor’s 2015-16 proposed Budget continues to implement the Coordinated Care Initiative (CCI) in the seven counties currently participating in the program. The goal of the CCI was to shift those who were both Medicare and Medi-Cal eligible to a “health home” through a unified, coordinated health plan. It was expected that this shift would create extensive savings for the care of these individuals. However, it would appear that the CCI is not as cost-effective as predicted, due to low participation in the program and increasing costs for In-Home Supportive Services (IHSS). If the CCI is not deemed to be a cost-saving program by January 2016, the CCI would cease to exist in January 2017.

While there are no RCRC member counties participating in the current CCI, the ultimate outcome of the program will be telling as to how the State will address the needs of this dual-eligible population going forward – many of whom reside in rural areas.

Foster Care. The Governor’s 2015-16 proposed Budget allocates \$9.6 million to start implementation of the “Continuum of Care Reform,” which will provide a better system of support for foster youth in California, through increased payments to foster parents, improving outreach and retention of foster parents, mental health care for foster youth, and other wraparound services to better support those in the system through adulthood.

State-funded foster care services and improvements to the existing system are important in rural areas where other safety net services are often thin or non-existent. Improved services at the state-level, the official “parent” of these children, can reduce the burden these youth often pose to counties and improve their lives such that they have better opportunities to thrive.

In-Home Supportive Services. The Governor's 2015-16 proposed Budget restores the 7 percent across the board cut to allowable hours under the In-Home Supportive Services (IHSS) program, and funds the program with a total of \$8.2 billion. In order to fund this, among other items, the Governor proposes passing a new managed care tax. The current managed care tax helps pay the non-federal share of certain Medi-Cal plans. However, recently, the federal government announced that a managed care tax structured the way that California has its tax set up is impermissible. The Brown Administration will seek a new managed care tax to backfill the loss of the current tax and to fund the restoration of the IHSS cut.

Additionally, implementation of the requirement to pay overtime, in addition to several other new federal requirements regarding IHSS caregivers was recently stayed in federal court. The Governor's 2015-16 proposed Budget assumes these increased costs until final disposition of the issue is reached by the judicial system.

IHSS is critical in rural and remote areas where institutional – or clinic-based medicine – is often difficult to reach, or unavailable altogether. IHSS fills a gap in need experienced by these communities.

Local Emergency Medical Service Agencies. The Governor's 2015-16 proposed Budget includes \$2.1 million to support the seven Local Emergency Medical Service Agencies (LEMSAs). This is consistent with previous General Fund support in recent years. Most RCRC counties participate in LEMSAs to meet their State obligations for emergency medical care services.

Medi-Cal. The Governor's 2015-16 proposed Budget anticipates spending \$18.6 billion in State General Fund revenue on Medi-Cal. This is a 4.3 percent increase from the 2014-15 Budget, due to an increase in health care costs generally, mandatory program expansions, and an increase in caseload growth. Medi-Cal will serve 32 percent of the State's total population - a predicted 12.2 million Californians - by the end of 2015-16. This figure includes all traditionally-eligible Medi-Cal recipients, as well as the new "optional" population that includes childless adults.

Additionally, the Governor's 2015-16 proposed Budget would create an annual open enrollment period for non-disabled Medi-Cal beneficiaries, which would require that changes to a health plan would need to be made during a 90-day open enrollment period each year, similar to the Covered California or employer-based systems. This change is expected to save \$1.6 million annually. Actions taken on Medi-Cal affect rural counties due to the high percentages of populations that utilize Medi-Cal benefits in many rural counties. Additionally, these actions impact the county's budget in that those low-income individuals not served by Medi-Cal are likely to become the county's responsibility under a county's Welfare and Institution's Code Section 17000 obligation to serve indigent patients.

Provider Rate Reimbursement. The Governor's 2015-16 proposed Budget does not go any further to reinstate reimbursement rate cuts to Medi-Cal providers in 2011. However, it does maintain the exemptions to certain providers both from the cut

and the retroactive payment (the “clawback”), and allocates \$130 million to account for these increases in State costs over the predicted savings under the cut.

Medi-Cal provider rates are a key component to ensuring access to healthcare in rural areas. Rural counties have high utilization rates of Medi-Cal. Without adequate reimbursement rates in place, more and more providers and facilities will be forced to either stop accepting Medi-Cal patients, or will go out of practice or close their doors, both of which effectively deny access to healthcare for many rural residents.

RCRC will continue to be integrally involved in the advocacy strategy for restoring the provider reimbursement rates.

Public Health. The Governor’s 2015-16 proposed Budget funds the Department of Public Health at \$3.1 billion. This includes \$21.8 million in special funds to make improvements to the Licensing and Certification Program.

Public Health is critically important for all counties, but in rural counties where staffing is limited, and there are areas that are geographically remote and challenging to reach, public health programs are even more important.

State Hospitals. The Governor’s 2015-16 proposed Budget includes \$1.7 billion to fund the Department of State Hospitals, which principally focuses on corrections issues. The Governor’s 2015-16 proposed Budget highlights issues of key concerns, including capacity issues for Incompetent to Stand Trial (IST) inmates, and mandatory medication of Not Guilty by Reason of Insanity patients. One of the proposals to address the shortfall of IST beds is to contract with counties to house and develop treatment programs locally rather than shipping those inmates to over-utilized State facilities. This proposal could reduce the backlog of cases waiting to be heard, and could benefit counties with availability in their corrections or health facilities where inmates could be housed and treated locally at the State’s cost, thereby reducing the time that inmate has to stay prior to trial.

Supplemental Security Income/State Supplementary Payment. The Governor’s 2015-16 proposed Budget provides \$2.8 billion for the Supplemental Security Income/State Supplementary Payment (SSI/SSP) program. This is a one percent increase over the 2014-15 State Budget to a maximum of \$881 per month for an individual, and \$1,483 per month for a couple. Rural counties have a high percentage of SSI/SSP utilization, so changes to the maximum allowance have a direct impact upon how much this population utilizes county services that are not met through their SSI/SSP grant.

Native American Affairs

Indian Gaming Special Distribution Fund. The Governor’s 2015-16 proposed Budget does not address the ongoing insolvency of the Indian Gaming Special Distribution Fund (SDF). With a fund balance insufficient to allocate payments in 2014-15, it is unlikely that payments will be made in 2015-16, short of a radical reworking of the SDF, or of the way funding is provided to local governments to mitigate the effects of tribal gaming.

RCRC has been intensely involved in ensuring rural counties receive their allocations from the SDF. We advocated strongly as part of a broad coalition including public safety and tribal representatives to ensure that distributions to local governments were made in all the Budget years up until the SDF reached fiscal insolvency. RCRC will continue to work in 2015-16 with coalition partners to craft a solution that results in mitigation funding flowing once more to counties.

Resources

California Conservation Corps. The Governor's 2015-16 proposed Budget includes \$92.8 million for the California Conservation Corps' (CCC) Training and Work Program. The Training and Work Program focuses on four areas: natural resource work (such as fire hazard reduction and meadow restoration); emergency response (such as fire and flood support); Corpsmember education to advance member academic skills; and, development and training in the areas of teamwork, leadership and firefighting certification.

The CCC is intended to provide youth work experience in public service responding to fires, floods, and other natural disasters, as well as environmental restoration work and educational opportunities. In addition to the CCC, there are 14 local Conservation Corps entities operating in all 34 RCRC member counties.

The Governor's 2015 *Five Year Infrastructure Plan* includes \$24.8 million for two infrastructure projects at existing CCC facilities over the next five years. The projects consist of constructing new dorms as well as a kitchen and mess hall at the Placer Center in Auburn; and acquisition and renovation of an equipment storage facility near the Tahoe Base Center in South Lake Tahoe.

Delta Protection Commission. The Governor's 2015-16 proposed Budget includes \$1.365 million for the Delta Protection Commission to protect, maintain, and restore the overall quality of the Delta environment consistent with the Delta Protection Act, and the Land Use and Resource Management Plan for the Primary Zone.

Delta Stewardship Council. The Governor's 2015-16 proposed Budget includes \$25.1 million in funding for the Delta Stewardship Council. This represents an increase of approximately \$6.7 million General Fund revenue over the 2014-15 State Budget in order to implement the Delta Science Plan.

The Delta Stewardship Council's charge is to achieve the coequal goals of providing a more reliable water supply for California, and protecting, restoring, and enhancing the Delta ecosystem. In order to achieve the coequal goals required by the 2009 Delta Reform Act, a long-term management plan for the Delta was created.

Department of Fish and Wildlife. The Governor's 2015-16 proposed Budget includes \$515 million in funding for the Department of Fish and Wildlife (DFW), representing a decrease of approximately \$35 million over the 2014-15 State Budget funding primarily due to a reduction in the California Biodiversity Program. The program encourages the preservation, conservation, and restoration of wildlife resources. Activities involve the

conservation, protection and management of fish, wildlife, native plants, and habitat to ensure sustainable populations of those species.

The Governor's 2015-16 proposed Budget also includes \$1.6 million General Fund to facilitate in-stream flow studies. These studies will determine the minimum quantity of water needed in a stream to adequately support fish and wildlife. This proposal aligns with the Water Action Plan to enhance flows in stream systems that support critical habitat for anadromous fish.

The Governor's 2015 *Five Year Infrastructure Plan* includes \$5.6 million over the next five years for minor capital outlay projects with \$1.8 million allocated for the 2015-16 Budget year. The projects include three wetland improvement projects in Gray Lodge, Upper Butte Basin, and Yolo Bypass Wildlife Areas for ecosystem restoration and water management. The other projects consist of infrastructure improvements at Black Rock, Fillmore, and Mt. Shasta Fish Hatcheries, as well as the Fish Health Laboratory.

State Payment in Lieu of Taxes. The Governor's 2015-16 proposed Budget includes \$644,000 in funding to pay State Payment in Lieu of Taxes (PILT) to local governments. *(Please reference the attached chart reflecting the property tax allocations calculations affecting the county payments).*

California PILT was established in 1949 to offset adverse impacts to county property tax revenues that result when the State acquires private property for wildlife management areas. However, the Department of Fish and Wildlife (DFW) has not made annual State PILT payments in more than a decade, resulting in arrearages of approximately \$19 million to 36 counties.

In addition to efforts on the State Budget front, in 2014 RCRC sponsored Senate Bill 1410 by Senators Lois Wolk (D-Davis) and Jim Nielsen (R-Gerber). SB 1410 proposed to appropriate \$19 million from the General Fund to the DFW to make payments to counties for outstanding obligations, and to appropriate \$2 million annually, beginning in the 2014-15 fiscal years, to the DFW for ongoing annual payments to counties. Despite a bi-partisan coalition of 23 co-authors, SB 1410 was held in the Senate Appropriations Committee.

RCRC will continue to advocate on behalf of State PILT funding before the Administration and the Legislature, building upon the efforts to date.

Department of Parks and Recreation. The Governor's 2015-16 proposed Budget includes \$434.8 million for the Department of Parks and Recreation (State Parks), which is \$60 million less than 2014-15 State Budget funding due primarily to a reduction in Proposition 84 funding.

The Governor's 2015-16 proposed Budget includes a two year commitment of \$3 million for a team the Brown Administration has established comprised of individuals both inside and outside State Parks to lead in the execution of reforms over the next two years in a number of areas, including the State Parks Budget, maximizing partnerships, enhancing the marketing program, and innovative revenue generation opportunities.

The final Parks Forward Commission Report is due to be released in January 2015, however, State Parks is implementing a number of their recommendations – including enhanced technology, providing visitors the ability to use credit and debit cards at many state parks – as well as a pilot program allowing visitors to use their smartphone to pay parking fees. The Department also continues to work to locate new cabins within the state park system to expand the types of camping opportunities thus appealing to a broader range of people.

The Governor’s 2015-16 proposed Budget also includes a one-time increase of \$16.8 million to State Parks to continue existing service levels throughout the state park system, which had been diminished as a result of a prior management mishap.

The Governor’s 2015 *Five Year Infrastructure Plan* includes \$61.8 million for 19 projects over the next five years from a variety of funding including bond funds, federal funds, off-highway vehicle funds, among others. Of this total, \$15 million is allocated for the 2015-16 Budget year for the plans and construction phases of 15 projects that address critical health and safety issues and restore the state’s resources at existing parks.

The Governor’s 2015-16 proposed Budget includes \$20 million to address deferred maintenance. The 2014-15 State Budget provided \$40 million in one-time funding for deferred maintenance in parks, but it should be noted that deferred maintenance needs are close to \$1 billion.

Department of Forestry and Fire Protection. The Governor’s 2015-16 proposed Budget funds the Department of Forestry and Fire Protection (CAL FIRE) at a total of \$1.7 billion, with \$1.26 billion in base funding (includes \$633,341,000 in General Fund and \$73.8 million from the SRA Fee Fund in addition to other special fund sources), and the remainder coming from the “E-Fund” and one-time drought funding. Key provisions of the proposal include \$9.2 million for hiring and training staff to account for longer fire seasons, \$61.8 million in one-time drought funding through the General Fund and SRA Fee Fund, and an unfunded provision to start the process to replace outdated Vietnam-era helicopters.

Provisions to be funded from the drought funds will include 4-on-an-engine staffing for 1/3 of trucks during peak season, exclusive use provisions for two air tankers and pilots, and additional captains and crews commensurate with the exacerbated fire season due to the drought. Other proposals within the CAL FIRE Budget include \$42 million in funding from the Greenhouse Gas Reduction Fund for forest management activities, as well as a \$6.7 million allocation to account for increased costs due to the rise in the minimum wage. No local grants are proposed out of the SRA Fee Fund this year, unlike last year.

Emergency Drought Relief. The Governor’s 2015-16 proposed Budget provides \$115 million in drought response relief so long as the existing drought conditions continue through next year. Highlights of the drought relief proposal include:

- Department of Forestry and Fire Protection: \$61.8 million for seasonal firefighters, defensible space inspectors, and enhanced air attack capabilities;

- Department of Fish & Wildlife: \$14.6 million for fish and wildlife monitoring and hatchery operations;
- Department of Water Resources: \$11.6 million to assess surface and groundwater conditions, expedited water transfers, and Save Our Water Campaign outreach efforts;
- Department of Social Services: \$7 million carryover to provide food assistance for communities impacted by the drought;
- State Water Resources Control Board: \$22.6 million for enforcement of drought-related water rights/curtailment actions and emergency drinking water projects; and,
- Office of Emergency Services: \$4.4 million for drought technical guidance and disaster recovery support.

The Brown Administration will continue to monitor the State's drought conditions and reevaluate if additional Budget needs are necessary in the May Revision. Many rural counties have been hit particularly hard by the drought due to the impacts to agriculture, timber, and recreation. State assistance due to drought impacts will be felt keenly in our rural areas.

Sacramento-San Joaquin Delta Conservancy. The Governor's 2015-16 proposed Budget includes \$11.9 million in funding for the Sacramento-San Joaquin Delta Conservancy to implement ecosystem restoration in the Delta, and to support efforts that advance environmental protection and the economic well-being of the Delta residents. This represents an increase of approximately \$10 million over the 2014-15 State Budget due to \$9.87 million in funding from Proposition 1.

Proposition 1 allocates a total of \$50 million to the Sacramento-San Joaquin Delta Conservancy for multi-benefit water quality, water supply and watershed protection and restoration projects.

San Joaquin River Conservancy. The Governor's 2015-16 proposed Budget includes \$679,000 in funding for the San Joaquin River Conservancy to acquire, preserve, manage, and promote access to lands within the flood plain on both sides of the San Joaquin River from Friant Dam to Highway 99.

Proposition 1 allocates a total of \$10 million to the San Joaquin River Conservancy for multi-benefit water quality, water supply and watershed protection and restoration projects.

Sierra Nevada Conservancy. The Governor's 2015-16 proposed Budget includes \$14.8 million in funding for the Sierra Nevada Conservancy. This represents an increase of \$10 million over the 2014-15 State Budget due to \$10.2 million in funding from Proposition 1.

Proposition 1 allocates a total of \$25 million to the Sierra Nevada Conservancy for multi-benefit water quality, water supply and watershed protection and restoration projects.

Tahoe Conservancy. The Governor's 2015-16 proposed Budget includes \$20.3 million in funding for the Tahoe Conservancy, to protect and sustain the natural resources and recreational opportunities in the Lake Tahoe Basin. This represents an increase of more than \$13 million over the 2014-15 State Budget due to \$14.1 million in funding from Proposition 1. Proposition 1 allocates a total of \$15 million to the Tahoe Conservancy for multi-benefit water quality, water supply and watershed protection and restoration projects.

Transportation

The Governor's 2015-16 proposed Budget recognizes that annual maintenance and repair costs for the State local transportation system are drastically higher than current funding sources. The Governor's 2015-16 proposed Budget provides a strong emphasis on the need to address the more than \$6 billion in deferred maintenance needs of the State highway system, to increase investments in key freight corridors, and to consider new funding models that more closely align transportation revenue sources with users of the transportation system.

Road User Charge. The Governor's proposed 2015-16 Budget includes \$9.4 million to implement the Road User Charge (RUC) Pilot Program as enacted last year through Senate Bill 1077 by Senator DeSaulnier (D-Concord). SB 1077 requires the study of an alternative transportation funding model to supplement existing transportation funding.

RCRC will work closely with the RUC Technical Advisory Committee, to provide input on the development and implementation of the RUC pilot study.

State Highway Relinquishment. The Governor's 2015-16 proposed Budget proposes legislation to allow the State to "streamline" the relinquishment process, which transfers State roads to local jurisdictions. RCRC remains concerned about state highway relinquishment when those State highways serve as an inter-regional connector, and will be expressing those concerns during the legislative process.

Toll Lanes. The Governor's 2015-16 proposed Budget proposes legislation to provide the California Transportation Commission the ability to approve conversions of existing High-Occupancy Vehicle Lanes to Toll Lanes.

California State Transportation Agency. The Governor's 2015-16 proposed Budget proposes an increase of \$6.6 million to better manage highway demands through Transportation Management Systems. In early 2014, the California State Transportation Agency released the State Smart Transportation Initiative report, which recommended a number of transportation reforms, including increased use of technology applications to maximize the capacity of our transportation network.

Cap-and-Trade. The Governor's 2015-16 proposed Budget maintains, and in some instances increases, Cap-and-Trade transportation investments that support innovative transportation projects, rail modernization, and sustainable communities' strategies.

Water

California Water Plan. The Governor's 2015-2016 proposed Budget includes \$193 million for the Department of Water Resources continued formulation of the California Water Plan.

The California Water Plan is the State's strategic plan for the efficient use, management, and development of the State's water resources. RCRC has been actively engaged in the development of the California Water Plan as a member of the California Water Plan Advisory Committee.

Central Valley Flood Protection Board. The Governor's 2015-16 proposed Budget includes \$15 million for the Central Valley Flood Protection Board.

The Central Valley Flood Protection Board has regulatory authority over the State Plan of Flood Control facilities, designated floodways and regulated streams in the Central Valley which includes a number of RCRC member counties.

Emergency Drought Response. The Governor's 2015-16 proposed Budget includes an increase of \$11.6 million for the Department of Water Resources to continue to assess current surface and groundwater conditions, expedite water transfers, provide technical guidance to local water agencies, and provide additional public outreach through the Save Our Water campaign.

In the event that existing drought conditions continue through next year, the Governor's 2015-16 proposed Budget provides \$115 million (\$93.5 million General Fund) on a one-time basis to continue critical drought response efforts. The Brown Administration intends to reevaluate the budget year needs in the May Revision.

Flood Control. The Governor's 2015-16 proposed Budget includes \$398 million to the Department of Water Resources for the FloodSAFE California Program as follows: \$5 million for continued Central Valley Flood Protection Plan efforts; \$20 million for floodplain protection, Office of Emergency Services, coordination, analysis, local zoning support, etc.; \$316 million for local flood control assistance/subventions, Delta levee integrity, flood corridor program, etc.; \$14 million for the State Plan of Flood Control system operations and maintenance; and, \$43 million for flood emergency response.

The Governor's 2015-16 proposed Budget includes \$300 million to the Department of Water Resources Systemwide Flood Risk Reduction Program to provide additional flood capacity through the bypass system.

The Governor's 2015-16 proposed Budget includes \$320 million to the Department of Water Resources for the Urban Flood Risk Reduction Program for repair and improvement of urban flood control facilities.

The Governor's 2015-16 proposed Budget includes \$118 million to the Department of Water Resources for non-urban flood risk management for the levee repairs program and small communities flood risk reduction program which will benefit many rural counties.

The funds outlined above are from Proposition 1E, except for \$12 million from Proposition 84, and \$1.5 million from Proposition 13. These proposed appropriations, along with the accompanying capital outlay proposals, will appropriate all remaining Proposition 1E funds.

Groundwater Management. The Governor's 2015-16 proposed Budget includes \$6 million for the Department of Water Resources to provide technical assistance to local agencies on the development of groundwater sustainability plans, as well as to implement specific requirements contained in the recent groundwater legislation (adoption of basin boundaries and regulations on best groundwater management practices).

This technical assistance will benefit rural counties as local agencies undertake implementation of the Groundwater Sustainability Act of 2014.

State Water Resources Development System. The Governor's 2015-2016 proposed Budget includes \$1.6 billion for the Department of Water Resources (DWR) for implementation of the State Water Resources Development System (State Water Project).

DWR plans, designs, constructs, operates, maintains and manages State Water Project facilities which provide water supply to a network of physical facilities located from Plumas County to the Mexican border.

The appropriation includes funding for the Delta Habitat Conservation and Conveyance Program, which is charged with improving the Delta ecosystem. This includes development of the Bay Delta Conservation Plan (BDCP), project specific conservation measures, and the BDCP Environmental Impact Report and Environmental Impact Statement.

Water Action Plan. The Governor's 2015-2016 proposed Budget includes \$1.7 billion for the Department of Water Resources to implement the Water Action Plan.

The Water Action Plan, released by the Governor in January 2014, is a five-year roadmap for the State towards sustainable water management. The Water Action Plan lays out the actions that the Brown Administration is committed to completing.

Proposition 1 – November 2014 Water Bond. The Governor's 2015-16 proposed Budget includes \$532.5 million to begin the first year of a multiyear Water Bond (the Water Quality, Supply, and Infrastructure Improvement Act of 2014) expenditure plan.

In November 2014, California voters approved Proposition 1 (Water Bond), which provides \$7.5 billion in general obligation bonds for water storage, water quality, flood protection, and watershed protection and restoration projects.

2015-16 Proposition 1 (Water Bond) Expenditure Plan (Dollars in Millions)			
<i>Bond Investment Category</i>	<i>Department</i>	<i>Program</i>	<i>Amount</i>
Safe Drinking Water	State Water Resources Control Board	Wastewater Treatment Projects	\$66.3
	State Water Resources Control Board	Safe Drinking Water in Small Disadvantaged Communities	\$69.2
Watershed Protection and Restoration	State Conservancies	Watershed Projects	\$83.5
	Wildlife Conservation Board	Enhanced Stream Flow Projects	\$38.9
	Santa Monica and San Gabriel Conservancies	Urban Rivers and Creeks	\$19.1
	Department of Fish and Wildlife	Watershed Restoration Projects (Non-Delta and In-Delta)	\$36.5
Regional Water Reliability	Department of Water Resources	Integrated Regional Water Management Program	\$32.8
	Department of Water Resources	Water Conservation	\$23.2
	State Water Resources Control Board	Stormwater Management	\$0.6
Water Storage	Department of Water Resources	Statewide Water System Operational Improvement	\$3.3
Water Recycling	Department of Water Resources	Water Recycling and Desalination	\$5.5
	State Water Resources Control Board	Water Recycling and Treatment Technology Projects	\$131.7
Groundwater Sustainability	Department of Water Resources	Groundwater Management Planning	\$21.3
	State Water Resources Control Board	Groundwater Contamination	\$0.6
Total			\$532.5

2015-16 Proposed Funded Mandates

Allocation of Property Tax Revenues (Ch. 697, Stats. 1992) (CSM-4448)
Crime Victims' Domestic Violence Incident Reports (Ch. 1022, Stats. 1999) (99-TC-08)
Custody of Minors-Child Abduction and Recovery (Ch. 1399, Stats. 1976; Ch. 162, Stats. 1992; and Ch. 988, Stats. 1996) (CSM-4237)
Domestic Violence Arrest Policies (Ch. 246, Stats. 1995) (CSM-96-362-02)
Domestic Violence Arrests and Victims Assistance (Chs. 698 and 702 , Stats. 1998) (98-TC-14)
Domestic Violence Treatment Services (Ch. 183, Stats. 1992) (CSM-96-281-01)
Health Benefits for Survivors of Peace Officers and Firefighters (Ch. 1120, Stats. 1996) (97-TC-25)
Local Agency Ethics (Ch. 700, Stats. 2005) (07-TC-04)
Medi-Cal Beneficiary Death Notices (Chs. 102 and 1163, Stats. 1981) (CSM- 4032)
Peace Officer Personnel Records: Unfounded Complaints and Discovery (Ch. 630, Stats. 1978; Ch. 741, Stats. 1994) (00-TC-24)
Rape Victim Counseling (Ch. 999, Stats. 1991) (CSM-4426)
Sexually Violent Predators (Chs. 762 and 763)
Threats Against Peace Officers (Ch. 1249, Stats. 1992; Ch. 666, Stats. 1995) (CSM-96-365-02)
Tuberculosis Control (Ch. 676, Stats. 1993; Ch. 685, Stats. 1994; Ch. 116, Stats. 1997; and Ch. 763, Stats. 2002) (03-TC-14)
Unitary Countywide Tax Rates (Ch. 921, Stats. 1987) (CSM-4317 and CSM-4355)

2015-16 Proposed Suspended Mandates

Absentee Ballots (Ch. 77, Stats. 1978) (CSM-3713)
Absentee Ballots-Tabulation by Precinct (Ch. 697, Stats. 1999) (00-TC-08)
Adult Felony Restitution (Ch. 1123, Stats. 1977) (04-LM-08)
AIDS/Search Warrant (Ch. 1088, Stats. 1988) (CSM-4392)
Airport Land Use Commission/Plans (Ch. 644, Stats. 1994) (CSM-4507)
Animal Adoption (Ch. 752, Stats. 1998) (04-PGA-01, 98-TC-11)
Brendon Maguire Act (Ch. 391, Stats. 1988) (CSM-4357)
Conservatorship: Developmentally Disabled Adults (Ch. 1304, Stats. 1980) (04-LM-13)
Coroners' Costs (Ch. 498, Stats. 1977) (04-LM-07)
Crime Statistics Reports for the Department of Justice (Ch. 1172, Stats. 1989, Ch. 1338, Stats. 1992, Ch. 1230, Stats. 1993, Ch. 933, Stats. 1998, Ch. 571, Stats. 1999, Ch. 626, Stats. 2000) (02-TC-04 and, 02- TC-11) and Crime Statistics Reports for the Department of Justice Amended (Ch. 700, Stats. 2004) (07-TC-10)
Crime Victims' Domestic Violence Incident Reports II (Ch. 901, Stats. 1984) (02-TC-18)
Deaf Teletype Equipment (Ch. 502, Stats. 1980) (04-LM-11)
Developmentally Disabled Attorneys' Services (Ch. 694, Stats. 1975) (04-LM-03)
DNA Database & Amendments to Postmortem Examinations: Unidentified Bodies (Ch. 822, Stats. 2000; Ch. 467, Stats. 2001) (00-TC-27, 02-TC-39)
Domestic Violence Background Checks (Ch. 713, Stats. 2001) (01-TC-29)
Domestic Violence Information (Ch. 1609, Stats. 1984) (CSM-4222)
Elder Abuse, Law Enforcement Training (Ch. 444, Stats. 1997) (98-TC-12)
Extended Commitment, Youth Authority (Ch. 267, Stats. 1998) (98-TC-13)
False Reports of Police Misconduct (Ch. 590, Stats. 1995) (00-TC-26)
Fifteen-Day Close of Voter Registration (Ch. 899, Stats. 2000) (01-TC-15)
Firearm Hearings for Discharged Inpatients (Chs. 9 and 177, Stats. 1990) (99-TC-11)
Grand Jury Proceedings (Ch. 1170, Stats. 1996) (98-TC-27)

Handicapped Voter Access Information (Ch. 494, Stats. 1979) (CSM-4363)
Identity Theft (Ch. 956, Stats. 2000) (03-TC-08)
In-Home Supportive Services II (Ch. 445, Stats. 2000; Ch. 90, Stats. 1999) (00-TC-23)
Inmate AIDS Testing (Ch. 1579, Stats. 1988; Ch. 768, Stats. 1991) (CSM-4369 and CSM-4429)
Interagency Child Abuse and Neglect Investigation Reports Mandate (Ch. 958, Stats. 1977) (00-TC-22)
Judiciary Proceedings (Ch. 644, Stats. 1980) (CSM-4366)
Law Enforcement Sexual Harassment Training (Ch. 126, Stats. 1993) (97-TC-07)
Local Coastal Plans (Ch. 1330, Stats. 1976) (CSM-4431)
Mandate Reimbursement Process (Ch. 486, Stats. 1975) (CSM-4204 and CSM-4485)
Mandate Reimbursement Process II (Ch. 890, Stats. 2004) (05-TC-05)
Mentally Disordered Offenders' Extended Commitments Proceedings (Ch. 435, Stats. 1991) (98-TC-09)
Mentally Disordered Offenders: Treatment as a Condition of Parole (Ch. 228, Stats. 1989; Ch. 706, Stats. 1994) (00-TC-28, 05-TC-06)
Mentally Disordered Sex Offenders' Recommitments (Ch. 1036, Stats. 1978) (04-LM-09)
Mentally Retarded Defendants Representation (Ch. 1253, Stats. 1980) (04-LM-12)
Missing Persons Report (Ch. 1456, Stats. 1988; Ch. 59, Stats. 1993) (CSM-4255, CSM-4368, and CSM-4484)
Modified Primary Election (Ch. 898, Stats. 2000) (01-TC-13)
Not Guilty by Reason of Insanity (Ch. 1114, Stats. 1979) (CSM-2753)
Open Meetings Act/Brown Act Reform (Ch. 641, Stats. 1986) (CSM-4257 and CSM-4469)
Pacific Beach Safety: Water Quality and Closures (Ch. 961, Stats. 1992) (CSM- 4432)
Perinatal Services (Ch. 1603, Stats. 1990) (CSM-4397)
Permanent Absent Voters II (Ch. 922, Stats. 2001, Ch. 664, Stats. 2002, and Ch. 347,

Stats. 2003) (03-TC-11)
Personal Safety Alarm Devices (8 Cal. Code Regs. 3401 (c)) (CSM-4087)
Photographic Record of Evidence (Ch. 875, Stats. 1985) (98-TC-07)
Pocket Masks (Ch. 1334, Stats. 1987) (CSM-4291)
Post Conviction: DNA Court Proceedings (Ch. 943, Stats. 2001) (00-TC-21, 01-TC-08)
Postmortem Examinations : Unidentified Bodies, Human Remains (Ch. 284, Stats. 2000) (00-TC-18)
Prisoner Parental Rights (Ch. 820, Stats. 1991) (CSM-4427)
Senior Citizens Property Tax Postponement (Ch. 1242, Stats. 1977; Ch. 43, Stats. 1978) (CSM-4359)
Sex Crime Confidentiality (Ch. 502, Stats. 1992; Ch. 36, 1993-94 1st Ex. Sess.) (98-TC-21)
Sex Offenders: Disclosure by Law Enforcement Officers (Chs. 908 and 909, Stats. 1996) (97-TC-15)
SIDS Autopsies (Ch. 955, Stats. 1989) (CSM-4393)
SIDS Contacts by Local Health Officers (Ch. 268, Stats. 1991) (CSM-4424)
SIDS Training for Firefighters (Ch. 1111, Stats. 1989) (CSM-4412)
Stolen Vehicle Notification (Ch. 337, Stats. 1990) (CSM-4403)
Structural and Wildland Firefighter Safety Clothing and Equipment (8 Cal. Code Regs., 3401 to 3410, incl.) (CSM-4261-4281)
Very High Fire Hazard Severity Zones (Ch. 1188, Stats. 1992) (97-TC-13)
Victims' Statements-Minors (Ch. 332, Stats. 1981) (04-LM-14)
Voter Identification Procedures (Ch. 260, Stats. 2000) (03-TC-23)
Voter Registration Procedures (Ch. 704, Stats. 1975) (04-LM-04)

2015-16 Governor's Budget Payments In-Lieu of Taxes Calculations				
County	Estimated 2014/15 In-Lieu Fee¹	Property Tax Allocation for School Districts (%)²	Property Tax Allocation for School Districts (\$)	Final 2014/15 In-Lieu Fee Amount
Alpine	\$42,891	26	11,152	\$31,739
Butte	\$99,007	60	59,404	\$39,603
Colusa	\$3,551	52	1,847	\$1,704
Del Norte	\$59,848	65	38,901	\$20,947
Fresno	\$15,469	64	9,900	\$5,569
Glenn	\$59,150	70	41,405	\$17,745
Humboldt	\$44,778	66	29,553	\$15,225
Imperial	\$8,876	58	5,148	\$3,728
Inyo	\$858	61	523	\$335
Lake	\$16,883	57	9,623	\$7,260
Lassen	\$65,817	71	46,730	\$19,087
Madera	\$2,708	77	2,085	\$623
Marin	\$29,857	61	18,213	\$11,644
Merced	\$88,827	69	61,291	\$27,536
Modoc	\$45,623	65	29,655	\$15,968
Mono	\$28,136	44	12,380	\$15,756
Monterey	\$9,991	64	6,394	\$3,597
Napa	\$137,545	67	92,155	\$45,390
Nevada	\$12,299	57	7,010	\$5,289
Placer	\$16	64	10	\$6
Plumas	\$5,948	68	4,045	\$1,903
Riverside	\$249,971	47	117,486	\$132,485
San Bernardino	\$5,489	43	2,360	\$3,129
San Diego	\$122,445	62	75,916	\$46,529
San Luis Obispo	\$39	63	25	\$14
Shasta	\$11,652	66	7,690	\$3,962
Sierra	\$62,557	34	21,269	\$41,288
Siskiyou	\$51,252	70	35,876	\$15,376
Solano	\$43,671	46	20,089	\$23,582
Sonoma	\$19,902	61	12,140	\$7,762
Stanislaus	\$799	75	599	\$200
Sutter	\$20,630	66	13,616	\$7,014
Tehama	\$7,961	68	5,413	\$2,548
Tulare	\$444	62	275	\$169
Yolo	\$114,511	56	64,126	\$50,385
Yuba	\$62,409	70	43,686	\$18,723
TOTALS	\$1,551,810	-	\$907,994	\$643,817

1. Based on Department of Fish and Wildlife Estimates

2. Based on Board of Equalization property tax information

Amounts in whole dollars