



# **Governor's 2016-17 May Revision and Other Budget Items**

## ***The Rural Rundown***

**May 13, 2016**

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## RCRC'S ANALYSIS OF THE GOVERNOR'S 2016-17 MAY REVISION AND OTHER BUDGET ITEMS

### Summary

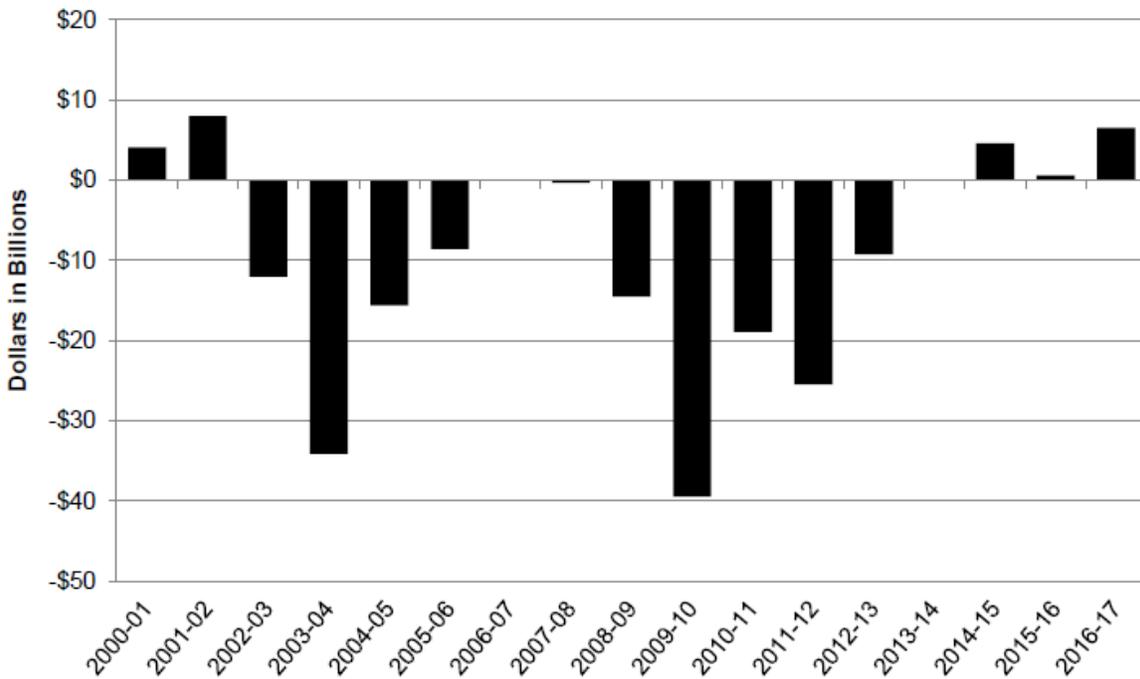
**T**oday Governor Jerry Brown unveiled his May Revision of the 2016-17 State Budget in an attempt to more accurately reflect revenue and expenditure projections. With lagging State revenues and new spending commitments, the Governor's May Revision reflects a significant decrease in General Fund revenues compared to the Governor's January proposed Budget.

The Governor's May Revision revenue forecast has been reduced by \$1.9 billion, reflecting poor April income tax receipts and sluggish sales tax receipts. The Governor's May Revision reflects the need to accrue sizable reserves, limit new spending, and prepare for an economic downturn whereby State tax receipts will be reduced dramatically. At his press conference the Governor stated, "I'm going to be pretty resolute on this Budget. I want people to know that. We do need reserves."

**"I'm going to be pretty resolute on this Budget. I want people to know that. We do need reserves."**

Citing the "surging tide of revenue beginning to change," the Governor referenced a report from Moody's that ranked California 19th out of 20 large states in terms of preparedness for financial downturns. These findings are based upon revenue volatility, the size of reserves, revenue and spending flexibility, and overall fixed costs.

Figure INT-01  
**Balanced Budgets Have Been Quickly  
Followed by Huge Deficits<sup>1</sup>**



<sup>1</sup> Budget shortfalls or surplus, measured by the annual Governor's Budget.

## **Key Issues/Changes for RCRC Member Counties**

The Governor's May Revision:

- Addresses the tree mortality epidemic in the following capacity:
  - Includes \$11 million to California Department of Forestry and Fire Protection (CAL FIRE) for the removal and disposal of dead and dying trees in high hazard areas, including \$6 million for grants to local entities (including counties) for efforts to remove hazardous trees that pose a threat to public health and safety; and,
  - Includes \$30 million to California Office of Emergency Services (Cal OES) to provide assistance to counties through the California Disaster Assistance Act, currently being used by many counties for the removal of hazardous trees.
- Maintains \$644,000 for the State's Payment in Lieu of Taxes (PILT) program for 2016-17;
- Maintains \$250 million for local jail construction projects for counties that have not been awarded monies under recent jail funding proposals; and,
- Endorses a \$2 billion housing bond proposal to provide support to the Department of Housing and Community Development's supportive housing and rental assistance programs for individuals experiencing homelessness.

*The Rural Rundown* of the Governor's 2016-17 January proposed Budget can be accessed [here](#).

### **Administration of Justice, Corrections, and Law Enforcement**

**Local Jail/Local Rehabilitation Facilities Construction Funding.** The Governor's May Revision retains the \$250 million in competitive grants to counties for constructing/rehabilitating local jails as detailed in the Governor's January proposed Budget. These proposed monies would build upon successful jail construction programs associated with Assembly Bill 900, Senate Bill 1022, and Senate Bill 863. While the Governor's May Revision does not contain an allocation schedule, monies will be prioritized to counties that have applied for previous jail construction funding programs and have either not received an award, or only received a partial award. The Governor's May Revision maintains a reduced match requirement for small counties at 5 percent, and counties that have previously submitted a needs assessment with an emphasis on programming and treatment space will not be required to resubmit documentation.

**Offender Transitional Housing.** The Governor's May Revision proposes to establish the Community-Based Transitional Services Program to assist with transitional housing for offenders being released from State prison or county jails. The Governor's January proposed Budget included \$25 million to provide cities and counties with incentive payments for siting new housing facilities that provide treatment and reentry programming for criminal offenders. Under the details provided in the Governor's May Revision, cities and counties would apply for grants between \$500,000 and \$2 million through the Department of Finance that would provide transitional housing sites for no less than ten years. The grant monies would be evenly split between the city/county and the operator of the facility.

**Proposition 47.** The Governor's May Revision reflects a \$10.2 million increase in State savings associated with Proposition 47. The Governor's January proposed Budget estimated a savings of \$29.3 million; however, the revised savings estimate has increased to \$39.4 million due to reduced levels of adult incarceration. It should be noted that there are also State and local costs associated with Proposition 47. The Governor's January proposed Budget provides monies to the courts to fund judicial hearings associated with resentencing those offenders subject to Proposition 47.

Approved by voters in 2014, Proposition 47 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 (DOF) to calculate savings associated with the measure, and the 2016-17 fiscal year is the first opportunity for an estimated calculation of the savings. In addition to the \$39.4 million savings for the 2016-17 fiscal year, DOF expects the Proposition 47 savings to be approximately \$62.6 million annually for future years.

**Trial Court Security – New Court Facilities.** The Governor's May Revision provides an additional \$2 million to address increased court security costs from the recent construction of new/renovated trial court facilities. This builds upon the Governor's January proposed Budget which included \$5 million to address the ongoing increased court security costs, which are primarily borne by county sheriffs' departments.

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. Similar to 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 nearly \$1 million to assist counties and the State in meeting these obligations, and another \$2 million was provided in the 2015-16 State Budget. 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.

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.

### **California Environmental Protection Agency**

**Assembly Bill 32 Cap-and-Trade Proceeds.** The Governor's May Revision makes no changes to the Cap-and-Trade Expenditure Plan that was laid out in the Governor's January proposed Budget, which allocates an estimated \$3.1 billion in revenues from the State's Greenhouse Gas Reduction Fund (GGRF) under Assembly Bill 32. The Governor's January proposed Budget dramatically increased allocations to transportation programs, such as a \$400 million increase to the Transit and Intercity Rail Capital Program, while allocating \$100 million to the creation of the Low Carbon Road Program which will administer competitive grants for improvements to local streets and roads that

encourage “active transportation” such as walking and bicycling, transit, and other carbon-reducing road investments. Transportation programs that receive GGRF monies are typically beholden to a requirement that a large portion be spent for the benefit of disadvantaged communities (DACs) as defined by California Environmental Protection Agency (CalEPA) using the CalEnviroScreen tool. The CalEPA definition of DACs excludes twenty-nine California counties from qualifying for those funds, the majority of them RCRC member counties.

Other notable GGRF expenditures in the Governor’s January proposed Budget included \$150 million to the California Board of Forestry and Fire Protection (CAL FIRE) for forest health and resilience programs (including tree mortality mitigation efforts), \$150 million to implement the California Water Action Plan, and \$100 million to the Department of Resources, Recycling and Recovery (CalRecycle) to fund waste diversion infrastructure in light of the State’s waste diversion goals.

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. Since the Governor proposed the 2016-17 Cap-and-Trade Expenditure Plan, RCRC has supported the Governor’s proposals for CAL FIRE, CalRecycle, and other agencies that directly benefit RCRC member counties, and will continue to encourage the Legislature to approve these allocations during the Budget process. RCRC will also continue to pursue a change in the current definition of “disadvantaged communities” for the purpose of disseminating Cap-and-Trade proceeds, as it excludes most rural communities from receiving these earmarked funds. RCRC continues to seek targeted funds for rural communities in the various funding programs.

**Environmental Justice.** The Governor’s May Revision enhances Environmental Justice (EJ) efforts by an additional \$5.5 million. The California Air Resources Board (ARB) will receive an increase of \$2.3 million for air quality monitoring near oil and gas facilities and enhanced emergency response capabilities; the Department of Pesticide Regulation and the ARB will receive \$2.3 million in augmented funding for pesticide air monitoring, targeting disadvantaged communities; and the California Environmental Protection Agency (Cal EPA) will receive an additional \$904,000 to make the pilot EJ Compliance and Enforcement Working Group permanent.

Most RCRC counties will not receive any direct benefit from these enhanced environmental efforts.

### **Education**

**California State Universities and University of California.** The Governor’s May Revision continues to build upon the Governor’s January proposed Budget and provides a number of investments focused on increasing student opportunities, access and outcomes.

The University of California (UC) increased resident undergraduate enrollment by 5,000 in 2016-17, consistent with the agreement between the Governor and the UC President. As a result, the Governor’s May Revision provides \$25 million in ongoing funding for the

UC system. The Brown Administration continues to monitor the components of the agreement to ensure the UC is meeting the agreed-upon timeframes accordingly. Additionally, the Governor's May Revision includes a one-time increase of \$4 million General Fund to develop an A-G Success Initiative which would make free online college preparatory courses accessible for high school students and better prepare them to attend a UC or California State University (CSU).

The Governor's May Revision provides an ongoing increase of \$1.1 million for the CSU Student Success Network focused on improving student success and completion efforts. Additionally, the Governor's May Revision provides an increase of \$25 million General Fund (redirected from the Middle Class Scholarship Fund savings) on a one-time basis, provided the CSU Trustees develop a strategic plan focused on increasing student graduation rates. The CSU Trustees are required to approve the plan no later than September 2016, and report to the Administration and Legislature annually on the status of implementation.

**California Student Aid Commission.** The Governor's May Revision reflects a deduction of \$33.5 million from the Middle Class Scholarship Program (Program) in 2015-16, primarily the result of a reduction in award grants. The Program provides financial assistance to undergraduate students with annual family incomes between \$100,000 and \$150,000.

**Community Colleges.** The Governor's May Revision continues to focus on a number of investments aimed at broadening access to education, and improving student success and outcomes. The Governor's May Revision provides a \$20 million one-time allocation to support the online course exchange, and \$12 million in Proposition 98 funds (\$7 million one-time) to finance the Telecommunications and Technology Infrastructure Program which will improve student access to online courses and increase broadband services to ensure students have adequate internet access.

**K-12 Education.** The Governor's May Revision continues significant investments in K-12 education, and provides an additional \$134.8 million in discretionary funding to schools in 2016-17 to promote implementation of academic standards, hire teachers, address infrastructure needs, and purchase instructional materials.

The Governor's January proposed Budget included a \$1.6 billion Early Education Block Grant to consolidate State-subsidized pre-kindergarten programs. Since January, the Administration has held four public comment sessions on the proposal. The Governor's May revision contains a comprehensive implementation strategy and includes \$20 million in Proposition 98 funding (\$10 million ongoing and \$10 million one-time) for county offices of education to begin transitioning to the new early education program.

### **General Government**

**Fairs.** The Governor's May Revision does not propose any changes to local fairs from the Governor's January proposed Budget, which includes the ongoing commitment of \$2.6 million for the support of local fairs. Specifically, the 2015-16 State Budget provided \$2.6 million in ongoing monies to be directed to the Fairs and Expositions Fund for

redistribution to improve the financial situation of smaller fairs, as well as provide training for Fair Board members.

In addition to the ongoing \$2.6 million for operations, the Governor's January proposed Budget also included \$4 million, as outlined in the *2016 Five Year Infrastructure Plan*, for capital improvements to address fire, life and safety, and other deferred maintenance projects for fairs across the network.

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 until the 2015-16 State Budget.

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 prior years. The previous lack of support placed several of the small and medium sized fairs in jeopardy of closure, and the ongoing funding – both in operations and capital improvements – should provide some relief until a long-term solution is realized.

**Medical Marijuana Regulatory Structure.** The Governor's May Revision proposes to increase funding to both the Department of Consumer Affairs (DCA) and the Department of Food and Agriculture (CDFA) for information technology programs associated with the licensing and regulatory activities involving medical marijuana. The Governor's January proposed Budget provides funding – both from the General Fund and other special funds – to commence a variety of activities associated with the regulation of medical marijuana. Specifically, monies will be allocated to the DCA, the Department of Public Health, CDFA, the Department of Pesticide Regulation, the Department of Fish and Wildlife, and the State Water Resources Control Board for their roles in licensing and regulating the medical marijuana industry, as well as addressing environmental issues surrounding the cultivation of medical marijuana. Of importance in the Governor's May Revision is the increased levels of funding for CDFA's "track and trace" program, as well as developing information technology systems that can be utilized throughout the entire licensing framework.

In the final hours of the 2015 Legislative Session the Legislature enacted a long-awaited medical marijuana licensing/regulatory framework – Assembly Bill 266 (Bonta), Senate Bill 643 (McGuire), and Assembly Bill 243 (Wood). The three-bill package provided the authorization to use General Fund monies for regulatory activities; however, it is anticipated that once the regulatory scheme has been in full effect, license fees and fines and penalties will be re-directed to backfill many of the General Fund costs.

**Office of Emergency Services.** The Governor's May Revision provides an increase of \$10 million for implementation of the California Earthquake Early Warning System. In September 2013, Senate Bill 135 was signed into law and required the Office of Emergency Services, in collaboration with other local governments, to develop a

statewide Earthquake Early Warning System in California through public/private partnerships. The Governor's May Revision is consistent with this measure.

**Williamson Act.** The Governor's May Revision does not propose any change to the Open Space Subvention Program (Program) from the Governor's January proposed Budget, which included \$1,000 for the Program. This is the lowest possible dollar figure that allows the program to remain in the State 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.

### **Health and Human Services**

**Behavioral Health Treatment.** The Governor's May Revision includes an increase of \$86.4 million, for a total of \$180.2 million, to provide federally required behavioral treatment services. State costs have increased due to the transition of responsibility from the State's Developmental Services system to the Medi-Cal program. The federal government mandates States to provide behavioral treatment as a required benefit under Medi-Cal.

**Continuum of Care Reform Resources.** The Governor's May Revision provides a total of \$127.3 million for county child welfare and mental health agencies and probation departments for costs associated with implementation of the continuum of care reforms pursuant to Assembly Bill 403 (Stone). These changes provide a better system of support for foster youth through increased payments to foster parents, improved outreach and retention of foster parents, mental health care for foster youth, and other wraparound services. State funded foster care services and improvements to the existing system are important in rural areas where other safety net services are often limited or non-existent.

**Department of State Hospitals.** In an effort to address the annual growth rate of referrals for individuals determined to be Incompetent to Stand Trial (IST) by local courts, the Governor's May Revision proposes an expansion of both inpatient and jail-based beds, and proposes to explore potential partnerships with counties. The Governor's May Revision includes \$2.7 million to increase the jail-based competency treatment program by an additional 25 beds. The total cost of the program is anticipated to be approximately \$22.6 million; however, funding is anticipated to fall short of addressing the large number of IST individuals waiting to be placed.

The Governor's May Revision includes an additional \$18.1 million to help address the estimated 450 IST individuals waiting to be placed by expanding the Napa State Hospital by 60 beds, and the Metropolitan State Hospital by 36 beds.

**Emergency Medical Services Authority.** The Governor's May Revision includes \$36.1 million in support of the Emergency Medical Services Authority, which is charged with administering and coordinating emergency medical and disaster medical services. Additionally, the Governor's May Revision proposes to redesign the Mobile Field Hospital program to expand the potential uses of the equipment. RCRC has

adopted a support position on Assembly Bill 1758 (Rodriguez), which would appropriate \$2 million from the General Fund in 2016-17 to support the long-term maintenance of California's mobile field hospitals.

**In-Home Supportive Services.** The Governor's May Revision includes an increase of \$265.8 million to reflect restoration of the 7-percent across-the-board cut to In-Home Supportive Services (IHSS) service hours. The Governor's January proposed Budget planned funding the restoration with revenues from the Managed Care Organization (MCO) tax. Under the Governor's May Revision, this restoration is to remain in effect until June 30, 2019, when the MCO tax is slated to expire.

The Governor's May Revision includes an additional \$3.6 million in 2015-16 and \$22.3 million in 2016-17 to exempt certain providers, who meet specific criteria, from the IHSS overtime restrictions. Two exemptions to the overtime cap will be granted on a case-by-case basis: live-in family care providers, and recipients with extraordinary circumstances. Under either exemption, the maximum number of hours a provider may work cannot exceed 360 hours per month.

**Managed Care Organization Tax.** The Governor's May Revision assumes a decrease in General Fund revenue of \$300 million to account for a reduction in insurance tax and corporate tax revenue from managed health care plans. This decrease in revenue is part of an overall agreement signed into law several weeks ago to impose a Managed Care Organization (MCO) tax upon healthcare plans. Imposition of this tax generates an excess of \$1 billion to be used in the State's Medi-Cal program to provide healthcare services to qualifying indigent/disabled persons.

Another component of the agreement and of importance to rural communities was to allow some proceeds of the MCO tax – which is set to expire in three years – to fund a number of other healthcare related items. This includes monies to be directed to the Department of Health Care Services in order to prevent the implementation of retroactive Medi-Cal provider rate reductions and rate freezes for Distinct Part Nursing Facilities (commonly referred to as the 'DP/SNFs claw-back').

**Medi-Cal.** The Governor's May Revision assumes \$16.2 billion total State costs for the optional Medi-Cal expansion, of which \$819.5 million is General Fund spending. This is a decrease from the Governor's January proposed Budget of \$1.9 billion.

Additionally, the Governor's May Revision includes an increase of \$45.4 million in General Fund spending to provide full-scope Medi-Cal coverage for 185,000 undocumented children. The Governor's January proposed Budget included \$182 million, of which \$145 was a General Fund contribution, to provide full scope benefits for 170,000 children.

Senate Bill 75 (Committee on Budget and Fiscal Review; 2015) expanded full-scope Medi-Cal benefits to undocumented children under 19 years of age. The provisions of this benefit began in May 2016. The Governor's May Revision does not propose to expand full-scope Medi-Cal to all income eligible adults regardless of immigration status.

**Medi-Cal 2020 Waiver.** The Governor's May Revision includes \$2.2 billion in federal funding to support implementation of the agreement reached by the California Centers of Medicare and Medicaid Services and the federal government regarding the State's Medicaid Section 1115 Waiver. The agreement brought to a close months of negotiations, which will now authorize the State to advance key initiatives, and will expand a county's ability to select individual providers to offer treatment, assessment, and case management services.

**Supplemental Security Income/State Supplementary Payment.** The Governor's May Revision maintains the \$76.8 million proposed cost of living increase to the Supplemental Security Income/State Supplementary Payment program in an ongoing effort to address the issue of poverty. Additionally, the Governor's May Revision proposes to adjust funding levels to more closely align with anticipated caseload and average cost projections, which represents a decrease of approximately \$19.4 million in the current year, and \$44 million in Fiscal Year 2016-17.

### **Housing and Land Use**

The Governor's May Revision seeks to address the issue of affordable housing through increased investments and policy reforms to encourage the development of these projects. Specifically, the Governor's May Revision highlights the \$3.2 billion in State and federal funding that currently supports a variety of affordable housing projects, including low and moderate income, homeless, transitional, and veterans housing.

**Housing Bond.** The Governor's May Revision endorses a \$2 billion housing bond proposal introduced by Senate President pro Tem Kevin De Leon (D-Los Angeles) and Senators Bob Huff (R-San Dimas) and John Moorlach (R-Costa Mesa) earlier this year, which would be partially-funded through a portion of Proposition 63 funding (surcharge on millionaires with proceeds dedicated to mental health treatment). The Senate's housing proposal would provide support to the Department of Housing and Community Development's supportive housing and rental assistance programs for individuals experiencing chronic homelessness.

**Down-Payment Assistance.** The Governor's May Revision proposes to bundle roughly \$176.5 million from various down payment assistance programs to fund the California Housing Finance Agency's MyHOME Program. The MyHOME Program provides a deferred-payment junior loan up to 5 percent of the purchase price to be used for down payment and/or closing costs for first-time homebuyers.

**Policy Reforms.** The Governor's May Revision includes proposed legislation requiring ministerial land use entitlement provisions for the multi-family infill housing developments that include an affordable housing component. RCRC member counties that have qualifying infill development parcels would be required to approve the project through a ministerial process that would exempt these parcels from being subject to a discretionary permit, such as a conditional use or planned unit development permit. Additionally, specified infill development projects would qualify for a streamlined review process, which would help reduce the development costs and shorten the duration of the permitting process.

The Governor's May Revision also lends support for several measures that are currently pending before the Legislature that seek to encourage development of more affordable housing options. Specifically, the Governor's May Revision endorses the principles outlined in Senate Bill 1069 (Wieckowski), which seeks to reform a local government's planning requirements and zoning regulations; Assembly Bill 2299 (Bloom), which would eliminate various requirements associated with accessory dwelling units; and Assembly Bill 2501 (Bloom), which seeks to reform density law and the review period associated with processing a density bonus application.

### **Resources**

**Department of Parks and Recreation.** The Governor's May Revision includes an increase of \$348,000 for a two-year pilot project to improve public interpretation of California's unique history and culture through the Department of Parks and Recreation (State Parks).

The 2015-16 State Budget funded a team comprised of individuals both inside and outside of State Parks to execute reforms in a number of areas, including the State Parks Budget, maximizing partnerships, organizational structure, enhancing the marketing program, and identifying innovative revenue generation opportunities. Many of the reforms have come to fruition over the last year, including the ability of visitors to use credit cards, debit cards, and smartphones for parking fees.

**State Payment in Lieu of Taxes.** The Governor's May Revision does not propose any changes to the \$644,000 in funding to pay State Payment in Lieu of Taxes (PILT) to local governments from the Governor's January proposed Budget.

California State 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), prior to last year, had not made annual State PILT payments in more than a decade, resulting in arrearages of approximately \$8 million to 36 counties.

RCRC will continue to advocate in both the legislative and Budget processes for the arrears in State PILT funding owed to counties. Additionally, RCRC is the sponsor of Senate Bill 1188 (McGuire) that would reverse the language that makes State PILT payments permissive.

### **Transportation**

The May Revision continues to advance the Governor's 2015 transportation proposal to raise roughly \$3.6 billion annually over the next ten years for State and local transportation systems through a mix of revenue raising options, including taxes and fees, and a modest investment from Cap-and-Trade auction proceeds. The proposal continues to support a 50/50 State and local split with a focus on "Fix it First" strategies. These new revenues are supported through the following funding mechanisms:

- **Road Improvement Charge:** Generates roughly \$2 billion annually by assessing a new \$65 fee on all vehicles;

- **Gas Excise Tax:** Generates approximately \$500 million annually by setting the price-based excise tax at 18 cents and replacing the Board of Equalization's (BOE) annual excise tax adjustment with an annual adjustment to the broader gas tax based on inflation;
- **Diesel Excise Tax:** Generates an estimated \$500 million annually through an 11 cent increase to the diesel excise tax beginning in 2017-18, and includes an annual adjustment tied to inflation;
- **Cap-and-Trade:** Directs \$500 million in Cap-and-Trade auction proceeds to transportation; and,
- **Caltrans Reforms:** Generates \$100 million through various cost-saving reforms.

The Governor's May Revision maintains an early repayment of approximately \$879 million in loans over the next four years to be invested in Transit and Intercity Rail, Trade Corridor Improvements, and repairs on local roads and the State highway system. Additionally, the Governor's transportation proposal includes various environmental and permit streamlining reforms to benefit State and local transportation projects.

The following components of the Governor's May Revision are funded through a combination of existing transportation revenues and those outlined in the Governor's transportation funding and reform package.

**Local Streets and Roads.** The Governor's May Revision continues to support a \$342 million increase for cities and counties to fund local road maintenance; however, it remains unclear which distribution formula would be used to allocate these new revenues. Cities and counties continue to experience drastic declines in transportation funding due to annually-required Board of Equalization (BOE) adjustments to the price-based gas excise tax. The most recent BOE adjustment resulted in roughly \$750 million decrease in local transportation funding. While the Governor's transportation proposal would provide some relief from recent funding reductions, the funding levels proposed remain significantly less than the estimated \$8 billion annual maintenance needs.

**Low Carbon Road Program.** The Governor's May Revision maintains \$100 million in Cap-and-Trade funding to support local active transportation projects, including walking and biking, and other transportation projects that result in greenhouse gas reductions. Additionally, the Governor's proposal to dedicate 50 percent of these funds to disadvantaged communities (DACs) as defined by the California Environmental Protection Agency (CalEPA) is preserved. The CalEPA definition of DACs excludes most RCRC member counties from qualifying for the dedicated portion of those funds.

**Transit and Intercity Rail Program.** The Governor's May Revision continues roughly \$400 million in Cap-and-Trade auction proceeds for transit and intercity rail projects. Additionally, this component includes a requirement that at least 50 percent of the funds benefit disadvantaged communities as defined by the California Environmental

Protection Agency, which excludes most RCRC member counties from qualifying for the dedicated portion of those funds.

**Highway Repairs and Maintenance.** The Governor's May Revision calls for \$510 million for State highway repairs and maintenance.

**Trade Corridor Improvements.** In addition to \$582 million in funding over the next five years through the Federal Fixing America's Surface Transportation Act, the Governor's May Revision continues to support a \$200 million increase for California's major trade corridors.

In addition to the Governor's transportation proposal, Senate Transportation and Housing Committee Chairman Jim Beall (D-San Jose) and Assembly Transportation Committee Chairman Jim Frazier (D-Oakley) have both introduced separate comprehensive proposals that would result in several billion dollars in new revenues for the State and local transportation systems. Each of these transportation funding proposals requires a 2/3rds vote in both houses of the Legislature.

### Water

**Emergency Drought Response.** The Governor's May Revision provides an additional \$11.4 million for emergency drought response over the Governor's January proposed Budget, for a total of \$334.5 million.

Many of the following appropriations contained in the Governor's January proposed Budget and the Governor's May Revision, such as tree mortality mitigation, emergency drinking water for small communities, and enhanced fire protection, will assist small, rural counties in addressing myriad issues that have arisen as a result of successive years of drought.

### Tree Mortality Mitigation

The Governor's May Revision includes \$11 million to the California Department of Forestry and Fire Protection (CAL FIRE) for the removal and disposal of dead and dying trees in State designated high hazard areas. This includes \$6 million in grant funding for county governments, special districts, fire safe councils, and other local entities, as well as funding for the California Conservation Corps to provide support for local efforts to remove dead and dying trees that pose a threat to public health and safety. The remaining \$5 million will be used to support additional equipment and personnel needs for hazardous tree removal and fuels reduction efforts.

The Governor's May Revision also includes an additional \$30 million over the Governor's January proposed Budget to the California Office of Emergency Services to provide assistance to counties through the California Disaster Assistance Act (CDAA). While these funds can be accessed by counties for a number of disaster situations, counties that have declared tree mortality emergencies have already been applying for CDAA funds to help with hazardous tree removal efforts.

RCRC continues to participate on every front in the State's efforts to mitigate the impacts from the massive tree die off occurring in California due to a pervasive, drought-induced

bark beetle infestation. RCRC and members of RCRC's Board of Directors have been active participants in the California Tree Mortality Task Force (TMTF), which has brought together State, federal, and local governments, as well as representatives from utilities and non-governmental organizations, to help the most impacted counties in the state quickly start tree removal activities. RCRC has also advocated at both the State and federal levels for increased funding for tree mortality mitigation in advance of this year's wildfire season.

Governor Brown issued an Emergency Proclamation in October 2015 to address the urgent tree mortality problem in California. The Proclamation has had numerous positive implications for counties that are struggling with removing the impacted trees, including the formation of the TMTF, but it did not come with any funding to help local governments tackle the issue. While the Governor's January proposed Budget earmarked Greenhouse Gas Reduction Funds for tree mortality mitigation programs, the Legislature has been hesitant to embrace the Governor's proposal as neither the Senate nor the Assembly has voted yet to allocate Cap-and-Trade funds to tree removal efforts.

#### Department of Water Resources

The Governor's May Revision proposes several changes for multiple statewide drought response efforts within the Department of Water Resources (DWR) including:

- Eliminates \$42 million for installation and removal of a temporary rock barrier in the Sacramento-San Joaquin Delta to address salinity encroachment that will not be needed, and includes \$31 million extension to install the barriers in the Spring of 2017 if needed;
- Provides an additional \$5 million (for a total of \$10 million) to provide emergency drinking water support for small communities – including addressing private wells;
- Reduces Save Our Water campaign funding from \$5 million in the Governor's January proposed Budget to \$2 million in the Governor's May Revision. Save Our Water is the State's public education campaign aimed to help Californian's reduce water use;
- Includes an increase of \$4.5 million for a joint effort by DWR and the State Water Board to update local water shortage contingency plans, develop new water efficiency goals and establish a data tracking system for urban water use efficiency;
- Includes an increase of \$1 million for DWR to support local agencies with facilitation services for the development of their Groundwater Sustainability Agencies as part of the implementation of the Sustainable Groundwater Management Act; and,
- Includes an increase of \$1 million to support the use of remote sensing technology to establish statewide agricultural land use data which will assist in the development of water budgets for agriculture.

### State Water Board

On a policy note, the Governor's May Revision Summary references that the State lacks basic information to accurately apply the water right priority system, and states that the Administration is interested in collecting more accurate information to protect water rights and improve accounting.

### Department of Fish and Wildlife

The Governor's May Revision has split the Governor's January proposed Budget allocation of \$17.7 million for the protection of fish and wildlife. The Governor's May Revision includes \$13.5 million to continue fish rescue and stressor monitoring, water efficiency projects on department lands, law enforcement activities, and to provide infrastructure to protect salmon. The remaining \$4.2 million will go on a one-time basis to benefit Delta Smelt, \$2 million for an adaptive management pilot project, and \$1.8 million for Delta wide mapping of aquatic weeds and boating waterways, and \$400,000 to support monitoring and studies.

### Department of Forestry and Fire Protection

The Governor's May Revision increases the allocation to the California Department of Forestry and Fire Protection by \$10.4 million to contract for additional helicopters and helicopter crews during peak fire season. This is largely due to the increased fire risk posed by dead and dying trees as a result of drought-induced insect mortality.

## Emergency Drought Response

<i>Investment Category</i>	<i>Department</i>	<i>Program</i>	<i>Amount (in Millions)</i>
Protecting Water Supplies	Department of Water Resources	Local Assistance for Small Communities	\$10.0
	Water Board	Water Curtailment	\$5.4
	Water Board	Emergency Drinking Water Projects	\$16.0
Water Conservation	Department of Water Resources	Urban Water Conservation & Save Our Water Campaign	\$12.0
	Energy Commission	Rebates for Appliances	\$30.0
	Energy Commission	Water and Energy Technology Program	\$30.0
	Department of Food and Agriculture	Agricultural Water Conservation	\$20.0
Emergency Response	Department of Forestry and Fire Protection	Enhanced Fire Protection	\$87.8
	Department of Forestry and Fire Protection	Tree Mortality	\$11.0
	Department of Water Resources	Drought Management and Response	\$12.0
	Department of Fish and Wildlife	Protection of Fish and Wildlife	\$13.5
	Department of Fish and Wildlife	Delta Smelt Management Strategy	\$4.2
	Department of Social Services	Drought Food Assistance	\$18.4
	Office of Emergency Services	California Disaster Assistance Act	\$52.7
	Office of Emergency Services	State Operations Center	\$4.0
	Department of Community Services and Development	Farmworker Assistance	\$7.5
<b>Total</b>			<b>\$334.5</b>