

California Association of County Executives (CACE)
Business Meeting Minutes
January 11, 2018
10:00 am – 1 pm
Sacramento, CA

Meeting was called to order 10:00 a.m.

Item I: Opening Remarks and Introductions

Announcements:

Larry Lees, CACE President and Shasta County CEO

Recognition:

DeAnn Baker – recognition of her work for 30 years at CSAC.

Item II: Governor State Budget Proposal

Diane Cummins, Special Advisor to Governor Brown

Update on Governor's budget roll-out for January. It will be revised in May – there is a lot of uncertainty this year.

1. \$131.7 billion General Fund Budget
2. Increase of 4.1% for 17-18 FY
3. Rainy Day Fund is \$13.5 billion which is an increase of \$5 billion and that is \$3.5 billion over the constitutional requirement. The Governor wants sufficient reserves for the next Governor
4. LAO is \$3.6 billion higher than Governor's budget
5. Federal tax bill: too early to tell what this will mean for California, Governor will be cautious and careful
6. Community College funding formula proposal of \$120 million for online education to target working adults.
7. Universities received a 3% increase
8. \$150 million put into trial courts which is a 76% increase to state wide average.
9. \$75 million for discretionary courts
10. \$19 million for self-help centers
11. \$3 million for traffic courts
 - a. Traffic pilot – frees up resources within the courts to handle higher priority casework. The traffic pilot will free up some judicial time.
12. 50 judges approved but not funded
13. Universities and courts received ongoing money. All other money is one-time.
14. Interesting proposals:
 - a. "Incompetent to Stand Trial" (IST) There is a long wait list. At 840 now, started at approximately 300. More beds = higher wait list. This is a division proposal. This will divert people from jails and state hospitals. Aimed at the 15 counties with highest referrals to state hospitals.

- b. 15 counties in Pilot:
 - i. Los Angeles
 - ii. Kern
 - iii. San Bernardino
 - iv. Santa Barbara
 - v. San Diego
 - vi. Riverside
 - vii. Fresno
 - viii. Sacramento
 - ix. Santa Clara
 - x. Stanislaus
 - xi. Solano
 - xii. San Joaquin
 - xiii. Sonoma
 - xiv. Contra Costa
 - xv. Alameda
15. Revenue News – revenue up
- a. Sales tax up which means the 1991-2011 Realignment is up
 - b. Change in IHSS
 - i. IHSS FY 2017-2018 increase net county cost
 - ii. Better off by:
 - \$86 million in 17-18
 - \$141.9 million in 18-19
 - \$150.8 million in 19-20
 - \$104.9 million in 20-21
 - iii. Potential impact to County General Fund, but in better shape overall.
 - iv. County administration - made commitments to look at these costs and make some determination in this budget on how to proceed with funding. Most intensive look was done at IHSS with CSAC and CWDA. Would have been \$59 million reduction in funding and instead they are adding money to the General Fund (a couple million).
 - v. Medi-Cal caseload is not as high as expected. Will hold the base flat and increase it by the CPI. \$55 million for MediCal County administration. This is likely the new methodology unless something significant changes in administration.
 - c. Extending Property Tax Administration Assessor Project for \$5 million.
 - d. Proposal of \$7.4 billion SB1 allocation
 - e. \$29 million for probation for the “Bubble” which are post-release community supervision people coming out of prison who were not funded by AB109
 - f. SB678 – felony probation bill is down to \$106.4 million.
 - g. Diversion Pilot:
 - i. Offenders between 18-21 who have committed a similar crime to those who were in DDJ and not putting them in state prison, but at a juvenile justice facility instead.
 - h. IHSS:
 - i. Two year look back report will come out in FY 19-20.

- ii. CSAC has a working group – looking at a revision if at all possible.
- i. Disasters:
 - i. Money in the budget for the property tax backfill – only in Northern California right now because when the budget was finished there were no numbers for Southern California. That will be revised once Southern California numbers come in.
 - ii. Money for OES, CalFire and disaster relief

Approval of Minutes from 11/29/17 Meeting

There was a motion by David Twa, Contra Costa County, to approve the minutes from the November 29, 2017, meeting, and seconded by George Johnson, Riverside County. Minutes were approved.

Item III: CSAC Staff Response and Issues of Interest to Counties

Darby Kernan, Acting Deputy Executive Director of Legislative Affairs, CSAC Advocacy Team

- Tony Atkins became the new Pro Tem on March 22, 2018
- Courthouses:
 - o Additional revenue bonds
 - o Looking at MOE by Judicial Council – CSAC sent a letter recently and will be meeting with them and talking to their Executive Director regarding having them pull back their proposal. CSAC is taking an aggressive tone on this.
- Juvenile:
 - o 23 years to 25 years proposed age change.
 - o The change will address county costs.
 - o Juvenile Justice changes are at the State level.
- Fire camp in Ventura – actual reform program:
 - o CalFire training camp for post-release offenders
 - o Training and hiring will be offered

Cara Martinson:

- Allocation of SB5 Water Bond Funds:
 - o June 2018 Ballot Measure - \$4 billion bond on the ballot
 - o Allocation for flood management funds and park funding
- SB623:
 - o Would impose a user fee for public water systems to fund disadvantaged communities. Funding issue for these water systems primarily in rural areas. Controversial proposal as it was deemed a water tax in the legislature.
 - o No cap and trade allocation plan yet
 - o Continuing cap and trade program to 2030
 - o Expect to see cap and trade funds stabilize

- Prop 64:
 - o No cannabis tax dollars in this budget
 - o Will have in FY 18-19 budget
- Jeff Sessions:
 - o Rescinding Cole Memo (2013)
 - o Prosecution – will likely see some cases moving forward
 - o Guidance out of Obama Administration provided some sense of assurance to businesses in states that were legalizing medicinal marijuana. It did not provide any legal safe harbor for cannabis related businesses.
 - o Companion Guidance Memo to the Cole Memo was the Fincen Guidance out of Department of Treasury which provided guidance to financial institutions who wish to work with the industry. Telling the Department of Treasury that Sessions intended to rescind the Cole Memo. The Guidance Document stands for financial institutions as of now.
 - o Eight states legalized recreational cannabis
 - o 29 states legalized medical cannabis

Dorothy Johnson:

- Property tax back fill for disaster impacted counties: \$23.7 million in Northern California. Yuba County reports \$15 million for Cascade Fire.
- \$134 million in elections money
- Redevelopment: \$1.2 billion to Counties statewide for the next four fiscal years
- Mandates: Eligible for Rainy Day Fund
 - o \$500 million for services rendered

David Town:

- MOE Working groups: Helen Robinns-Meyer, Andrew Peas, Susan Muranishi, Matt Hymel, Amy Nilsen, Monica Nino, Larry Lees, Bill Goodwin, Sachi Hamai
 - o Implement adjustments that would occur to the IHSS offsetting revenues in future years. Referred to as the Dynamic Base.
 - o FY 2017-2018 hours are not yet known. So for the coming FY year 2018-19, the group recommends keeping the formula the same but make adjustments for those counties who have entered into new wage agreements. Keep figures relatively the same.
 - o Make changes to Dynamic Base starting in FY 2019-20.
 - o Percentage of offsetting revenue will be the same in FY 2018-19.

Justin Garrett:

- 1991 Realignment revenues are projected to increase substantially
- FY 2017-18 – enough offsetting revenue to offset all increases of IHSS costs.
- FY 2018-19 – should stay the same
- FY 2019-20 – Reopener provision year
- Implementation of MOE/Wage Provisions:
 - o PERB – either side can request mediation and fact finding process. Hosted a call this week with a panel of mediators and educated them on IHSS.
 - o There is a list of contracts that are expired but not in negotiations.

- LA County next in line for fact finding.
- IHSS Reforms:
 - Looking at federal limitations, efforts that have been tried and the lawsuits resulting from that and political realities
 - Meeting with Department of Finance, reviewing data.
 - Conclusion is there is nothing realistic to pursue and move forward to partner the State as a reforms proposal.
 - Keep communication open
 - Form a CSAC IHSS Working Group-Reform Group (will include Chair, Vice Chair and Supervisors, appropriate CAOs, bring in affiliates; Supervisor Ken Yeagert will Chair and Supervisor James Kenniger and Supervisor James Gore will Vice Chair)
 - Goal: Work toward IHSS re-opener for January 2019
 - Focus on how IHSS costs are growing
 - Impact of bargaining (2019-20 FY)
 - Build Data, determine the impacts and look to negotiate for the re-opener report

Item IV: October and December Fire Disasters

Cara Martinson, Senior Legislative Representative Agriculture, Environment and Natural Resources

Dorothy Johnson, Legislative Representative Government Finance and Administration

Cara Martinson – Fire Recovery Efforts

- 2017 was unfortunately the year of disaster
- Disaster Declaration just received. Significant for Direct Assistance and for victims to deduct losses on IRS.
- Areas across the state are in different stages of recovery
- Executive Orders have been extended – suspend zoning requirements and fees associated with temporary housing, mobile homes, provide commitment on behalf of state to look at fairgrounds and other sites for additional temporary housing
- Debris removal largely underway and near completion in many areas
- Stakeholder meetings continue to be held. Last one was on December 1, 2017. Next meeting in February, 2018.
- Placeholder in the budget for property tax backfill
- Actively advocating federal government for a supplemental appropriate bill. House passed an \$88 million dollar package in December. This was met by some pushback from Senate Democrats as they didn't feel that number was sufficient enough to cover some of the needs in Puerto Rico and other areas.
- \$469 million budget augmentation to CalFire for FY 16-17 from Emergency Fund
- \$43 million to various departments for supplemental funding for disaster related issues
- Committed to updating the State's 911 system
- Special thank you to Mendocino County CEO Carmel Angelo for Mendocino County's involvement/leadership in the recovery efforts
- Carmel Angelo advised of letter sent to Governor from Lake, Mendocino, Napa and Sonoma Counties, will provide copy to Cara if she does not have it.

This is a beginning document of what the counties feel is needed in recovery efforts.

- Insurance issues continue to be of concern.

Item V:

SB1 Repeal

Kiana Valentine, Senior Legislative Representative Housing, Land Use and Transportation

- CSAC promoted Chris Lee to Associate Legislative Representative. Kiana is lead on transportation and public contract related items. Chris is on affordable housing and land use.
- SB1 Chart distributed
- - SB1 Repeal
 - o 2 repeal initiatives
 - "Any tax increase or fee increase for the privilege of operating a vehicle must be put to the Electorate for approval."
 - Any gas tax increase, vehicle registration fee increase, etc. would need 2/3 vote, then to Electorate.
 - 50% - simple majority for Electorate
 - Initiative is moving forward. \$500,000 in a campaign account. They are on the streets getting signatures and only about 200,000 away from getting enough signatures.
 - Will be on the 2018 Ballot Initiative
 - Where is CSAC on this?
 - Oppose SB1 Repeal and support the passage of ACA5 to lock down transportation funding.
 - Executive Committee is meeting on this on January 18, 2018, with a special board meeting being called right after.

Item VI:

Federal Tax Reform Proposal

Cara Martinson, Federal Affairs Manager

Dorothy Johnson, Legislative Representative Government Finance and Administration

Farah McDaid Ting, Legislative Representative Health

Cara Martinson

HR1:

- Will impact budgets
- Will hit middle income households
- Small wins:
 - o Preservation of the municipal bonds and credit activity bonds which are crucial to local governments as a financing tool and very important for affordable housing
 - o Ability for individuals to deduct disaster losses

Farah McDaid Ting

ACA Portion of Federal Tax Reform Package:

- Repealed the tax penalty for not having health insurance under the Affordable Care Act, but did not repeal the mandate to have health insurance
 - o California Counties still have indigent care obligation

- Will be discussing universal health care going forward

SC12 - expand the number of supervisors and counties with 10 million or more and created an elected CAO position

- No movement
 - o Senator Mendoza is lead author but on leave
 - o Co-authors from Los Angeles region – unclear if they will want to carry on Senator Mendoza's behalf

Closing:

- Speaker at lunch, phone participants will not be able to participate
- LA County is hosting first governor's debate with all six candidates, email Sachi with any questions you may want presented to candidates.
- Business meeting adjourned at 12:07pm (transitioned to lunch meeting)