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Board Reports

RCRC Governor's
2016-17 Proposed
Budget

Supervisor Fesko



Governor's 2016-17 Proposed Budget

The Rural Rundown

January 07, 2016

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RCRC'S SUMMARY OF THE GOVERNOR'S 2016-17 PROPOSED BUDGET

Earlier today, the Brown Administration released details of the Governor's 2016-17 proposed Budget. This report, *The Rural Rundown*, is an in-depth look at the Governor's 2016-17 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 20, 2016 Board of Directors Meeting in Sacramento.

Overview

While California's overall Budget picture remains positive, Governor Brown continues to urge Budget constraint in anticipation of the next economic recession. While unveiling his proposed State Budget for 2016-17, the Governor opined "...it would be short-sighted in the extreme to now embark upon a host of new spending only to see massive cuts when the next recession hits."

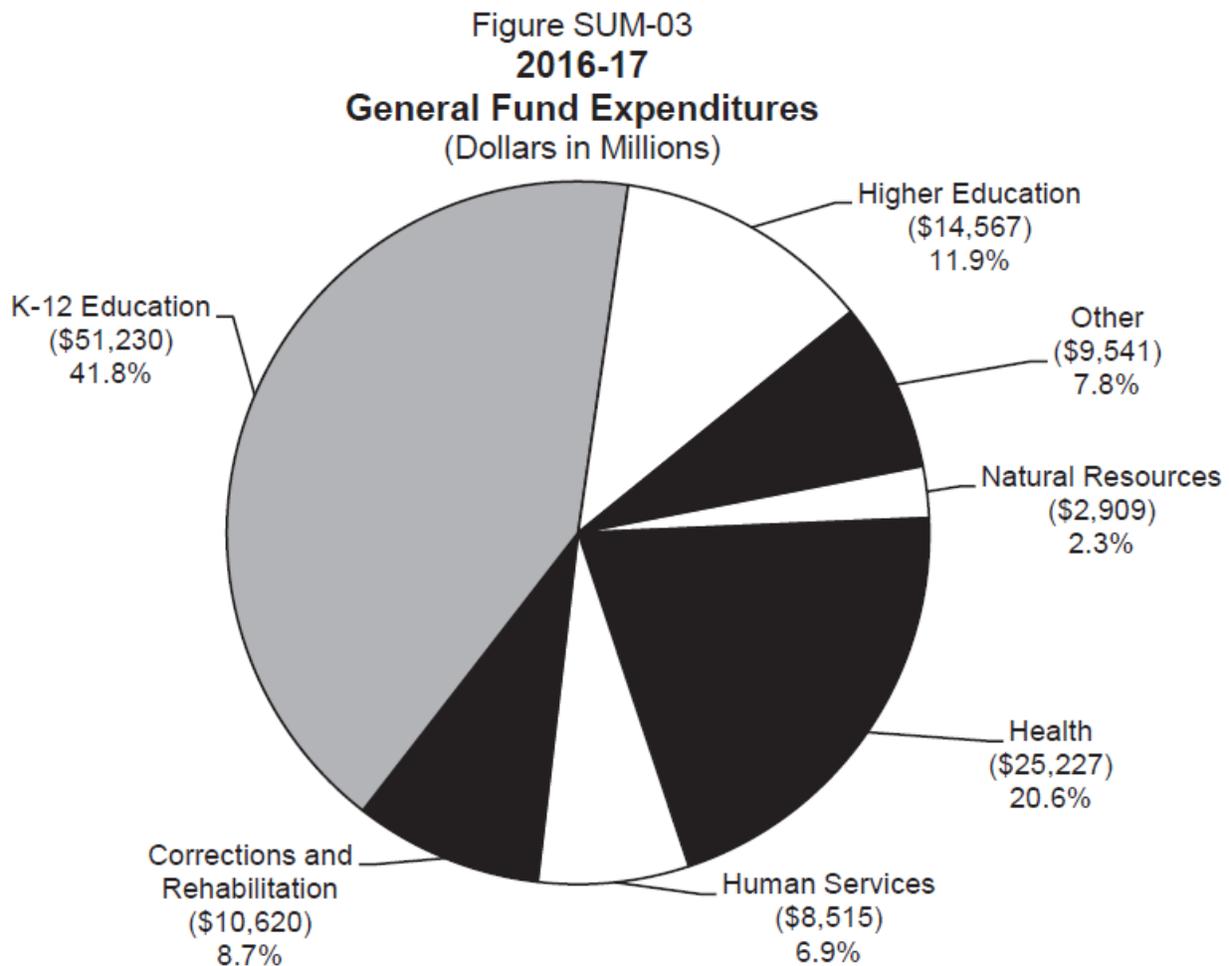
To reflect this constraint and anticipate the historic trends that have occurred since 1945, the Governor's 2016-17 proposed Budget continues to bolster the State's Rainy Day Fund and pay down State debts and liabilities, many of which continue to satisfy K-12 education obligations. Much of the General Fund surplus revenue that is not obligated to debts has been allocated to one-time programs, primarily infrastructure-related projects.

In total, the Governor's 2016-17 proposed \$170 billion Budget reflects a spending plan that includes \$122.6 billion General Fund expenditures (a nearly \$8 billion growth in General Fund spending), \$45 billion special fund expenditures, and \$3 billion bond expenditures. Of primary importance is the Governor's call to address the Managed Care Organization Tax (MCO) shortfall that looms as a result of recent federal decisions surrounding the process California has utilized in securing federal Medicaid monies. The MCO tax plan proposed by the Administration provides nearly \$1 billion to comply with recent federal requirements, and is expected to be addressed in the Special Session on Healthcare, which was convened last summer. In addition, the Governor is calling upon the Legislature to enact his proposal to levy additional revenues for transportation. A significant amount of these proceeds would be dedicated to local governments to address existing streets and roads maintenance and rehabilitation needs. The Governor also expects transportation funding to be addressed in the other Special Session convened last summer for transportation.

Key Issues/Changes for RCRC Member Counties

The Governor's 2016-17 proposed Budget:

- Provides \$644,000 for the State's Payment in Lieu of Taxes (PILT) Program for 2016-17;
- Provides \$250 million for local jail construction projects for counties that have not been awarded monies under recent jail funding programs;
- Allocates \$3.1 billion in Cap-and-Trade auction proceeds for greenhouse gas reduction programs including transportation, forest health, and waste diversion;
- Provides an ongoing \$2.6 million for the support of local fairs as well as another \$4 million for critical infrastructure needs to complement the \$7 million provided last year; and,
- Provides monies to commence regulatory activities associated with medical marijuana including funding for environmental clean-up activities associated with cultivation.



Rainy Day Fund

Under the terms of Proposition 2, the balance of the Budget Stabilization Account (Rainy Day Fund) would grow to \$6 billion, or 48 percent of its full amount in 2016-17. The Governor's 2016-17 proposed Budget proposes to make an additional \$2 billion deposit thereby bringing the Rainy Day Fund to \$8 billion or 65 percent of the targeted amount.

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* was the first submitted since 2008. The 2014 plan indicated that the amount of statewide deferred maintenance at that time was \$64 billion. The 2016 *Five Year Infrastructure Plan*, which was released with the Governor's 2016-17 proposed Budget, indicates that the amount of these deferred maintenance needs has grown to over \$77 billion.

Identified Statewide Deferred Maintenance

(Dollars in Millions)

Department of Transportation	\$57,000.0
Department of Water Resources	13,100.0
Judicial Branch	2,087.0
University of California	1,221.0
Department of Parks and Recreation	1,150.0
Department of Corrections and Rehabilitation	1,029.0
California Community Colleges	504.0
Department of Developmental Services	378.0
California Military Department	238.5
Department of State Hospitals	154.0
Department of General Services	134.9
California State University	92.0
Network of California Fairs	89.1
California Highway Patrol	48.6
Department of Veterans Affairs	35.6
Department of Motor Vehicles	31.0
Department of Fish and Wildlife	21.0
Department of Forestry and Fire Protection	18.2
State Special Schools	10.0
California Science Center	9.5
Hastings College of the Law	8.4
Office of Emergency Services	3.0
California Conservation Corps	0.7
Department of Food and Agriculture	0.3
State Conservancies/Wildlife Conservation Board	0.2
Total	\$77,364.0

The 2016 *Five Year Infrastructure Plan* continues to focus on deferred maintenance, and proposes a \$55 billion investment in state infrastructure over the next five years: \$705 million from the General Fund, \$9 billion from various special funds, \$1.9 billion from lease revenue bond funds, \$350 million from General Obligation bond funds, \$13.9 billion from federal funds, \$4.1 billion from reimbursements and other governmental cost funds, and \$25.2 billion from High Speed Rail funds.

Proposed Spending Under Infrastructure Plan

(Dollars in Millions)

Agency	Five-Year Capital Funding	2016-17 Deferred Maintenance Funding
Judicial Branch	\$1,034	\$60
Transportation	51,267	18
Natural Resources	688	187
California Environmental Protection	360	0
Health and Human Services	240	82
Corrections and Rehabilitation	41	55
Education	96	365
General Government	1,404	40
Total	\$55,130	\$807

The 2016 *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 2016 *Five Year Infrastructure Plan* meets the guidelines by focusing on rehabilitating existing state infrastructure, with over 91 percent dedicated to the State's transportation system.

The 2016 *Five Year Infrastructure Plan* proposes to allocate \$807 million in one-time resources towards the backlog of deferred maintenance.

The 2016 *Five Year Infrastructure Plan* can be accessed [here](#).

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 two years ago by the California State Association of Counties, in conjunction with selected persons from the County Administrative Officers of California. The Governor's 2016-17 proposed Budget estimates \$1.2 billion for counties in base funds, representing an overall increase of nearly \$100 million. The Governor's 2016-17 proposed Budget also projects \$103 million in growth funds; however, the final total in growth funds will not be determined until later in the calendar year when a proper analysis of sales tax collection data has occurred.

Additional County Probation Funding. The Governor's 2016-17 proposed Budget includes nearly \$130 million in Senate Bill 678 (Leno; 2009) funding for County Probation Departments. This represents a slight increase from the 2015-16 State Budget due to revisions of the SB 678 formula. Revisions are based on 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 that reductions in the re-offender population level were maintained.

The Governor's 2016-17 proposed Budget also includes an additional \$26.8 million for county probation departments to implement the Continuum of Care reforms per the enactment of Assembly Bill 403 (Stone; 2015). AB 403 makes a number of reforms to the state's foster youth program, including aspects that require county probation departments to work with group home providers in meeting the needs of probation-supervised youth in foster care.

Assembly Bill 109 Planning Grants. The Governor's 2016-17 proposed Budget includes \$7.9 million for counties to revise and update their Community Corrections Partnership (CCP) plans. Over the last several years, the State has provided funds for the implementation of Assembly Bill 109, namely the work in constructing and reviewing a county's CCP. Funds are allocated on a per county basis with minimum levels for small counties. The Board of State and Community Corrections requires counties to

report on the outcomes adopted by a county's CCP and the ongoing progress in meeting those outcomes.

Courthouse Construction Funding. The Governor's 2016-17 proposed Budget includes nearly \$280 million in funding for courthouse construction projects, as outlined in the *Five Year Infrastructure Plan*.

The Brown Administration proposes funding for the following projects in RCRC member counties:

	Projects	Funding Levels
Imperial	New El Centro Courthouse	\$39.2 million for construction
Shasta	New Redding Courthouse	\$135.2 million for construction
Tuolumne	New Sonora Courthouse	\$55.4 million for construction

A number of other courthouse construction projects continue in their respective construction and funding process absent language in the Governor's 2016-17 proposed Budget. This is primarily due to appropriations made in previous Budgets, as well as the securing of monies from other sources. In addition, courthouse construction projects in El Dorado (new Placerville Courthouse), Inyo (new Inyo County Courthouse), Mendocino (new Ukiah Courthouse), and others are slated to receive monies in future years for ongoing costs.

Local Jail/Local Rehabilitation Facilities Construction Funding. The Governor's 2016-17 proposed Budget includes \$250 million to provide competitive grants to counties in constructing/rehabilitating local jails. These proposed monies would build upon successful jail construction programs associated with Assembly Bill 900, Senate Bill 1022, and Senate Bill 863. While the proposed Budget 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 proposal 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.

In addition, the Governor's 2016-17 proposed Budget contains \$25 million to provide cities and counties with incentive payments for siting new facilities that provide substance disorder treatment, mental health, and reentry programming.

Local Trial Court Operations. The Governor's 2016-17 proposed Budget includes additional General Fund commitments for the support of local trial courts.

Specifically, these additional monies would assist with:

- Day-to-day trial court operations;
- Court employee benefits costs;
- Deferred maintenance projects;
- Addressing individual trial court reserve funds;
- Constructing a grant program to fund innovative programs that promote efficiencies and access;
- Improved judicial access for those who are non-proficient in the English language;
- Better financial tracking systems within the trial court expenditures process;
- Offsets in reductions to fines and penalty revenues; and,
- Increased workload from Proposition 47 which reduced criminal penalties for a variety of lower-level crimes.

Over 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 such as 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. Monies were restored to the courts in the 2015-16 State Budget, albeit with important conditions to improve the efficiency of the trial court system. The Governor's 2016-17 proposed Budget builds upon many of those reforms.

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 to calculate savings associated with the measure, and the 2016-17 fiscal year is the first opportunity for an estimated calculation of the savings. The Governor's 2016-17 proposed Budget estimates a savings of \$29.3 million, and subsequently dedicates those savings to a variety of State agencies that would fund various prevention, treatment, and rehabilitative programs including K-12 schools, victim services, and mental health and drug treatment.

It should be noted that there are also state and local costs associated with Proposition 47. The Governor's 2016-17 proposed Budget provides monies to the courts to fund judicial hearings associated with resentencing those offenders subject to Proposition 47.

Trial Court Security – New Court Facilities. The Governor's 2016-17 proposed Budget includes \$5 million to address increased court security costs from new trial court construction.

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 (CalEPA)

Air Resources Board. The Governor's 2016-17 proposed Budget includes \$956.4 million for the Air Resources Board, a nearly \$400 million dollar increase from the 2015-16 State Budget due to the allocation of the Greenhouse Gas Reduction Fund appropriation.

Assembly Bill 32 Cap-and-Trade Proceeds. The Governor's 2016-17 proposed Budget includes a \$3.1 billion Cap-and-Trade Expenditure Plan (Plan) that reflects both the balance of auction proceeds that were not allocated in 2015-16 (approximately \$800 million), and the projected proceeds for 2016-17. The Plan is consistent with the second triennial Cap-and-Trade Investment Plan, which was developed and finalized in 2015 by the California Air Resources Board (ARB) and the Department of Finance. The Plan also funds strategies that further the Governor's goal of reducing greenhouse gas (GHG) emissions to 40 percent below 1990 levels by 2030.

The Governor's 2016-17 proposed Budget provides funding for a number of existing programs that were supported by Cap-and-Trade funds in previous Budget years, but also boosts funding for a number of programs in accordance with the 2030 GHG goals. The most dramatic increases in Cap-and-Trade funding occur in the transportation sector to support the Governor's goal of decreasing petroleum use in California by 50 percent by 2030. The Governor's Plan proposes an additional \$1 billion for the transportation sector including \$500 million to ARB to provide incentives for low carbon freight and passenger transportation. The Plan also proposes \$400 million (in addition to the continuous \$100 million appropriation) for a total of \$500 million, to the Transit and Intercity Rail Capital Program for competitive grants to support capital improvements that integrate state, local, and other transit systems, including those located in disadvantaged communities, and to provide connectivity to high-speed rail, as part of the Administration's transportation funding package. The proposed Plan also creates the Low Carbon Road Program and allocates \$100 million to the Department of Transportation for competitive grants or improvements to local streets and roads that encourage "active transportation," such as walking and bicycling, transit, and other carbon-reducing road investments.

The proposed Plan also increases funding for a number of programs that will directly impact rural communities. Notably, the Governor's 2016-17 proposed Budget allocates \$150 million in Cap-and-Trade proceeds to the California Department of Forestry and Fire Protection (CAL FIRE) for forest health programs that promote GHG emissions reductions and carbon sequestration. These programs include forest management, fuels reduction, reforestation, and long-term protection of forested lands vulnerable to conversion. These funds will also be allocated for removal of diseased and dying trees due to invasive pests such as bark beetles, as well as to support biomass energy generation projects. The Plan also proposes \$100 million to the California Department of Resources, Recycling and Recovery (CalRecycle) to fund waste diversion infrastructure in light of the State's new 75 percent waste diversion goal, as well as \$55 million to the Department of Food and Agriculture for the Healthy Soils Program and grants for dairy digesters. The proposed Plan also allocates \$150 million to various programs to implement the California Water Action Plan, including wetland and habitat restoration projects, as well as programs to implement the State's climate adaptation plan, Safeguarding California.

The Governor's proposed 2016-17 Budget includes \$20 million for the California Infrastructure and Economic Development Bank to leverage private investments in energy efficiency and renewable energy projects to accelerate the utilization of clean energy projects throughout the state.

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. In 2016-17, it is also vital that the State provides Cap-and-Trade funds for the removal of dead and dying trees due to invasive pests, as well as providing funds for waste diversion infrastructure to implement Assembly Bill 1826 (Chesbro; 2014). RCRC will encourage the Legislature to support funding these programs 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 those earmarked funds. RCRC will also continue seeking targeted rural funds in the various funding programs.

The Governor's 2016-17 proposed Budget appropriations for the estimated \$3.1 billion from Cap-and-Trade auction proceeds are outlined in the following chart.

2016-17 Proposed Cap-and-Trade Expenditure Plan
(In Millions)

Investment Category	Department	Program	Amount
<i>Continuous Appropriation</i>	High-Speed Rail Authority	High-Speed Rail Project	\$500
	State Transit Assistance	Low Carbon Transit Operations	\$100
	Transportation Agency	Transit and Intercity Rail Capital Program	\$200
	Strategic Growth Council	Affordable Housing and Sustainable Communities Program	\$400
<i>50 Percent Reduction in Petroleum Use</i>	Transportation Agency	Transit and Intercity Rail Capital Program	\$400
	Caltrans	Low Carbon Road Program	\$100
	Air Resources Board	Low Carbon Transportation & Fuels	\$500
	Energy Commission	Biofuel Facility Investments	\$25
<i>Local Climate Action</i>	Strategic Growth Council	Transformational Climate Communities	\$100
<i>Short-Lived Climate Pollutants</i>	Air Resources Board	Black Carbon Woodsmoke	\$40
		Refrigerants	\$20
	Cal Recycle	Waste Diversion	\$100
	Department of Food and Agriculture	Climate Smart Agriculture - Healthy Soils and Dairy Digesters	\$55
<i>Safeguarding California/ Water Action Plan</i>	Departments of Food and Agriculture & Water Resources	Water and Energy Efficiency	\$30
	Energy Commission	Drought Executive Order - Water and Energy Technology Program & Appliance Rebates	\$60
	Department of Fish and Wildlife	Wetlands and Watershed Restoration/CalEcoRestore	\$60
<i>Safeguarding California/ Carbon Sequestration</i>	CALFIRE	Healthy Forests	\$150
		Urban Forestry	\$30
	Natural Resources Agency	Urban Greening	\$20
<i>Energy Efficiency/ Renewable Energy</i>	Department of General Services	Energy Efficiency for Public Buildings	\$30
	I Bank	California Lending for Energy and Environmental Needs Center	\$20
	Conservation Corps	Energy Corps	\$15
	Department of Community Services and Development	Energy Efficiency Upgrades/ Weatherization	\$75
	University of California/ California State University	Renewable Energy and Energy Efficiency Projects	\$60
Total			\$3,090

Department of Resources Recycling and Recovery. The Governor's 2016-17 proposed Budget includes \$100 million of the Greenhouse Gas Reduction Fund (GGRF) revenues to the Department of Resources Recycling and Recovery (CalRecycle) to provide financial incentives for capital investments that expand waste management infrastructure, predominantly for composting and anaerobic digestion facilities, but also for fiber, plastic, and glass facilities. This is a \$75 million increase over the 2014-15 State Budget allocation.

Following the passage of Assembly Bill 1826 (Chesbro; 2014), businesses that generate a certain amount of organic waste will be required to begin recycling such waste this year. In addition, reducing methane emissions from landfills is targeted as a key component of the short-lived climate pollutant strategy. There is currently insufficient infrastructure capacity to process the amount of organic waste generated. As many of our member counties will qualify for a five-year exemption from the AB 1826 requirements, most of these monies are likely to be spent in the more urban areas. However, in their 2015-16 GGRF expenditure guidelines, CalRecycle committed to a rural set-aside. 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 2016-17 proposed Budget includes \$218 million to the Department of Toxic Substances Control (DTSC), a \$13 million decrease from the DTSC 2015-16 expenditures. The DTSC continues to implement reform initiatives to enhance and modernize the State's hazardous waste management programs. The most significant adjustments are a focus on environmental justice and tribal rights by directing resources to protecting public health in residential areas, and a \$1.6 million increase for enhanced and streamlined permitting coordination.

Office of the Secretary for Environmental Protection/Rural Certified Unified Program Agency Assistance. The Governor's 2016-17 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 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 2016-17 proposed Budget includes \$5.7 million (\$5.2 million General Fund and \$472,000 Waste Discharge Permit Fund) for the State Water Resources Control Board to develop and implement a regulatory program to address the environmental impacts of medical cannabis cultivation, a \$4 million increase from the 2015-16 State Budget. Since RCRC member counties comprise the primary cultivation areas for marijuana, it is imperative for the State to develop and implement statewide regulations to address the devastating impacts that unregulated marijuana cultivation can have on local watersheds and habitat.

Education

California State Library. The Governor's 2016-17 proposed Budget includes a one-time allocation of \$3 million to support the California Library Services Act Program which is intended to strengthen statewide and regional services for public libraries.

California State Universities and University of California. The Governor's 2016-17 proposed Budget provides a total of \$30 billion (\$17 billion General Fund and local property tax and \$13 billion other funds) to fund higher education. Consistent with the agreement reached between the Governor and the University of California (UC) President, tuition will not increase in 2016-17. This is the fifth year tuition has remained flat at both the UC and California State University systems.

The Brown Administration continues its focus on improving student success and accelerating the time it takes students to complete their degree programs. By March of 2016, UC Administrators are expected to create specific curriculums for students to earn degrees in three years. The Brown Administration will continue to monitor the development of these efforts, with future funding depending upon whether these goals are met within the agreed timeframes.

California Student Aid Commission. The Governor's 2016-17 proposed Budget provides an increase of \$34 million for the Middle Class Scholarship Program (Program), currently in its third year of a four year phase-in. The Program provides undergraduate students with annual family incomes of \$100,000 to \$150,000 scholarship grants covering up to 10 percent of their tuition cost.

Career Technical Education. The Governor's 2016-17 proposed Budget provides \$300 million to support the Career Technical Education Incentive Grant Program. This program provides matching competitive grants to school districts, county offices of education, and charter schools who face unique barriers, including those located within rural school districts, or who have high dropout or unemployment rates.

Community Colleges. The Governor's 2016-17 proposed Budget provides a number of investments designed to improve student outcomes and success. Of this funding, the proposal includes \$5 million for community college districts to begin creating "zero-textbook-cost" degree, certificate, and credential programs in California. A zero-textbook-cost associate degree is one that uses open educational resources only, intended to significantly reduce student costs.

K-12 Education. Funding for California's pre-kindergarten education is traditionally divided up among a variety of programs and funding sources, each subject to different fiscal and programmatic requirements creating significant challenges for local education agencies. In an effort to remove some of these barriers, the Governor's 2016-17 proposed Budget includes a \$1.6 billion early education block grant whereby three programs will be consolidated (the California State Preschool Program, Transitional Kindergarten Program, and the Preschool Quality Rating and Improvement System). By combining these three programs, Local Education Agencies will have greater financial flexibility to develop programs that better align with the specific needs of their community. The Brown Administration will work with stakeholders to develop

program details, including criteria for how the funds will be distributed, by the May Revision.

Rural and Low-Income School Program. The Governor's 2016-17 proposed Budget provides \$1.3 million for the Rural and Low-Income School Program. The Rural and Low-Income School Program provides funds to rural Local Educational Agencies that primarily serve districts with a high number of children from low-income families. Funds are allocated on a formula basis determined by the U.S. Department of Education.

General Government

County Revenues/Basic Aid Districts. The Governor's 2016-17 proposed Budget includes a nominal amount 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. Previous Budgets have provided for the full loss occurring in these counties.

Debt Service. The Governor's 2016-17 proposed Budget provides \$5.4 billion to debt service, which includes \$4.8 billion in General Obligation Bond, and \$579 million in lease revenue bond debt service. The General Obligation Bond debt service continues to hover at 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.

General Obligation Bond debt service is constitutionally one of the highest priority General Fund expenditures; however, the debt service associated with general obligation bonds is "continuously appropriated," (payments are made without the Legislature's approval in the Budget Act) and not a line-item part of the State Budget Package. This reassures investors that principal and interest are paid on time, and not waiting for legislative action.

Department of Food and Agriculture. The Governor's 2016-17 proposed Budget includes \$439.2 million in funding for the California Department of Food and Agriculture (CDFA), consistent with last year's funding.

The Governor's 2016-17 proposed Budget also includes \$147 million for the General Agricultural Activities Program, which represents an increase of \$20 million over last year, nearly doubling the 2014-15 State Budget. 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 CDFA.

The increased funding this year will be welcomed relative to the flat funding for the program over the last few years which had counties absorbing more of the costs of programming, thus making it more difficult to comply with CDFA's contracts. RCRC will work with county Agricultural Commissioners and other stakeholders to help ensure that adequate resources are provided.

Fairs. The Governor's 2016-17 proposed Budget maintains the ongoing commitment of \$2.6 million for the support of local fairs. Specifically, last year's enacted 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 these ongoing operational investment, the Governor's 2016-17 proposed Budget also includes \$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. The 2015-16 State Budget provided \$7 million for similar capital improvement efforts.

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 of last year.

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 2016-17 proposed Budget provides funding – both from the General Fund and other special funds – to commence activities associated with the regulation of medical marijuana. Specifically, monies will be allocated to the Department of Consumer Affairs, the Department of Public Health, the Department of Food and Agriculture, the Department of Pesticide Regulation, the Department of Fish and Wildlife, and the State Water Resources Control Board for their role in licensing and regulating the medical marijuana industry, as well as address environmental issues surrounding the cultivation of medical marijuana.

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 2016-17 proposed Budget includes approximately \$1.5 billion for the Governor's Office of Emergency Services (OES), fairly consistent with the 2015-16 State Budget. The proposed \$35.2 million General Fund increase to support OESs' responsibility for emergency preparedness and response

includes a one-time \$20 million to purchase wildland fire engines to be placed throughout the state as part of the State Fire and Rescue Mutual Aid System.

Additionally, the Governor's 2016-17 proposed Budget again includes approximately \$10 million for the Regional Railroad Accident Preparedness and Immediate Response Fund. The OES will coordinate with local agencies to improve preparation for response emergencies involving hazardous materials transported by railroad tank cars. This funding source is subsidized by a fee on the transport of hazardous materials by rail, and will be used to support emergency response activities, purchase specialized equipment, and to deliver local response training. A number of northern RCRC member counties have rail lines that are used to transport hazardous materials, including North Dakota Bakken Crude Oil, which has been the topic of much debate and concern due to several major tank car disasters. RCRC will continue to work with OES to ensure our members are aware of funding opportunities and local response training.

Valley Fire (Lake County) and Butte Fire (Calaveras County). The Governor's 2016-17 proposed Budget provides \$1.9 million in General Fund revenues to offset the loss of property tax, sales and use tax, and transient occupancy tax monies experienced by Calaveras County and Lake County (and jurisdictions within) as a result of the devastating wildfires last year. The Legislature traditionally funds these local losses in the event of devastating natural catastrophes.

In addition, the Governor's 2016-17 proposed Budget would cover the local costs for existing California Department of Forestry and Fire Protection (CAL FIRE) contracts with Calaveras County and the South Lake County Fire agency. Monies to cover this \$2.8+ million obligation will come from existing CAL FIRE appropriations from the 2015-16 State Budget.

Veterans Affairs. The Governor's 2016-17 proposed Budget includes \$371.5 million for the Department of Veterans Affairs to operate Veterans Homes in Yountville, Barstow, Chula Vista, Fresno, Redding, and Greater Los Angeles Ventura County (GLAVC), which includes facilities in West Los Angeles, Lancaster, and Ventura. This represents a \$25 million General Fund increase, with approximately \$8 million going to the Veterans Home in Yountville, and \$15 million to the Veterans Homes in GLAVC.

Additionally, the Governor's 2016-17 proposed Budget provides \$5.6 million to fund the operation of County Veterans Services Offices (CVSOs), consistent with the 2015-16 State Budget.

Williamson Act. The Governor's 2016-17 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 2016-17 proposed Budget maintains \$397 million in federal Workforce Investment and Opportunity Act funding for the California Workforce Development Board (CWDB) and Local Workforce Investment Boards to support investments in local and regional education, employment, and job training programs. Additionally, the proposal provides \$3 million to support the CWDB's job training programs funded through Proposition 39, the California Clean Energy Jobs Act of 2012.

Health and Human Services

Managed Care Organization Tax. In the 2013-14 State Budget the Legislature authorized a tax on the operating revenue of Medi-Cal managed care plans based on the State sales tax rate (commonly referred to as the MCO Tax). Nearly half of the revenues from the MCO Tax are used for the non-federal share of supplemental payments to Medi-Cal managed care plans. The remainder of the revenue is used to fund capitation rates for Medi-Cal managed care plans that would otherwise be funded through the General Fund. This tax offsets General Fund spending in the Medi-Cal program by approximately \$1 billion annually, and restores the 7 percent reduction in hours for In-Home Supportive Services (IHSS) recipients. The federal government has ruled that using the MCO tax in this manner is inappropriate. Last summer the Governor called for a Special Session on Healthcare primarily to address the MCO Tax. The Legislature convened the Special Session; however, no such resolution occurred prior to the release of the Governor's 2016-17 proposed State Budget.

The Governor's 2016-17 proposed Budget puts forth a new plan to amend the current MCO Tax to comply with federal requirements by expanding the tax to nearly all managed care plans. The current tax is set to expire at the end of the 2015-16 Fiscal Year. This tax remains a critical component of how the Medi-Cal program is funded. The Administration's proposal assumes a three-year replacement tax, and continues the restoration of the IHSS 7 percent reduction. The remaining proceeds would be reserved in a special fund pending its passage. Failure to properly address the MCO Tax could result in a near \$1 billion loss in the General Fund, impacting many of the other budget priorities the Governor has outlined.

Coordinated Care Initiative. The Governor's 2016-17 proposed Budget continues to implement managed care enrollment for dual Medi-Cal/Medicare beneficiaries through

the Coordinated Care Initiative (CCI). The goal of the CCI is to shift those who were both Medicare and Medi-Cal eligible to a “health home” through a unified, coordinated health plan. Currently, the Department of Finance is required to report to the Legislature annually on whether or not the CCI is cost-effective. If the Managed Care Organization Tax is not extended and program participation does not improve by January 2017, the CCI would cease operation effective January 2018.

The CCI currently operates in seven counties: Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, and Santa Clara.

In Home Supportive Services. The Governor’s 2016-17 proposed Budget provides \$9.2 billion to fund In Home Supportive Services (IHSS), representing an 8.4 percent increase over the 2015-16 State Budget allocation. The Governor’s 2016-17 proposed Budget proposes to restore the 7 percent across-the-board cut to IHSS service hours. This restoration would be funded with revenues from the Managed Care Organization Tax, effective July 1, 2016. The total cost to restore the 7-percent reduction is projected at \$236 million in 2016-17.

The Brown Administration estimates that implementation of the federal labor regulations that require overtime pay for domestic workers will cost approximately \$700.4 million (\$331.3 million General Fund) in 2015-16 and \$942 million (\$443.8 million General Fund) ongoing thereafter. Implementation of the federal overtime regulations is projected to begin on February 01, 2016.

Medi-Cal. In an effort to address significant increases in caseloads, the Governor’s 2016-17 proposed Budget provides \$169.9 million (\$57 million General Fund) in 2016-17 and 2017-18 for county administration of the Medi-Cal program. Medi-Cal will serve over a third of the state’s total population – an estimated 13.5 million Californians – by the end of 2016-17.

Additionally, The Governor’s 2016-17 proposed Budget provides \$182 million (\$145 million General Fund) to implement Senate Bill 75 (2015 Statutes) to provide 170,000 undocumented children under the age of 19 with full-scope Medi-Cal benefits. The Department of Health Care Services currently estimates that more than 114,000 children will be eligible to receive these benefits under the new law, scheduled to go into effect May 1, 2016. The Governor’s 2016-17 proposed Budget does not propose to expand full-scope Medi-Cal to all income eligible adults regardless of immigration status.

Mental Health and Substance Use Disorder Services. The Governor’s 2016-17 proposed Budget includes \$90.9 million total funding (\$32.5 million General Fund) for expansion of residential treatment services under the Medi-Cal 2020 Waiver. The waiver allows state and county officials the flexibility to select providers to provide treatment, assessments and case management. In order to participate in the waiver, Counties must opt in by submitting an implementation plan to the Department of Health Care Services (DHCS). DHCS expects over 50 counties to begin participating by the end of the budget year.

Additionally, the Governor's 2016-17 proposed Budget includes \$11.9 million to implement the Performance Outcomes System to track outcomes of Medi-Cal Specialty Mental Health Services for children and youth, including county collection of data and related training to improve participant outcome reporting.

Provider Rate Reimbursement. The Governor's 2016-17 proposed Budget does not reinstate the reimbursement rate cuts to Medi-Cal providers enacted in 2011. The Managed Care Organization tax remains a critical component of maintaining Medi-Cal program funding, including future provider rate increases.

Medi-Cal provider rates are a key component to ensuring access to healthcare in rural areas. RCRC will continue to be actively involved in any advocacy strategy that restores the provider rate reimbursement rates.

Public Health. The Governor's 2016-17 proposed Budget includes \$3 billion to fund the Department of Public Health, including \$1.6 million and 14 staff positions to improve communicable disease research and testing. Public Health is critically important for all counties, but even more so in rural counties where staffing is limited, and populated areas are geographically remote and challenging to access.

State Hospitals. The Governor's 2016-17 proposed Budget provides \$1.8 billion to fund the Department of State Hospitals (DSH), which provides mental health services to patients in DSH facilities. The Governor's 2016-17 proposed Budget includes funds for the replacement of outdated communication and network systems at Coalinga and Patton State Hospitals, and \$1.5 million for DSH to implement the Restoration of Competency (ROC) program with Sonoma County, which will provide 10 beds at its jail facility to serve Incompetent to Stand Trial (IST) patients. The ROC program provides treatment of certain IST patients in county jails rather than in-patient treatment at a state hospital. DSH manages five state hospitals (Atascadero, Coalinga, Metropolitan, Napa, and Patton), and three psychiatric programs within the State's prison system.

Supplemental Security Income/State Supplementary Payment. The Governor's 2016-17 proposed Budget provides \$2.9 billion to fund the Supplemental Security Income/State Supplementary Payment program, a 2.8 percent increase (\$76.8 million) over the 2015-16 State Budget. The increase would become effective in January 2017 and would result in monthly increases of \$17 for individuals and \$31 for couples.

Resources

California Conservation Corps. The Governor's 2016-17 proposed Budget includes \$111.4 million for the California Conservation Corps' (CCC) Training and Work Program, representing an increase of \$15 million over last year, primarily from the Greenhouse Gas Reduction Fund. 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 Governor's 2016-17 proposed Budget also includes an increase of \$2.6 million to open a residential center in the Magalia Conservation Camp in Butte County, which will house three fire crews totaling 47 corpsmembers. The Governor's 2016-17 proposed Budget also provides an increase of \$400,000 to initiate a site selection process for residential centers in Pomona, Napa, and Ukiah to allow the CCC to transition from non-residential facilities in Napa and Pomona to facilities giving corpsmembers the opportunity to live onsite.

The Governor's 2016-17 proposed Budget also indicates that \$5 million from the Department of Forestry and Fire Protection (CAL FIRE) will be allocated to the CCC for forest health improvement projects in the highest fire risk areas in the state.

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.

Delta Protection Commission. The Governor's 2016-17 proposed Budget includes \$1.57 million for the Delta Protection Commission, which is consistent with last year's funding. The funding is 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 2016-17 proposed Budget includes \$26.7 million in funding for the Delta Stewardship Council, which is consistent with last year's funding. 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 2016-17 proposed Budget includes \$586.3 million in funding for the Department of Fish and Wildlife (DFW), representing an increase of approximately \$20 million over the 2015-16 State Budget, primarily attributed to the California Biodiversity Program. The California Biodiversity Program encourages the preservation, conservation, and restoration of wildlife resources, and activities involve the conservation, protection and management of fish, wildlife, native plants, and habitat to ensure sustainable populations of those species.

The Governor's 2016-17 proposed Budget includes \$7.6 million to make permanent the statewide multi-agency task force established in 2014 to address the negative environmental impacts of medical marijuana cultivation. The DFW will work with the State Water Resources Control Board and the Department of Food and Agriculture to regulate water diversions under this proposal.

The Governor's 2016 *Five Year Infrastructure Plan* includes \$15 million for deferred maintenance needs statewide, with recognition that many of the hatcheries (30 to 100 years old) need to be replaced or completely renovated. There is also \$108,000 for a wetland project at the Gray Lodge Wildlife Area in Butte County.

State Payment in Lieu of Taxes. The Governor's 2016-17 proposed Budget includes \$644,000 in funding to pay State Payment in Lieu of Taxes (State PILT) to local governments.

The 2015-16 State Budget Package included \$1.77 million to Department of Fish and Wildlife (DFW) for the Management of Department Lands and Facilities. This funding included \$644,000 to pay the State PILT obligation to 36 counties. While the initial legislative agreement in last year's State Budget Package included an additional \$8 million to fund the State's previous years commitments to the counties, the final State Budget Package eliminated the \$8 million intended for arrearages. Additionally, the 2015-16 State Budget Package included language making State PILT payments permissive by changing Fish & Game Code Section 1504 from "shall" to "may."

California's 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 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, as well as reversing the language that makes State PILT payments permissive.

Department of Forestry and Fire Protection. The Governor's 2016-17 proposed Budget includes an increase of \$24.6 million to improve the Department of Forestry and Fire Protection's (CAL FIRE) emergency response capabilities. This funding would increase staffing levels at CAL FIRE's twenty-one Emergency Command Centers to address the increased volume of emergency calls during expected periods of increased fire activity, as well as fund the acquisition, installation, and support of Automated Vehicle Location and Mobile Data Computer devices in all CAL FIRE emergency response equipment.

The Governor's 2016-17 proposed Budget also includes an increase of \$150 million in Cap-and-Trade auction proceeds for healthy forest programs as part of the proposed Cap-and-Trade Expenditure Plan. In addition, the Governor's 2016-17 proposed Budget includes \$74.5 million from the General Fund and \$2.9 million from the State Responsibility Area Fire Prevention Fund to continue firefighter surge capacity, retain seasonal firefighters beyond the normal budgeted fire season, provide additional defensible space inspectors, and enhance air attack capabilities to suppress wildfires during the 2016 fire season as part of the State's Emergency Drought Response activities.

Finally, while the Governor's 2016-17 proposed Budget does not include funding for replacement of CAL FIRE's aging helicopter fleet, which was a component of the Governor's 2015-16 proposed Budget but not ultimately funded by the Legislature, the Administration indicates that CAL FIRE is working with the Department of General Services to complete a competitive procurement strategy to replace the aircraft. The Administration anticipates a proposal in the Governor's May Revision.

The funding of CAL FIRE is of key importance to rural counties. The core mission of CAL FIRE is to protect and defend the vital natural resources of California, often found within RCRC's member counties. Ensuring the continued fiscal health of CAL FIRE, the primary disaster management manpower in the state, is critical to all Californians.

State Responsibility Area Fees. The Governor's 2016-17 proposed Budget estimates \$79.9 million in revenue from the State Responsibility Area (SRA) Fee in 2016-17. The proposal states \$63.7 million for fire protection programs within the Department of Forestry and Fire Protection, with the remainder going to administrative costs and Department of Justice legal services.

Department of Parks and Recreation. The Governor's 2016-17 proposed Budget includes \$589 million for the Department of Parks and Recreation (State Parks). The funding includes \$436.25 million for State Parks, \$27.7 million for the Division of Boating and Waterways, and \$125.4 million for Local Assistance Grants.

The 2015-16 State Budget included funding for a team that the Brown Administration has established comprised of individuals both inside and outside State Parks to lead in the execution of reforms in a number of areas, including the State Parks Budget, maximizing partnerships, 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.

The Governor's 2016-17 proposed Budget includes a repayment of \$112 million from the Off-Highway Vehicle (OHV) Trust Fund, and a one-time transfer of \$31 million of fuel tax revenues currently in the OHV Trust Fund to the State Parks and Recreation Fund in order to maintain service levels across the State Parks system.

The Governor's 2016 *Five Year Infrastructure Plan* includes \$124.4 million over the next five years from a variety of funding sources including bond funds, special funds and reimbursement for State Parks. Of this total, \$18.1 million is allocated for the 2016-17 Budget year for the plans and construction phases of 12 projects that address critical health and safety issues and restore the state's resources at existing parks. Projects include \$1 million for the Heber Dunes State Vehicular Recreation Area Water System Upgrade project in Imperial County, and \$618,000 for the McArthur-Burney Falls Memorial State Park Ramp and Boarding Float in Shasta County.

The Governor's 2016-17 proposed Budget includes \$60 million to address deferred maintenance. The 2015-16 State Budget provided \$20 million, and the 2014-15 State Budget provided \$40 million for deferred maintenance in parks, but it should be noted that deferred maintenance needs remain close to \$1 billion.

Sacramento-San Joaquin Delta Conservancy. The Governor's 2016-17 proposed Budget includes \$12.4 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. The 2015-16 State Budget included \$10 million in Proposition 1 funding, and the Governor's 2016-17 proposed Budget includes another \$10 million in Proposition 1 funding.

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 2016-17 proposed Budget includes \$676,000 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 2016-17 proposed Budget includes \$4.9 million in funding for the Sierra Nevada Conservancy. This represents a decrease of \$10 million over the 2015-16 State Budget due to \$10.2 million in funding from Proposition 1 in last year's Budget.

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 2016-17 proposed Budget includes \$6.6 million in funding for the Tahoe Conservancy to protect and sustain the natural resources and recreational opportunities in the Lake Tahoe Basin. This represents a decrease of more than \$13 million over the 2015-16 State Budget due to \$14.1 million in funding from Proposition 1 last year's Budget.

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 2016-17 proposed Budget assumes the adoption of the Governor's 2015 transportation proposal to raise new revenues for the State and local transportation systems. Specifically, the Governor's legislative proposal, which was unveiled last September, proposes to generate roughly \$3.6 billion annually in new transportation revenues through a mix of taxes and fees, and funding from Cap-and-Trade auction proceeds. These new transportation revenues are proposed to be split evenly between state and local transportation priorities, and are generated 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

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 proposal would also accelerate early repayment of approximately \$879 million in loans over the next four years, and includes various environmental and permit streamlining reforms to benefit state and local transportation projects.

The following components of the Governor's 2016-17 proposed Budget 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 2016-17 proposed Budget proposes an increase of \$342 million for cities and counties for local road maintenance; however, it is unclear what distribution formula would be used to allocate these new revenues. Cities and counties saw a drastic decline in transportation funding last year when the Board of Equalization (BOE) made their annual adjustment to the price-based gas excise tax. This slight increase in funding will help cities and counties recover a modest amount of the revenues they lost from the BOE's annual adjustment.

Low Carbon Road Program. The Governor's 2016-17 proposed Budget includes \$100 million in Cap-and-Trade funding for the California Department of Transportation (Caltrans) to support local active transportation projects, including walking and biking, and other transportation projects that reduce carbon use. The proposal includes a requirement that at least 50 percent of the funds benefit Disadvantaged Communities.

Transit and Intercity Rail Program. The Governor's 2016-17 proposed Budget includes an increase of \$409 million in Cap-and-Trade auction proceeds for investments in transit and intercity rail projects. The proposal also includes a requirement that at least 50 percent of the funds benefit Disadvantaged Communities.

Highway Repairs and Maintenance. The Governor's 2016-17 proposed Budget includes \$515 million for state highway repairs and maintenance.

Trade Corridor Improvements. The Governor's 2016-17 proposed Budget provides a \$211 million increase to support investments in California's major trade corridors.

In addition to the Governor's transportation funding and reform package, Senate Transportation and Housing Committee Chairman Jim Beall (D-San Jose) and Assembly Transportation Committee Chairman Jim Frazier (D-Oakley) have both introduced comprehensive proposals that would deliver several billion in new revenues for the state and local transportation systems. In each of these transportation funding

proposals, a 2/3rds vote in both houses of the Legislature is required as a variety of revenues are proposed to be increased/levied.

Water

California Water Action Plan. The California Water Action Plan is the Brown Administration's blueprint to address California's water and ecosystem needs. The Governor's 2016-2017 proposed Budget includes the following appropriations to continue implementation of the California Water Action Plan:

State Obligations – An increase of \$385 million for multiple agencies to meet the State's commitments under the Klamath Agreements (\$250 million), the Central Valley Improvement Act (\$90 million), and the San Joaquin River Settlements (\$45 million).

Flood Protection – An increase of \$100 million for the Department of Water Resources to enhance flood protection in the Central Valley by repairing levees.

Salton Sea Restoration – An increase of \$80 million for the Department of Water Resources to design and implement projects that expand habitat and suppress dust at the Salton Sea.

Wetlands Restoration – An increase of \$60 million for the Department of Fish and Wildlife to implement wetland restoration projects, including habitat restoration projects within the California EcoRestore program, to benefit the Sacramento-San Joaquin Delta.

Delta Plan – An increase of \$3.6 million for the Delta Stewardship Council to implement the Delta Science Plan and incorporate the California WaterFix Delta conveyance projects into the Delta Plan.

Prepare for Dry Periods – An increase of \$3 million for the Department of Water Resources to identify water delivery operational improvements and evaluate long-term climate change impacts on statewide water supplies.

Groundwater Management – An increase of \$2.5 million for the Department of Water Resources to update data and fix safety hazards at monitoring sites that are part of the federal National Hydrography Dataset, a surface water mapping system.

Investment Strategy – An increase of \$1.2 million for the Department of Water Resources for coordination across state and regional agencies, and to develop a long-term investment and financing strategy for the California Water Action Plan.

California Water Plan. The Governor's 2016-17 proposed Budget includes \$259 million to the Department of Water Resources for the continuing formulation of the California Water Plan. This is a reduction of \$477 million from the 2015-2016 State Budget. The California Water Plan is the State's strategic plan for the efficient use, management, and development of the state's water resources.

Central Valley Flood Protection Board. The Governor's 2016-17 proposed Budget includes \$13 million for the Central Valley Flood Protection Board, a \$6.5 million reduction from the 2015-2016 State Budget. The Central Valley Flood Protection Board has regulatory authority over the State Plan of Flood Control facilities in the Central Valley, and serves as the non-federal sponsor to the U.S Army Corps of Engineers on large joint state-federal levee improvement projects.

Public Safety and Prevention of Damage. The Governor's 2016-17 proposed Budget includes \$150 million for public safety and prevention of damage. This is a reduction of \$1.5 billion from the 2015-16 State Budget. This reduction is primarily a result of the exhaustion of Proposition 1E bond funds. Public safety and prevention of damage ensures proper construction and maintenance of jurisdictional dams and levees, and provides loans for construction. Additionally, the program is responsible for the operation of flood control facilities and annual levee and flood channel maintenance and inspection in cooperation with other local, state and federal agency partners.

State Water Resources Development System. The Governor's 2016-17 proposed Budget includes \$1.7 billion for the implementation of the State Water Resources Development System, consistent with the 2015-16 State Budget. The Department of Water Resources plans, designs, constructs, operates, maintains, and manages the State Water Project facilities. Implementation of the State Water Resources Development System also includes the Delta Habitat Conservation and Conveyance Program, which is charged with improving the Delta ecosystem and ensuring water supply reliability.

Emergency Drought Response. The Governor's 2016-17 proposed Budget provides \$323.1 million on a one-time basis to continue immediate response efforts to the drought. The Governor's 2016-17 proposed Budget also includes an additional \$215 million for higher anticipated emergency wildfire costs as a result of the drought, including significant tree mortality throughout the state. This dollar figure will be revisited in the Governor's May Revision.

Many of the following appropriations contained in the Governor's 2016-17 proposed Budget will assist small, rural counties in addressing a myriad of issues that have arisen as a result of successive years of drought.

Department of Forestry and Fire Protection

The Governor's 2016-17 proposed Budget includes \$77.4 million (including \$2.9 from the State Responsibility Area Fire Prevention Fund) to continue firefighter surge capacity, retain seasonal firefighters beyond the normal Budget fire season, provide additional defensive space inspectors, and enhance air attack capabilities during the 2016 fire season.

Department of Water Resources

The Governor's 2016-17 proposed Budget includes \$64 million for multiple statewide drought response efforts including:

- \$42 million for installation and removal of a temporary rock barrier in the Sacramento-San Joaquin Delta to address salinity encroachment;
- \$12 million to implement statewide actions, including operation of the drought management operations center, water transfer support and water supply modeling;
- \$5 million to provide emergency drinking water support for small communities - including addressing private wells; and,
- \$5 million to continue Save Our Water, the state's public education campaign aimed to help Californian's reduce water use.

State Water Resources Control Board

The Governor's 2016-17 proposed Budget includes \$21.4 million to continue enforcement of drought-related water rights and water curtailment actions, and to provide grants for emergency drinking water projects.

Department of Fish and Wildlife

The Governor's 2016-17 proposed Budget includes \$17.7 million to continue fish rescue and stressor monitoring, water efficiency projects on department lands, law enforcement activities, and to provide infrastructure to protect salmon.

Department of Social Services

The Governor's 2016-17 proposed Budget includes \$18.4 million to continue the Drought Food Assistance Program, which delivers food to communities most impacted by the drought.

Department of Community Services and Development

The Governor's 2016-17 proposed Budget includes \$7.5 million to provide emergency assistance to unemployed farmworkers including housing, utility and job training assistance.

Office of Emergency Services

The Governor's 2016-17 proposed Budget includes \$26.7 million to continue to provide technical guidance and disaster recovery support related to the drought.

Emergency Drought Response
(Dollars in Millions)

<i>Investment Category</i>	<i>Department</i>	<i>Program</i>	<i>Amount</i>
Protecting Water Supplies	Department of Water Resources	Emergency Salinity Barriers in the Delta	\$42.0
	Department of Water Resources	Local Assistance for Small Communities	\$5.0
	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	\$15.0
	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	\$77.4
	Department of Water Resources	Drought Management and Response	\$12.0
	Department of Fish and Wildlife	Protection of Fish and Wildlife	\$17.7
	Department of Social Services	Drought Food Assistance	\$18.4
	Office of Emergency Services	California Disaster Assistance Act	\$22.7
	Office of Emergency Services	State Operations Center	\$4.0
	Department of Community Services and Development	Farmworker Assistance	\$7.5
Total			\$323.1