The finances of the state and local governments have been closely linked since the passage of Proposition 13 in 1978. Counties have been heavily dependent on state budget decisions regarding programs in which they share the cost and programs they administer for the state.

Government is most effective at the local level, where locally elected officials can tailor programs to local needs and priorities. In a state as diverse as California, it is difficult to establish programs that are equally effective and make sense in both large urban and small rural areas.

Over the past three decades, there have been attempts to clarify and simplify which level of government pays for what services. These efforts include the 1991 Realignment program, in which counties assumed responsibility for community mental health and indigent health funding, and the 1997 state assumption of trial court funding designed to bolster equal access to justice for citizens across the state.

**2011 Public Safety Realignment**

The 2011 Budget includes a major realignment of public safety programs from the state to local governments. The realignment moves program and fiscal responsibility to the level of government that can best provide the service, eliminating duplication of effort, generating savings, and increasing flexibility. The implementation of the Community
Corrections Grant Program authorized by AB 109 will end the costly revolving door of lower-level offenders and parole violators through the state’s prisons.

The goals of realignment are to:

- Protect California’s essential public services.
- Create a government structure that meets public needs in the most effective and efficient manner.
- Have government focus on core functions.
- Assign program and fiscal responsibility to the level of government that can best provide the service.
- Have interconnected services provided at a single level of government.
- Provide dedicated revenues to fund these programs.
- Provide as much flexibility as possible to the level of government providing the service.
- Reduce duplication and minimize overhead costs.
- Focus the state’s role on appropriate oversight, technical assistance, and monitoring of outcomes.

With resources and program responsibility at the local level, each county Board of Supervisors can integrate programs across the spectrum of health and human services and law enforcement to best meet the needs of its citizens, limit program cost increases, and achieve better outcomes.

**Constitutional Protection**

The Governor is sponsoring an initiative to provide Constitutional protection for the revenue dedicated to 2011 Realignment. This initiative will also protect local government against future costs imposed upon them, as well as provide mandate protection for the state.

**Realigned Programs**

2011 Realignment gives counties the funding responsibility for:

- Substance Abuse Treatment programs
• Adult Protective Services
• Foster Care
• Child Welfare Services
• Adoptions and Adoption Assistance
• Child Abuse Prevention
• Mental Health Managed Care
• Early Periodic Screening, Diagnosis, and Treatment (EPSDT) Program
• Court Security
• Local Law Enforcement Programs (which include allocations for cities)
• Community Corrections Programs (Lower-Level Offenders, Parole, and Parole Violators)
• Juvenile Justice Programs

In addition, community mental health programs previously funded in 1991 Realignment are now funded by revenue dedicated for 2011 Realignment. The 1991 Realignment funding previously dedicated to mental health programs is allocated to a new Maintenance of Effort Subaccount in 1991 Realignment to cover costs of cash assistance grants to low-income families.

**Funding Model for Lower-Level Offenders, Parole, and Parole Violators**

As part of the implementation of AB 109, the Department of Finance developed a funding model based on assumptions about costs of activities for these offenders at the local level. For each category (parole violators, parolees, and local jurisdiction for lower-level offenders), an Average Daily Population was determined along with assumptions about average length of jail stays, program and treatment costs, and probation monitoring costs, as well as administrative costs. The California Department of Corrections and Rehabilitation developed month-by-month projections of persons on post-release community supervision and numbers of lower-level offenders in order to assist counties in planning for program needs.
The 2011-12 county funding allocation for this program was developed by the California State Association of Counties, working with county executive officers, using three factors—the estimates of the number of offenders who would be under the jurisdiction of each county, each county’s population between the ages of 18 to 64, and a county’s success under the felony probation program initiated under Chapter 608, Statutes of 2009 (SB 678).

The allocation for the community corrections programs was for 2011-12 only in order to gain more program experience before determination of a permanent allocation.

**Local Implementation of Community Corrections Programs**

Each county is required to have a Community Corrections Partnership, which is charged with developing an implementation plan to deal with the population serving their sentence at the local level. Most counties have completed their plans and offer a wide range of intermediate sanctions, supervision, and treatment options in addition to appropriate jail time. For example, counties can utilize Pre-Trial Release Programs with enhanced supervision, Day Reporting Centers, and flash incarceration in addition to providing behavioral health assessments and treatment, housing, and employment services. These intermediate sanctions and treatment services can help prevent the revolving door of the corrections system.

With only three months of information available, it is difficult to gauge exactly how numbers to date are tracking to 2011 Budget Act estimates on a county-by-county basis. The Administration will continue to work closely with counties to monitor and analyze the information to see if adjustments are necessary. This information will be useful in developing future allocations.

**2011 Realignment Funding**

The 2011 Realignment is funded through two sources – a state special fund sales tax of 1.0625 percent totaling $5.1 billion and $462.1 million in Vehicle License Fees (VLF).

Figure REA-01 identifies the programs and funding for 2011 Realignment.

At the time of the final Budget, the estimate for 2011-12 sales tax was $5,105.7 million. This estimate has been revised to $5,107 million. The 2011-12 VLF estimate at the time of budget enactment was $453.4 million. This estimate has been revised upward to $462.1 million. Pursuant to Chapter 40, Statutes of 2011, these funds are deposited into the Local Revenue Fund 2011 on an ongoing basis for allocation to the counties and are available only for the purposes of 2011 Realignment.
### 2011 Realignment Funding
(Dollars in Millions)

<table>
<thead>
<tr>
<th>Program</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14</th>
<th>2014-15</th>
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<td>Court Security</td>
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<td>Local Jurisdiction for Lower-level Offenders and Parole Violators</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Local Costs</td>
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<td>-</td>
<td>-</td>
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<td>Realign Adult Parole</td>
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<td></td>
<td></td>
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<tr>
<td>Early and Periodic Screening Diagnosis and Treatment</td>
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<td>Mental Health Managed Care</td>
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<td><strong>Total</strong></td>
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<td><strong>$5,816.3</strong></td>
<td><strong>$6,239.9</strong></td>
<td><strong>$6,719.9</strong></td>
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<td><strong>Total Revenues</strong></td>
<td><strong>$5,569.1</strong></td>
<td><strong>$5,816.3</strong></td>
<td><strong>$6,239.9</strong></td>
<td><strong>$6,719.9</strong></td>
</tr>
</tbody>
</table>

### Funding Structure for 2011 Realignment

Although the revenue stream for 2011 Realignment is ongoing, the program allocations were for the 2011-12 fiscal year only.

Following discussions with the California State Association of Counties, the Administration is proposing a permanent funding structure for 2011 Realignment.
for both base and growth funding. Figure REA-02 displays the proposed County Local Revenue Fund structure.

The funding structure is designed to provide local entities with a known, reliable, and stable funding source for these programs. Within each Subaccount, counties will have the flexibility to meet their highest priorities. Counties will be able to use their funds to draw down the maximum amount of federal funding for these programs. In those programs in which there are federal requirements, such as federal eligibility and statewideness, counties will be responsible for meeting those requirements and will be responsible for penalties if they fail to achieve them. The state is committed to assisting counties as appropriate if they need federal state plan amendments, waivers, or other flexibilities.

The following concepts were important in determining the components of the funding framework:

**Base Funding – Providing Stable Funding**

- The base in each Subaccount should not experience a year-over-year decrease. A statutory mechanism should be in place to deal with the possibility of a year’s base being short due to significantly reduced revenues.
- The timing of the program’s inclusion in 2011 Realignment and the implementation schedule should affect base funding for each program.
- The base should be a rolling base for each Subaccount; i.e., the base plus growth equals the subsequent year’s base.
- The 1991 Mental Health program should continue to receive revenue based on its 1991 formula.

**Growth Funding**

- Funding for program growth should be distributed on a roughly proportional basis, first among Accounts, and then by Subaccounts.
- Within each Subaccount, federally required programs should receive priority for funding if warranted by caseload and costs.
Figure REA-02
2011 Realignment Funding Structure

County Local Revenue Fund

Support Services Account
- Protective Services Subaccount
  - Foster Care
  - Child Welfare Services
  - Adoptions
  - Adoption Assistance Program
  - Child Abuse Prevention, Intervention, and Treatment
  - Adult Protective Services
- Behavioral Health Subaccount
  - Drug Medi-Cal
  - Drug Courts
  - Perinatal Drug Services
  - Non Drug Medi-Cal Services
  - Mental Health Managed Care
  - Early and Periodic Screening, Diagnosis, and Treatment

Law Enforcement Services Account
- Trial Court Security Subaccount
- Law Enforcement Services Subaccount
- Community Corrections Subaccount
- District Attorney/ Public Defender Subaccount
- Juvenile Justice Subaccount
- Youthful Offender Block Grant
- Juvenile Reentry Fund

1991 Mental Health Responsibilities

Ability to transfer up to 10% of the lesser subaccount between these subaccounts
Realignment

- Growth funding for the Child Welfare Services (CWS) program is a priority once base programs have been established. Over time, CWS should receive an additional $200 million.

Transferability

- To provide flexibility, counties should have the ability to transfer a maximum of 10 percent of the lesser subaccount between the Subaccounts within the Support Services Account.

- Beginning in 2015-16, there should be a local option to transfer a portion of the growth among Subaccounts within the Law Enforcement Services Account.

- Transfers should be for one year only and not increase the base of any program.

Reserve Account

To provide some cushion for fluctuations in future revenue, a Reserve Account should be established when Sales and Use Tax revenues exceed a specified threshold.

Continuing the Work of Moving Government Closer to the People

Ongoing Implementation of 2011 Realignment

The Administration is committed to a continued partnership with county officials for the successful implementation of 2011 Realignment. These efforts include:

Refocus State Efforts. The Administration is committed to a 25-percent reduction in the state operations of program areas that have been realigned. Both the Departments of Alcohol and Drug Programs and Mental Health reduced their program components by that amount before transferring functions to the Department of Health Care Services (DHCS). The new Division of Mental Health and Substance Use Disorder Services within the DHCS will provide appropriate state oversight and assistance for programs realigned to the counties.

The Department of Social Services will develop its 25-percent reduction plan upon county decisions regarding workload within realigned programs and based on federal requirements.
County Flexibility. The Administration continues to support efforts to increase the flexibility of counties in administering programs.

Ongoing Training for AB 109. The Budget proposes $8.9 million for a second year of training efforts related to the implementation of AB 109 programs. Of this amount, $1 million is for statewide training efforts. The remainder is for allocation to each Community Corrections Partnership so the Partnerships have sufficient resources to review and amend plans based on the first year of program experience.

Other 2011 Realignment Efforts. As issues arise that appear to be systemic in implementation, the Administration will work with county officials to address them. For example, the Administration will work with counties to develop improved treatment and housing options for offenders who are incarcerated and suffer from mental illness, as necessary.

Increased Local Flexibility for Schools
Increasing local flexibility and local decision-making is not just associated with counties. Over the past 30 years, the state also has made more and more decisions for local schools. The Budget proposes a weighted pupil funding formula to be phased in over the next five years. This will reduce the complexity and administrative costs for school districts and provides significant additional flexibility to local districts by consolidating funding for the vast majority of categorical programs and revenue limits into a single source. Current accountability measures will be used, along with locally developed measures, as the basis for evaluating and rewarding school performance under this new finance model.

Juvenile Justice Reform
One of the more successful efforts over the past 15 years has been the change in jurisdiction of juvenile offenders from the state to counties. Over the last decade, the number of wards in state juvenile facilities has decreased from over 10,000 to approximately 1,100.

The Administration wants to build on this success and eventually have the counties manage all youthful offenders. This effort must be done thoughtfully and carefully to provide the best placement and treatment options for these youth. The Budget proposes to stop the intake of new juvenile offenders to the Division of Juvenile Justice (DJJ) effective January 1, 2013. The DJJ’s population will gradually diminish through attrition.
The state is committed to providing the necessary resources and assistance to local governments for a successful transition. Recognizing that counties will need resources and support to secure appropriate placements and treatment options for additional offenders, many of whom need mental health and substance abuse treatment, the Budget proposes $10 million General Fund in 2011-12 for counties to begin planning for this population. To help with the transition and prevent the disinvestment of funds in juvenile justice at the local level, the state will delay collection of recently imposed additional fees for those wards housed in the DJJ.

**Phase 2 Realignment**

The implementation of Phase 2 of Realignment is linked to the ongoing discussion of how California will implement federal health care reform.

Under health care reform, counties will have a significant role in Medi-Cal eligibility determinations. The focus of the Phase 2 Realignment discussion with counties and others in the coming months will revolve around the appropriate relationships between the state and counties in the funding and delivery of health care as about two million additional people will shift from county indigent programs to the Medi-Cal caseload. Additional data are needed to inform decisions about implementation.

The discussion also will involve what additional programs the counties should be responsible for when the state assumes the majority of costs of healthcare.