



County of Santa Cruz

SUSAN A. MAURIELLO, J.D., COUNTY ADMINISTRATIVE OFFICER

701 OCEAN STREET, SUITE 520

SANTA CRUZ, CA 95060

(408) 454-2100 FAX: (408) 454-3420

TDD: (408) 454-2123

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BOARD OF SUPERVISORS

County of Santa Cruz

701 Ocean Street

Santa Cruz, CA 95060

1999 COUNTY LEGISLATIVE PROGRAM

Dear Members of the Board:

Each year your Board adopts a County Legislative Program which describes the County's legislative priorities for the upcoming legislative session. The report also presents the proposals of County departments, agencies, and individual Board members for County initiated legislation and for County supported legislation both at the State and federal level. In addition, the Legislative Program serves as the agenda for your Board's annual meeting with our State and federal representatives which will be held this year on December 14, 1998.

This annual legislative meeting provides an opportunity for your Board to discuss with our local legislators various issues facing the County for the coming year. The County is very fortunate to have representation both at the State and federal levels by legislators who are familiar with local government, and in particular county government, and we greatly appreciate their participation and active support of local government initiatives.

The 1999 State Legislative Session is anticipated to be an extremely interesting one. As your Board is aware, for the first time in 16 years, the State Legislature and the Governor's Office will be controlled by members of the same party which should reduce much of the partisanship that has frequently dominated State politics and which should, presumably, result in a different political agenda for the new millennium. In addition, a significant number of Legislators will be assuming their offices for the first time, and many of these individuals have local government experience. Counties are hopeful that there will be a greater understanding and support for county programs and issues.

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There is also much interest in the appointments that the Governor-elect will be making to various State agencies, boards, and commissions since the policies and practices of these agencies and recommending bodies have a direct impact on the day to day operations of county government. As local government representatives, we look forward to an interesting and productive 1999 Legislative session.

BACKGROUND ON CURRENT LEGISLATIVE ISSUES

As a result of the continuing healthy economy at both the State and federal levels, and because of strong support from the State Legislature, the 1998 Legislative Session was a relatively positive one for counties. Although counties were not successful in achieving a return of the property taxes that were "borrowed" by the State from local governments in the early 1990's, the positive economic conditions did allow for certain funding opportunities that targeted specific activities, such as juvenile justice programs, child welfare services, CalWorks, and trial court funding. Local governments were also relatively successful in negotiating an agreement on the reduction in the Vehicle License Fees (VLF) which was designed to avoid any loss in the transfer of these revenues to local governments.

Counties will continue to press, however, for a return of local discretionary revenues. As your Board is aware, the revenues available to counties are increasingly dedicated to specific services, making it continually more difficult to finance local needs. This financing limitation will become even more acute when the current positive economic climate declines and the continuing expenditure obligations of the State are fully implemented. In this regard, the State Legislative Analyst's Office has recently issued their economic and budget projections for the 1998-99 through 2003-04 fiscal years (Attachment 1). In this document, the Legislative Analyst explains:

*"Our initial assessment of the budgetary outlook for 1999-00 is in stark contrast to the past two years, when the State had significant budget surpluses. The main reasons behind this **change** are a less optimistic revenue outlook, higher than anticipated current year program costs, and significant expenditure increases that would occur under existing law in 1999-00."*

The Legislative Analyst warns that the current budget year will end with a reserve of only \$331 million and the next budget year will have a deficit in excess of \$1 billion under current law policies. Balancing the budget will require one-time or permanent adjustments to expenditures and revenues. Because of the reliance of counties on State financing for many of our major programs and mandates, and because of the history of the State's taking of counties' limited discretionary funds to finance its' shortfalls, the prediction of large operating deficits at the State level for the current and upcoming fiscal years is extremely troubling.

Counties will continue, however, to press for a return of local property taxes and to secure additional discretionary and program funding for critical needs, such as infrastructure repairs and improvements. We are optimistic that the new Governor and the Legislature will support these public policies that promote healthy communities through the local government service delivery system.

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1999 LEGISLATIVE PRIORITIES

The County's legislative priorities for 1999 will focus on the policies and programs that are responsive to public needs and that result in long term financial stability for counties. They expand upon the Legislative Strategy Priorities adopted by the California State Association of Counties (CSAC) at their November, 1998 annual meeting (Attachment 2) The priorities include:

- the return of property taxes and the equalization of counties' financial capacity;
- State participation in property tax administration costs;
- funding for infrastructure improvements, including roads and public facilities;
- Statewide water supply and demand planning;
- Flood control including Pajaro River levee repair and restoration;
- the development of welfare reform follow-up legislation that addresses the need for simplification and child care services;
- health care funding, including refinement of the Children's Health Insurance Initiative; and,
- the development of trial court funding follow-up legislation that clarifies the division of responsibility between the counties and the State.

We have included a brief overview of each of these areas as part of the Legislative Program,

Property Tax Return (ERAF)

During the 1998 Legislative session, there was some momentum for the return of property taxes to local governments that are being transferred annually to the Education Revenue Augmentation Fund (ERAF). Various options were considered including capping the growth on the transferred dollars and returning some of the base revenues. Unfortunately, the issue was once again wedged out of the budget negotiations in favor of the tax reduction package and education funding. There is renewed optimism for achieving some gains in this area based upon the Governor-elect's statements during the recent campaign which acknowledged that the State "stole" these funds from local governments and they should now be returned.

A related effort is under way to recapture dollars already shifted through the ERAF Mandate Test Claim filed with the Commission on State Mandates. Seventeen counties, including Santa Cruz County, joined in the test claim arguing that the property tax transfer created a reimbursable state mandate. Although predictably, the Commission recently ruled against the counties, it is anticipated that the **case** will be taken to court where there is potential for a more favorable ruling. No court date has been set at this time.

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In addition, the financial capacity of counties to address local problems needs to be equalized. Notwithstanding the uniform 1% property tax rate established by Proposition 13, the financial capacity of counties to address their own local needs and problems varies dramatically. The table below illustrates the disparity created by the current distribution of the local property tax.

County	% of Local Property Tax Retained by County
■ County of Santa Cruz	14%
■ San Francisco County	63%
■ San Luis Obispo	24%
■ Sonoma County	23%
■ County of Orange	6%
■ Statewide Average for Counties	18%

While all Californian's pay the same 1% property tax rate, there is great variation in the capacity of counties to provide services and solve problems at the local level. This inequity needs to be addressed and the financial capacity of counties to solve local problems equalized.

State Participation in Property Tax Administration Costs

As your Board is aware, the State does not currently participate in the costs for the administration of the property tax system with the exception of the loan funds allocated to counties through the AB 818 loan program which extends through fiscal year 2000-01.

At a recent CSAC meeting, the Legislative Analysts Office indicated that they support greater State participation in the property tax administration system. The LAO stated that they are aware of the current imbalance in the funding for the assessment, collection, and distribution of local property taxes which places a disproportionate burden on the counties who receive a minority share of the revenues. Counties receive approximately 18% of the property tax revenue yet pay over 70% of the administration cost since neither the State nor the schools contribute. CSAC will be actively working on legislation to secure the State's equitable participation in the property tax administration system beginning in 1999-00.

Funding for Infrastructure Improvements, Including Roads, Levees and Public Facilities

Virtually all California counties struggle with the level of funds that are available to address critical infrastructure needs including roads, drainage, bridges and public facilities. In Santa Cruz, the

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needs of our road system are well documented and we lack the financial resources to replace crumbling modular facilities which currently serve as courtrooms and offices. An investment in these local resources is essential.

Santa Cruz County has more than \$7 million in currently unscheduled storm damage repair and approximately \$20 million in needed rehabilitation and resurfacing projects. Some funds are anticipated to be available in the near term from new State Transportation Improvement Program (STIP) funding which will be allocated through the Santa Cruz County Regional Transportation Commission. Additional funding is essential, however, to address the County's deteriorating road network and provide for necessary storm damage repairs.

Your Board has established a regional task force for road reconstruction alternatives which is reviewing several options for local road and transportation funding. Supervisor Symons has also prepared a legislative request related to road rehabilitation and repair funding which is included in this report under the section titled Additional Proposals for County Support.

Statewide Water Supply and Demand Planning

Santa Cruz is not alone in its struggle to attempt to address the critical needs confronting our county in the water management arena. Salt water intrusion, overdraft, degradation of the rivers, streams and waterways are conditions that are found throughout California. Water agencies and local governments are pitted against one another to represent their interest and confront competing needs that are rarely able to be fully addressed at the local level. While we consider ourselves strong advocates of local control, the systems for resolving regional issues must be clear. In the case of water resources and demand management, it is not. Some thoughtful statewide leadership on these issues would be welcome.

Flood Control

Managing flood risks is a difficult task for local governments, particularly when the watershed crosses several counties' jurisdictional lands and the risks disproportionately impact one or more counties. This is precisely the case here in Santa Cruz, where the development and land use policies in Santa Clara and San Benito counties dramatically increase the risks to Santa Cruz, a downstream county. Yet there has been no effective means of compelling the upstream counties to share in the cost burden associated with the heightened protections needed downstream. Statewide leadership on this matter is also needed.

A discussion of the specific needs of Santa Cruz County relative to the Pajaro River is included under the Proposals for County Sponsorship.

Welfare Reform

As your Board is aware, the Human Resources Agency has been actively working on the implementation of welfare reform in Santa Cruz County and has been participating in statewide efforts with the County Welfare Directors' Association (CWDA) and CSAC to advocate for follow-up

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legislation that would provide for program simplification and additional child care funding for CalWorks participants.

Unfortunately, there was minimal success during the previous session to make needed changes to the CalWorks program although the dialogue on these issues raised awareness of the gaps in the current program. CSAC and CWDA are optimistic that the new administration will be supportive of changes that are necessary for counties to assist families in moving to and maintaining self-sufficiency.

Trial Court Funding

The Trial Court Realignment Act of 1997 was a major shift of financing responsibility. As with welfare reform and health and welfare realignment, this significant realignment program will require several years of clean-up legislation to effectively address the gaps and ambiguities in the original implementing legislation. CSAC will continue to advocate for legislation to clarify the roles of the court and counties in certain areas, such as revenue distribution, liability, and the definition of court operations. County staff will be actively participating in these discussions as part of the CSAC Trial Court Funding Working Group.

Health Care Funding

There are several health care proposals that the County will be advocating in the upcoming legislative session, including stabilization of health funding, modifications to the children's health care insurance program and community disease management. These proposals are detailed in the section of this report titled Proposals for County Support.

SPECIFIC LEGISLATIVE PROPOSALS

In addition to the major budget related issues discussed above, there are several legislative proposals that would assist the County financially and operationally.

PROPOSALS FOR COUNTY SPONSORSHIP

Domestic Partners Health Benefit Coverage

The Personnel Department has requested that the County sponsor legislation which would authorize PERS contracting agencies to include domestic partners as family members for health benefits. A similar bill, SB 2061, passed the legislature in 1994 and was vetoed by Governor Wilson. In the 1995-96 legislative session, AB 1209, introduced by Assembly member Wally Knox, and SB 1159 by Senator Tom Hayden would have accomplished the same purpose, but were unsuccessful. During the last session, AB 427 by Assembly member Knox, was introduced and would have authorized domestic partner election with the PERS Public Employees Health and Medical Care Act program. Unfortunately, this bill was also unsuccessful.

An SEIU Management Committee created by the current contract continues to be supportive of efforts by the County to secure passage of domestic partners recognition by PERS for its benefit

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programs. With the continued support of the PERS Board and the Legislature, the Governor-elect may be more supportive of these proposals than his predecessor. Your Board has consistently supported legislative efforts for several years to provide this coverage.

Cold Weather Emergency Shelter Program

As your Board is aware, legislation authorizing the use of the National Guard armories for the cold weather Emergency Shelter Program will sunset in March of 1999 and no State funding currently exists for these services. Although local governments are working cooperatively to develop new options for emergency shelter services, there are significant locational issues and financing constraints that may preclude finding adequate alternative sites to the National Guard armories.

During the fall and winter months, the Santa Cruz County Emergency Shelter Program operated by the Interfaith Satellite Service Program (ISSP) provided more than two thirds of the emergency shelter beds available in the County. The Santa Cruz National Guard Armory contributes the majority of the shelter capacity for this program which is the ultimate safety net for homeless people in Santa Cruz County. According to information provided by the Shelter Project of Santa Cruz County, over 60% of homeless males are veterans. The availability of the National Guard Armory for winter shelter is critically important. Without the 128 beds provided at the armory, hundreds of persons in Santa Cruz County would have no access to emergency shelter during the cold and rainy winter months.

Under current law, the armories will cease to be available after March 15, 1998. New legislation to extend the program is an urgent priority for the County of Santa Cruz. In addition, last year for the first time, the State transferred all of the costs for providing winter shelter to local communities through a reduction of the total amount of Emergency Housing Assistance Program Funds statewide and the loss of special set aside funds to assist communities in the costs of using National Guard Armories (\$595 per night in FY 98/99). Funding for the establishment of permanent emergency shelter facilities was also eliminated from the State budget this year.

The County's legislative proposals request continued availability of the armory, as well as funding for ongoing operations and permanent facilities:

- 1) Armory Availability Make National Guard armories available for use as winter emergency homeless shelters as long as the need continues to exist, or at least through 2002. Allow each local National Guard Armory to negotiate rental costs and other requirements with local jurisdictions.
- 2) Emergency Shelter Funding Increase the funds allocated for EHAP-VII from \$2 million in FY 98-99 to a minimum of \$10 million. Provide \$1 million as a special allocation for communities who need assistance with armory costs.
- 3) Permanent Homeless Shelter Facilities Allocate a minimum of \$30 million for the lease, renovation, construction or acquisition of facilities for permanent year-round emergency shelters.

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The legislative proposals outlined above are consistent with legislative actions currently being developed by Housing California, a housing advocacy organization. Counties and cities who have participated in discussions and would likely support this proposal include Riverside, San Bernardino, Santa Clara, San Mateo, Merced, San Jose and San Luis Obispo. Housing California is currently collecting data from these jurisdictions to document the unmet need for emergency shelter in support of proposals for increased funding. Thirteen counties currently use National Guard armories for emergency shelter and are likely to be supportive. CSAC has supported past proposals and the County has received consistent and strong support from our local representatives.

Your Board has consistently supported legislative efforts to continue use of the armories for shelter programs.

Emergency Courthouse Construction Funds

We are recommending that the County sponsor legislation that would provide for emergency financial assistance to replace the deteriorating modular court facilities. There is currently limited funding available at the local level to address these replacement costs and there is currently no State funding allocated for this purpose. During the previous session, SB 2195 was introduced by Senator Bill Lockyer which would have provided a State General Fund appropriation to address critical facility needs such as exist in Santa Cruz County. Although this bill was held in committee it provided increased awareness of the need to address high priority courthouse construction funding.

The County is currently in the process of planning for a replacement court facility but will require State funding assistance to complete the project. A preliminary cost estimate will be determined after the initial programming and design phase. Local matching funds have been identified to provide for a County share of cost and have been set aside for this purpose.

Juvenile Hall Booking Fee

As your Board is aware, Santa Cruz County juvenile arrests, Juvenile Hall admissions and the average daily population at the Juvenile Hall have steadily increased during the last decade. For 1996, the last year for which comprehensive CYA juvenile data was available, Santa Cruz County- which ranks 24th in terms of juvenile population- ranked 9th among counties for juvenile arrests, 10th in admissions to the Juvenile Hall, 10th in misdemeanor and status offender arrests, 14th in felony arrests and 14th in average daily population at the Juvenile Hall. These rankings are based on rates calculated by using each county's juvenile population.

The sheer volume of activity in the Juvenile Justice system creates many problems for the County. Once a juvenile has been arrested and entered the system, the costs of prosecution, defense, pretrial detention, medical care, and rehabilitation programs are borne primarily by the County general fund, County Proposition 172 funds, and custodial charges to parents. These costs have grown significantly during the past several years as population in the Juvenile Hall has increased and staffing and other operational costs have been added.

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The County's legislative proposal would expand to juvenile arrests the current law that authorizes an Administrative Services fee for adults who are arrested and brought to the main jail for booking. The proposal would also provide for the recovery of these charges by jurisdictions from parents of juveniles consistent with the cost recovery program currently authorized for adults.

The Administrative Services fee for adult bookings, commonly referred to as the booking fee, was implemented by the Legislature in 1991. Since its implementation, the number of bookings at the County's main jail has declined from approximately 22,000 in 1990 to approximately 12,000 in 1994, a decrease of 43%. For 1997, bookings totaled approximately 14,000. Other counties have also experienced significant decreases in adult bookings since the implementation of the booking fee.

The County's proposal for a juvenile booking fee could be implemented as a pilot project if necessary. The Juvenile Hall booking fee proposal is supported by the Chief Probation Officer.

State Matching Funds for Army Corps of Engineers Pajaro River Flood Control Project

The County of Santa Cruz and the City of Watsonville are working cooperatively, through Zone 7 of the Santa Cruz County Flood Control and Water Conservation District, with the United States Army Corps of Engineers to develop a high level flood control project for the Pajaro River. Such a project would benefit many residents in both Santa Cruz and Monterey Counties. Current Army Corps levees along the Pajaro River only provide low level protection for floods with less than approximately a 20 year return frequency. Consequently, frequent and devastating flood events, such as that which occurred most recently in 1997, can be expected to continue until a high level, 50 to 100 year, flood control project can be designed and constructed.

The Army Corps is currently completing an economic Feasibility Study to determine if a high level flood control project would have a positive cost benefit. Very preliminary cost estimates for a 100 year project is approximately \$100 million. We are confident that the Feasibility Study will recommend proceeding with a Preliminary Engineering Study to identify project alternatives and cost estimates. Ultimately, under the Army Corps program, state and local agencies will be responsible for a share of project design and construction costs.

While Zone 7 was established to provide local match funds, it does not have the ability to provide the full \$50 million which will likely be required. In the past the State of California has assisted local governments with-match funds in situations such as this. We are therefore requesting that the legislation be sponsored to assist with local match requirements associated with the design and construction of an Army Corps Project along the Pajaro River within Santa Cruz and Monterey counties.

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ADDITIONAL PROPOSALS FOR LEGISLATIVE ACTION

Supervisor Wormhoudt has submitted the following proposals for State legislative action:

- **Adolescent Drug Treatment Facility**

The County should seek State funding to establish an experimental youth drug treatment facility. County staff, at the Board of Supervisors direction, is currently preparing a feasibility study of such a facility and there is widespread community recognition that the need is great. The facility would fill a significant gap in the range of drug treatment options available and State funding may be key to a successful program.

- **Timber Harvesting**

Legislation should be introduced to change the membership of the State Board of Forestry to include environmentally oriented representation. At this time the State Board is too tied to the industry and, therefore, is not able to regulate them in an independent and objective manner. Greater representation from the environmentalist community would provide better balance to the decisions they make.

- **Agricultural Land Preservation**

Legislation should be sought to increase the difficulty of annexing prime agricultural land to cities for urban development. In particular, the legislation should provide that when city and county general plans are in conflict regarding the desirability of annexing prime agricultural lands, such lands should not be annexed without a super majority vote on LAFCO. Under current law, large areas of prime agricultural lands being converted to urban uses through annexation to cities with the acquiescence of LAFCOs. Greater protection under the law is needed to present the continued whittling away of the State's agricultural resources.

Supervisor Symons has submitted the following proposal for legislative action:

- **Road Rehabilitation and Maintenance Funding**

Since the passage of Senate Bill 45, the process for distributing state funds has fallen to local jurisdictions. The spirit of the law is excellent; however, it appears that various jurisdictions throughout the state interpret the tenets of SB 45 differently. County Public Works officials have indicated in the past that the California Transportation Commission is not opposed to the presence of minor ambiguity in the law because it allows jurisdictions even greater flexibility. However, in Santa Cruz County such ambiguities with regard to road rehabilitation and maintenance are often interpreted in a way that works against the County. I would like to see the law, as it pertains to road rehabilitation and maintenance, clarified if it has not been already.

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Recently, the Regional Transportation Commission voted to increase the amount set aside for road rehabilitation in the Surface Transportation Program from 25% to 35%. This is an example of the things that the County needs to push the Commission to do. Although the increase is a step in the right direction, the amount is truly nominal compared to the cost of work to be done.

The County must find some way, other than asking the voters to further tax themselves, to access a greater portion of local, state and federal money for road maintenance and rehabilitation.

- **Amendments to Senate Bill 329 Relatina to Feral Pigs**

I request that the County support an amendment to SB 329, Senator McPherson's Feral Pig Bill, that would allow the average land owner to take wild pigs in the manner currently afforded to owners of agricultural land.

Feral pigs are a continual problem for land owners in the rural areas of the county, but not all of the affected parcels have an agricultural designation. The pigs do present a danger to humans and their unchecked numbers appear to have some environmental consequences as well.

The State Department of Fish and Game allows owners of agricultural land to use artificial light to hunt pigs. I am asking that this provision be extended to other landowners. I am also asking that we support an amendment to SB 329 allowing any landowner to trap the pigs and that the non-native animal's classification be changed from game animal to pest.

The following proposals are those submitted by County departments that we would request our local State and federal legislators to support if introduced in the upcoming legislative sessions. The State proposals will generally be sponsored by another agency or Statewide organization, such as CSAC or an affiliate organization.

Sheriff- Coroner**Federal Leaislation**

- ♦ **COPS Proaram**

The Sheriff is requesting legislative support for continuation of the Federal COPS program which has provided funding for front line law enforcement and needed equipment. Additional needs include enhanced staffing for community policing programs and additional support for the County's "COPS More '98" Technology Grant application for patrol in-car computing. Since the County was unsuccessful in the first round grant awards, additional support from our federal representatives is requested for this important project.

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Health Services Agency

State Legislation

◆ Modification of the Healthy Families Program

In 1998, the State launched the Healthy Families program. With much fanfare and publicity, this program was offered to the citizens of California. Unfortunately, the program as currently designed is ineffective leaving many needy and eligible families unserved.

Legislation is needed to simplify the eligibility and sign-up process. Other states have demonstrated that simple presumptive eligibility, taking eligibility to 200% (in some states, 300%) of the poverty level, extending coverage to parents in certain circumstances, and a variety of creative approaches can be achieved through direct negotiations with the federal government or by waiver requests on behalf of California.

California has estimated that less than one-half of the available federal allocation would be spent in the current year due to low enrollment. CHEAC, the County Health Executives Association of California, has prepared a series of recommendations and positions which can serve as a foundation for revamping the Healthy Families program and which will be forwarded to our legislators. For counties like Santa Cruz with a high proportion of children to total population and with a high proportion of children living in poverty, this is an important opportunity for the community and our legislators to move forward in a position of leadership to assure that the highest priority is given to insuring children.

◆ Public Health Infrastructure

Legislation was passed in the 1998 session that would have provided a modest increase in financial support for the public health infrastructure. The bill by Assembly member Debra Ortiz, which had an appropriation of \$7.7 million was unfortunately vetoed by the Governor. Santa Cruz' share of this legislation of approximately \$50,000 was anticipated to be used to increase medical epidemiology staff. This is the kind of support that is critical for small to medium-sized counties to be able to manage disease control at the local level.

In a community like this where agricultural products move directly to the consumers, the potential for a major devastation of both the health and the economic viability of the community is always present. These potential difficulties can be often staved off by having a clear local understanding of what is emerging from the various agricultural and food service sources, and being able to operate in a pro-active fashion to assure that a reasonable balance exists between economic viability and consumer protection.

◆ Convert Medicaid Services for Alcohol & Drugs from "Clinic Option" to "Rehab Option"

During the last legislative session, the Governor signed SB 2015, Chapter 389 which directed the State Department of Alcohol and Drugs and the State Department of Health Services to study the pros and cons of changing the state's Medicaid plan to allow federal Medicaid reimbursement for alcohol and drug treatment services under the "Rehab" option.

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This Medicaid option covers many more treatment services than the state's current plan, allows expanded federal reimbursement using existing state and local matching dollars, and is community based rather than clinic/facility based. Given the County's pressing needs for drug treatment services for adolescents, this expanded Medicaid reimbursement would provide additional funding for these types of services.

Legislation should be supported to add these expanded services to the state's Medicaid plan by July 1999 when the study is complete.

◆ Parity Legislation for Mental Health Insurance Coverage:

Twice in the last two sessions legislation was passed to require insurance carriers issuing policies in California to provide mental health coverage with the same co-payments and deductibles as for physical disorders. This change has a 2% impact on premiums, but provides a critical safety net for families where children or adults have psychiatric treatment needs. The Governor recently vetoed this legislation saying he did not want to increase insurance payments for employers.

This legislation will be re-introduced next session and is in place in many states. It would have a major local benefit in that insurance companies would provide better coverage for patients who now turn to county programs to provide their mental health services thus creating increased pressure on limited local dollars. This legislation would maintain more patients in the private sector for both coverage and service provision.

◆ Funding for Supported Housing

During the past legislative session, AB 2737 (Aroner) was passed which creates the supportive Housing Program Council to assist the State Department of Mental Health in implementing the Statewide Supportive Housing Initiative which encourages development of new housing resources with supportive services. Unfortunately all the funding for new housing in AB 2737 was blue penciled by the Governor. Local housing resources for seniors and disabled populations on fixed SSI payments are extremely difficult to access in the Santa Cruz housing market. Without safe, affordable housing, individuals with mental disabilities have a difficult time remaining stable. Many end up homeless or living in housing with almost no extra money for food and basic needs. This lack of access to affordable housing results in increased inpatient costs and a revolving door which impacts County funds. State funding is needed for AB 2737 services.

◆ Support Legislation to Allow Disabled to Receive Medical When They Return to Work

Federal Medicaid law allows states to change its' Medicaid plan to allow disabled individuals who return to work to keep Medical up to 250% of poverty. Legislation to implement this policy was introduced this last session (AB 20 Migden), passed by the Legislature, but was vetoed by the Governor. This is critical legislation for disabled individuals to have the incentive to return to work, knowing they can care for their health needs. Medication costs alone, not covered by many insurance plans, would make working impossible without

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Medical for many disabled individuals. It is anticipated that this legislation will be reintroduced and should be actively supported.

Federal Legislation

◆ Oppose Cuts or Caps on Medicaid Funding for the States/oppose Mandatory 2 Plan Models for High Risk Medicaid Populations

California remains 51st in the nation in Medicaid expenditures per eligible. Cuts and caps to the Medicaid program do not allow California's Health care system to try to increase funds and services to safety net clients. Medicaid funding is the primary funding source for rural clinics under the FQHC program, for which the federal government is already phasing out funding. Federal proposals to limit benefits or cap Medicaid dollars should be opposed since these proposals put safety net services at risk in mental health, alcohol and drugs, primary care, emergency care, and long term nursing care.

◆ Medicare Coverage of Partial Hospitalization Services within Community Mental Health Centers

Current legislation allows Community Mental Health Centers (CMHC) to bill for Medicare Partial Hospitalization Services. However, only 20 states have legal definitions that specify the CMHCs for that state. Because of this omission, many states have had problems with fraud and abuse by CMHCs that have not followed the program rules and have not provided needed care, while at the same time overbilling the federal government. This has happened in Florida, Texas, Pennsylvania, and Alabama. HCFA is proposing major changes to the law to remedy this abuse and legislation will be introduced to address this problem in the next Congress. It is strongly recommended that the following proposals be considered in this legislation:

Modifications should include certification requirements for CMHCs, expansion of medical review and technical assistance, specific regional approaches to combating fraud and abuse, and parity with hospital providers relative to documentation, site reviews and audits. CMHCs are a critical part of the public safety net for elderly and disabled clients and should be protected. In some areas of California, these are the only providers available for persons with Medicare coverage.

Human Resources AgencyState Legislation

◆ Medi-Cal Simplification

Legislation should be supported to simplify the State Medi-Cal programs to ensure that adequate health insurance is made available to those eligible. Legislation to simplify Medi-Cal should include:

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- uniform treatment of property for families and individuals
- one methodology for treatment of income and budgeting
- percentage programs combined into one program
- streamlining reporting requirements
- elimination of deprivation
- eligibility determination done by phone and mail process as well as face-to-face interviews
- extended eligibility for up to one year
- Healthy Families applications processed by and eligibility determination made by counties

Due to the cumbersome application and/or renewal processes many do not apply or renew. This is especially true for senior citizens. In addition, Healthy Families applications statewide and in Santa Cruz County are much lower than expected due to the lengthy application process.

◆ Residential Care Facilities for the Elderly (RCFE)

Many counties face the problem of limited access to RCFE beds for SSI recipients. This is particularly true in Santa Cruz County due to high real estate values. In the past year a significant number of SSI beds have been lost when facilities changed ownership. The Human Resources Agency is requesting support for an increase in the SSI rate for RCFE's. Although this proposal would have fiscal implications, the costs to other programs such as IHSS, APS, and LTC Medi-Cal and Medicare would be reduced.

◆ California Earned Income Tax Credit

This proposal would create the California Earned Income Tax Credit program modeled after the Federal Earned Income Tax Credit program, which provides a refundable tax credit to low and lower income wage earners. This legislation would potentially benefit many County residents, especially those who work seasonally or part-time and would also assist CalWorks recipients in making the transition from assistance to unsubsidized employment since it will provide additional disposable income to new wage earners with families. In the last legislative session, AB 83 was introduced by Assembly Member Villaraigosa which would have created a California Earned Income Tax Credit in an amount equal to 15% of the amount allowed as an earned income credit on a taxpayer's federal tax return. This proposal, and a companion bill, SB 43 by Senator Solis were unsuccessful as part of the California CalWorks legislative compromise but should be reintroduced and supported in the new legislative session.

◆ Adjustment of Community Care Group Home Rates

Legislation to adjust community care group home rates is being proposed by the County Welfare Directors Association, Children's Bay Area Committee, Bay Area Chief Probation Officers, and Bay Area Children's Mental Health Directors. Assembly Member Aroner's office has been involved in preliminary discussions on this issue. The legislation would

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establish new group home rates for high-need children to include the cost of mental health services, extra supervision, and intensive care. Currently, counties pay for these additional services through county-only funded "patch" payments. Legislation is needed to make rates and service levels consistent throughout the State, and to ensure State and Federal cost-sharing.

◆ Medical Coverage for Foster Children Moving Between Counties

When children are placed in foster care outside of their home county, problems are frequently encountered in accessing medical care because the county of origin's health coverage is not necessarily consistent with coverage in the county of placement. This may result in delays in treatment, medication, and other necessary services. In the last legislative session, Assembly Member Aroner proposed legislation (AB 2598, the Foster Children's Health Care Services Act) to address this problem by establishing statewide mandates for health coverage for foster children. The bill was vetoed by the Governor but is anticipated to be re-introduced in a revised form in the new session and should be supported..

Federal Legislation

◆ Medi-Cal Eligibility for Legal Immigrants

Federal legislation is needed to clarify that application and receipt of Medi-Cal benefits for legal immigrants applying for citizenship or their legal children will not interfere with their citizenship application. In addition, consistent application of such regulations by the INS, along with an educational media campaign is needed. Many legal immigrants do not apply for Medi-Cal benefits for their legal children for fear that receipt of such benefits will hinder the approval of their citizenship application. As a result, many Medi-Cal eligible children are going without available and essential health care coverage.

Santa Cruz Public Library

Several legislative proposals have been submitted by Anne Turner, Director of Libraries for Santa Cruz County. We believe that these are all worthy of your Board's support and have included the Library's submittals as Attachment 3 of this report. These proposals will be considered by the Library Board on Monday, December 7, 1998.

SUMMARY AND RECOMMENDATIONS

We are pleased to present our 1999 Legislative program to our State and federal representatives and we acknowledge them for their tremendous leadership on legislative issues that are critical to the County's financial health and operational stability. We also want to acknowledge the fine work of our County departments who continue to be active participants in the State and federal legislative process. We also look forward to working cooperatively with CSAC and other State and federal associations on the many issues that are presented in this annual legislative report.

1999 COUNTY LEGISLATIVE PROGRAM

It is therefore Recommended that your Board consider the 1999 Legislative Program and subsequent to your Board's review and approval, forward the program to our State and federal representatives and to our State and federal associations for their consideration.

Very truly yours,



SUSAN A. MAURIELLO
County Administrative Officer

SAM:CHG:s:99legprog

cc: Each Department Head
Senator Barbara Boxer
Senator Dianne Feinstein
Representative Sam Farr
Senator Bruce McPherson
Assembly member Fred Keeley
Assembly member Peter Frusetta
California State Association of Counties
National Association of Counties

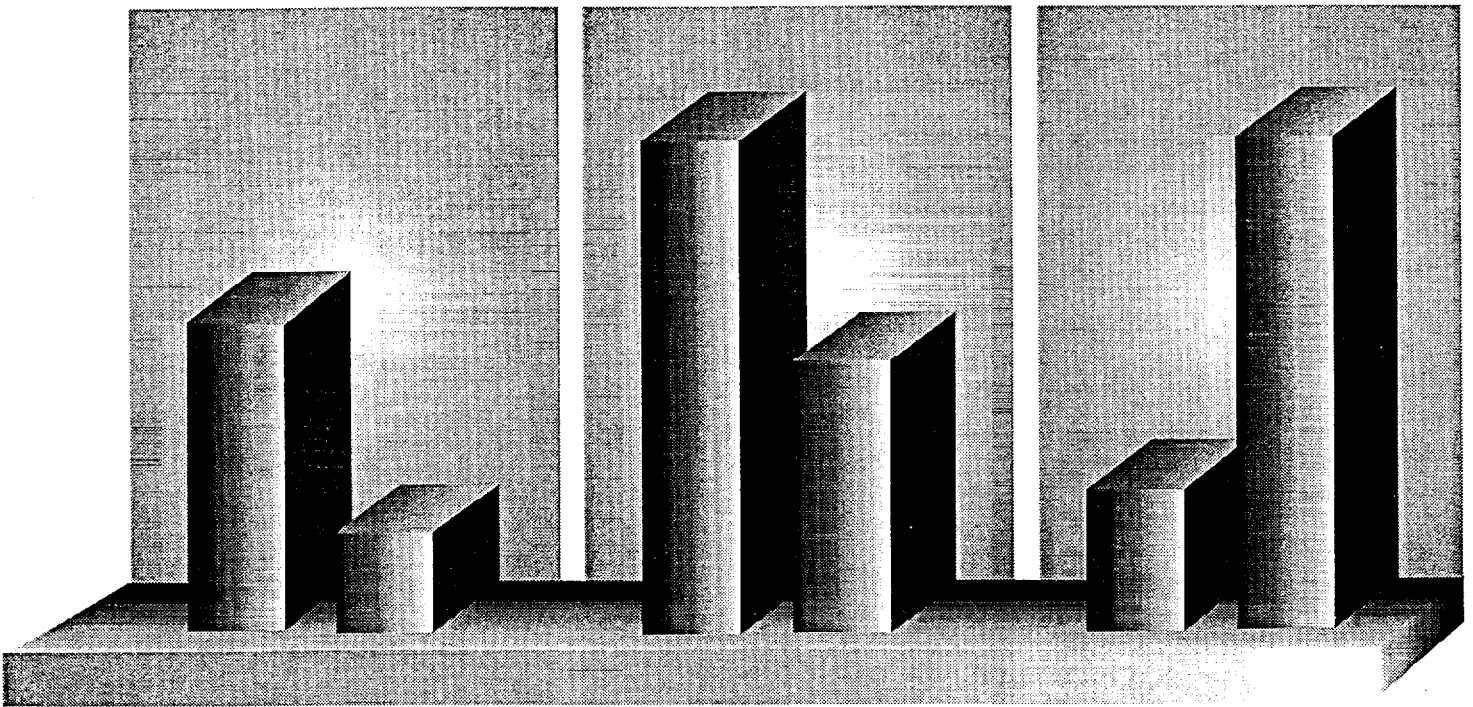
ATTACHMENT 1

CALIFORNIA'S FISCAL OUTLOOK
THE LAO'S ECONOMIC AND BUDGET PROJECTIONS

19

California's Fiscal Outlook

The LAO's Economic and Budget Projections



33

Foreword

This report provides our projections of General Fund revenues and expenditures for 1998-99 through 2003-04. It includes our independent assessment of the outlook for the economy, demographics, revenues, and expenditures. It is designed to assist the Legislature with its fiscal planning.

Chapter 1 contains our principal findings and conclusions. Chapter 2 presents our economic and demographic projections, Chapter 3 our revenue forecasts, and Chapter 4 our expenditure projections.

Our fiscal projections reflect current-law spending requirements and tax provisions. They are not predictions of future policy decisions by the Legislature, nor are they our recommendations as to what spending and revenue levels should be. The report is part of an ongoing series and is updated periodically.

Chapter 1

The Budget Outlook

In striking contrast to the past two years, when strong revenues provided funds for both tax relief and significant spending increases in education and other program areas, our projections indicate that 1999-00 will be a difficult year. In fact, significant budgetary adjustments will be needed to keep the General Fund budget in balance. Figure 1 summarizes our key findings, while Figure 2 (see page 2) presents our estimates of the state's General Fund condition.

As indicated in these two figures, we estimate that the current year will end with a reserve of \$331 million, or \$828 million less than the 1998-99 *Budget Act* estimate of nearly \$1.2 billion. With regard to the budget year, we estimate that expenditures will exceed revenues by nearly \$1.4 billion, leading to a 1999-00 year-end deficit of over \$1 billion absent corrective actions. Our longer-term forecast of revenues and expenditures indicates that the imbalance between revenues

and expenditures will persist beyond the budget year, under current-law policies.

Figure 1

Key Findings of the LAO Outlook



Difficult Budgets Ahead

- Current-year reserve projected to be \$331 million-down from the nearly \$1.2 billion estimate contained in the 1998-99 *Budget Act* (as adjusted for post-budget actions).
- Budget shortfall of \$1 billion emerges in 1999-00, absent corrective actions.
- Under existing policies, budgetary shortfalls would persist into the future for several years.



What's Happened?

- Current Year-\$828 million deterioration, largely reflecting lower revenues and higher state costs.
- Budget Year-Expenditures exceed revenues by \$1.4 billion, partly due to new spending commitments and slower economic growth.
- Out Years-Although revenues are likely to grow faster than spending, it would take several years to close the budget gap.



Implications

- A budgetary gap will need to be addressed in 1999-00.
- The solution will require some ongoing, as opposed to solely one-time, budgetary adjustments.

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Figure 2

LAO Projections of General Fund Condition

1997-98 Through 1999-00
(In Millions)

	1997-98	Forecast	
		1998-99	1999-00
Prior-year fund balance	\$907	\$2,530	\$776
Revenues and transfers	54,993	56,498	59,706
Total resources available	\$55,900	\$59,028	\$60,482
Expenditures	\$53,370	\$58,252	\$61,075
Ending fund balance	\$2,530	\$776	-\$593
Other obligations	\$445	\$445	\$445
Reserve	\$2,085	\$331	-\$1,038

Our initial assessment of the budgetary outlook for 1999-00 is in stark contrast to the past two years, when the state had significant budget surpluses. The main reasons behind this change are a less optimistic revenue outlook, higher than anticipated current-year program costs, and significant expenditure increases that would occur under existing law in 1999-00.

KEY FEATURES OF THE LAO OUTLOOK

The Economy and Revenues

Economic Outlook. The 1998-99 budget adopted last summer was based on the administration's economic projections for 1998-99 and beyond, which assumed continued strong growth in the economy and healthy stock market-related increases in capital gains revenues. Current economic trends, while clearly more positive than a month or two ago, still suggest that Asia's economic problems and mixed performance in the U.S. stock market will lead to

more restrained economic increases than the administration assumed last May—particularly in late 1998 and early 1999. Specifically, we project that California personal income growth will slow from 6.8 percent in 1998 to 5.2 percent in 1999, before partially rebounding to about 5.5 percent in 2000. These estimates compare to the administration's earlier projected increases of 7.2 percent, 5.7 percent, and 5.0 percent, respectively.

Revenue Outlook. We forecast that General Fund revenues will increase from \$55 billion in 1997-98, to \$56.5 billion in 1998-99, and \$59.7 billion in 1999-00. Our updated projections take into account the effects of the slowdown in California's economy as well as the impacts of the tax relief packages enacted in both 1997 and 1998. Together, these packages will lower revenues by \$1.4 billion in both the current and budget years.

Our updated revenue estimate for 1998-99 is nearly identical to our May 1998 estimate (as adjusted for the 1998 tax relief package that was adopted after our May estimate was prepared). However, it is down \$485 million from the administration's 1998-99 *Budget Act* forecast. For 1999-00, our current revenue forecast is \$173 million below our May projection, and is down by \$1.2 billion from the administration's estimate. Our lower revenue forecast relative to the administration's reflects our expectation of slower income growth in California. It also reflects the impact of the stock market's recent losses on such factors as bonuses, stock options, and investment earnings, all of which have contributed to the major revenue gains experienced in recent years.

Over the longer term (from 1999-00 through 2003-04), we project that total General Fund revenues and transfers will increase by about 5.7 percent per year, or roughly similar to statewide personal income growth.

Additional VLF Reductions Not Triggered. As discussed in Chapter 4, the Vehicle License Fee (VLF) tax reduction measure passed earlier this year provided for a 25 percent reduction in the VLF rate. This measure specified that additional VLF reductions could occur beginning in 2000-01, if revenues exceed the Department of Finance's May 1998 revenue forecast by at least \$1.5 billion. Our long-term revenue forecast remains well below the trigger threshold through the forecast period. Thus, based on our projections, additional VLF reductions would *not* be triggered.

Updated 1998-99 Budget Outlook

The 1998-99 *Budget Act*, as adjusted for post-budget legislation, assumed total revenues of \$56.4 billion, expenditures of \$57.8 billion, and a year-end reserve of \$1.2 billion. Compared to the budget act, our estimate of current-year revenues is *down* \$485 million and our estimate of current-year expenditures is *up* \$493 million. Together, these two factors primarily are responsible for an \$828 million reduction in the reserve, down to \$331 million.

On the *revenue* side, most of the difference from the budget act relates to our lower estimate of personal income taxes, which in turn reflects our less optimistic assumptions about personal income growth and capital gains levels in 1998 and 1999.

On the *expenditure* side, \$316 million of our higher costs are due to the Medi-Cal program, which is being affected by higher caseloads, a court injunction requiring continued payments for prenatal benefits to undocumented immi-

grants, and provider rate increases. Other factors raising current-year expenditures include reduced federal reimbursements for social services and corrections programs, likely increases in fire suppression costs, and increased local property tax administration reimbursements.

Budgetary Outlook For 1999-00

Basis for Our Estimates. Our revenue and expenditure forecasts for 1999-00 and beyond are based primarily on the requirements of *current law*. Specifically, we have adjusted the 1998-99 spending plan for constitutional and statutory funding requirements, as well as for projected changes in caseloads and inflation factors. For example, we have increased K-14 education funding in line with the Proposition 98 minimum funding guarantee. Spending for higher education is adjusted each year for projected changes in enrollments and inflation. Our estimates for California Work Opportunity and Responsibility to Kids (CalWORKs) and Supplemental Security Income/State Supplementary Program (SSI/SSP) incorporate cost-of-living adjustments (COLAs), as provided for in the 1998-99 *Budget Act* and trailer bills. With regard to state employee compensation, we have included costs associated with the bargaining agreements reached with the four bargaining units to date. We also have included additional COLA adjustments for all state employees equal to inflation for 1999-00 and subsequent years.

Our fiscal estimates are **not** predictions of what the Legislature and Governor will adopt as policies and funding levels in coming budgets. Nor are they our recommendations of what tax and spending policies ought to be. Rather, our estimates are a baseline projection of what would happen if current policies were allowed to run their course. We believe that by using this approach, our forecasts provide a meaningful starting point for the Legislature's evaluation of the state's fiscal condition.

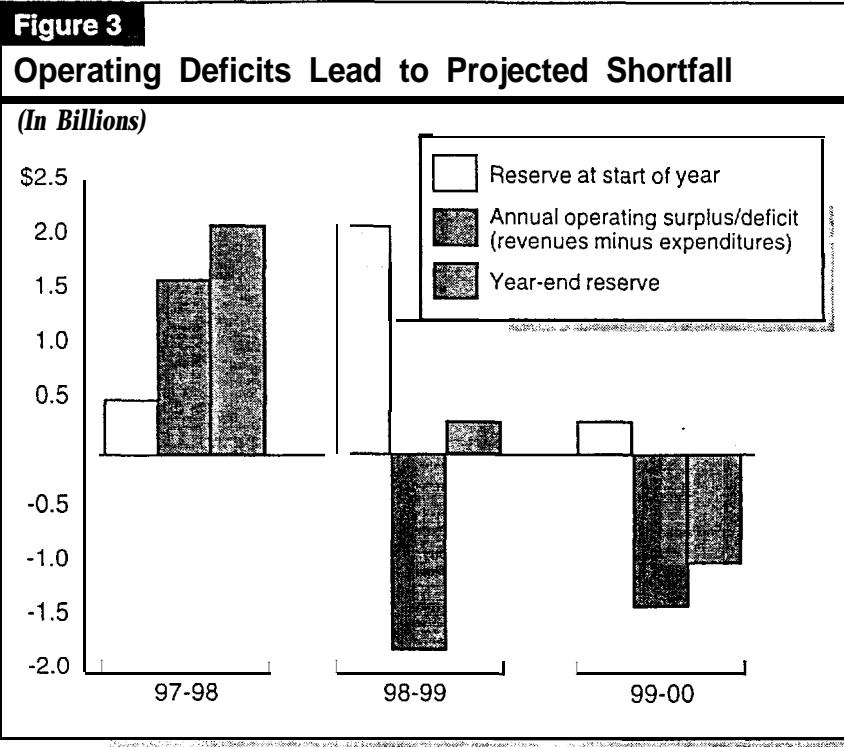
Our Forecast. As indicated in Figure 2, we project revenues to total \$59.7 billion in 1999-00, or about \$1.4 billion less than the \$61.1 billion in expenditures that we forecast for the year. As a result of this imbalance, the remainder of the current-year's reserve would be "used up" and the 1999-00 fiscal year would close with a deficit of slightly over \$1 billion.

How Did We Go From Surpluses to a Projected Deficit?

The key reason behind the deterioration in the state's projected fiscal condition is the emergence of a large and ongoing shortfall between revenues and expenditures, beginning in the current year. Figure 3 shows for 1997-98 through 1999-00 the relationship between the budget's carry-in reserve at the start of each year, its annual "operating balance" for each year (that is, revenues minus expenditures), and the year-end reserve for each year.

1997-98 Developments. Figure 3 shows that in 1997-98, the state began the year with an incoming reserve of \$0.5 billion. In addition, revenues for the year exceeded expenditures by \$1.6 billion (due to the much stronger-than-expected revenues received in April 1998). In other words, the state ran an "operating surplus" within the year. Added together, these two factors (the positive carry-in balance and the operating surplus) led to a year-end reserve of \$2.1 billion, which was available at the beginning of 1998-99.

1998-99 Developments. In 1998-99, however, the state will spend more than it receives in revenues, resulting in an annual *operating deficit* of \$1.8 billion during the year. This operating deficit will



"draw down" the reserve from \$2.1 billion at the start of the year to \$331 million at the close of the year.

About \$800 million of the state's \$1.8 billion 1998-99 operating deficit was anticipated in the *1998-99 Budget Act*. This anticipated portion represented a planned drawing down of the reserve to support one-time expenditures for such purposes as resources, prison capacity expansion, and other forms of capital outlay. However, the remaining \$1 billion of the \$1.8 billion current-year operating deficit is due to *unanticipated* events—specifically, lower-than-anticipated revenues and higher-than-anticipated state costs.

1999-00 Developments. We forecast that the operating deficit will shrink modestly, from \$1.8 billion in the current year to \$1.4 billion in 1999-00. This occurs because the budget-year revenue growth (\$3.2 billion) will be greater than expenditure growth (\$2.8 billion).

Unlike in the current-year, however, the budget year cannot offset its operating deficit with a large carry-in reserve, since the 1999-00 carry-in reserve is only \$331 million. Thus, the persistence of the still-large operating deficit causes the General Fund's year-end reserve to fall further in the budget year, to a deficit of about \$1 billion.

The emergence of large operating deficits in both 1998-99 and 1999-00 is related to three factors.

- **Revenue Shortfall.** First, as indicated earlier, the 1998-99 budget was based on the administration's revenue forecast, which is above our current projections by about \$0.5 billion for 1998-99 and \$1.2 billion for 1999-00. If the administration's revenue forecast were to materialize, revenues would be nearly sufficient to cover the spending commitments made in 1998 for 1998-99 and 1999-00. Thus, the revenue shortfall is particularly significant in explaining the budget problem.
- **Most Additional Current-Year Costs Are Ongoing.** Second, a large portion of the \$493 million in additional state costs we foresee for the current year are ongoing in nature, and thus will add to expenditure totals in 1999-00 and beyond.
- **New Budget-Year Commitments.** Third, while the current-year budget includes over \$1.5 billion in one-time expenditures which will "drop off" in 1999-00, these reductions will be mostly offset by new commitments in the budget year. These added costs—which include funding for trial courts, CalWORKs, teachers' retirement, and local subventions for the VLF reduction—will raise spending totals in 1999-00 and beyond.

Long-Term Projections

The actual level of revenues, expenditures, and year-end reserves for future years will depend on a variety of factors, including actions taken by the Legislature and the administration to bring the 1999-00 budget into balance.

In theory, the 1999-00 budget could be brought into balance by reliance on either one-time or permanent adjustments to expenditures and/or revenues. However, our long-term projections of revenues and expenditures under current law indicate that the current-law imbalance between annual revenues and expenditures would persist for several years. As a consequence, it will be important that actions taken to keep the 1999-00 budget in balance include various *permanent*—as opposed to solely one-time-budgetary actions.

This is underscored by the fact that our projections are based on continued economic expansion, and thus do not allow for disruptions to revenues that would accompany a pronounced economic slowdown or downturn. Ideally, one would be able to rely on a budgetary reserve to at least partially deal with this or other contingencies. However, because of the budget problem we foresee, no reserve would be available.

ATTACHMENT 2

CSAC LEGISLATIVE STRATEGY PRIORITIES FOR 1999

27



1100 K Street
Suite 101
Sacramento
California
95814

Telephone
916.327.7500
Facsimile
916.441.5507

DATE: November 4, 1998

TO: CSAC Board of Directors

FROM: Steven C. Szalay, Executive Director

R E : CSAC Legislative Strategy Priorities for 1999

The CSAC Executive Committee met on September 25, and November 4, 1998 to discuss proposals for 1999 legislative strategy priorities. During their discussions, the Executive Committee considered a report from the County Administrative Officer's Association of California (CAOAC) which was presented by its President, Brent Wallace, who is County Administrative Officer of Tuolumne County. At the conclusion of their meeting, **Executive Committee members voted to recommend the following dozen issues be adopted by the CSAC Board of Directors as the CSAC Legislative Strategy Priorities for 1999:**

Return of the Property Tax. Legislative priority is given to the return of property taxes which have been transferred to the State through the Educational Revenue Augmentation Fund (ERAF). In addition, continued coordination should be maintained between the CSAC Executive Committee and county claimants for state-mandate reimbursement for property taxes to ensure strategy consistency.

Trial Court Funding (TCF): The state should assume responsibility for all TCF operational costs which remain with the twenty largest counties. CSAC will actively participate in, and monitor, the Trial Court Task Forces for Employees and Facilities. CSAC will also continue working group efforts with the CAOAC, Administrative Office of the Courts (AOC) and Department of Finance (DOF) on a variety of implementation issues related to trial court funding and court restructuring, including the provision of probation services in the future.

Payment of the K-14 Schools Share of Property Tax Administration: Counties receive approximately 20% of the property tax revenue yet pay over 70% of the administration cost since neither the state nor the schools contribute. Schools receive half of the revenues and should proportionately pay their share of the program cost.

Road Funds: The state should provide additional road funds to counties based upon criteria developed by the Housing, Land Use, and Transportation Policy Committee. The Policy Committee should also consider: development of a CSAC infrastructure task force, and policy regarding roadside call boxes. Road funding and other infrastructure needs should be discussed with the new state Administration as part of infrastructure revitalization.

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Other Program Enhancements: The state should provide additional revenue to counties for a variety of specific state/county partnership programs. Specific proposals should be developed by CSAC policy committees.

Revenue Neutrality: Revenue neutrality in new city incorporations must be protected. CSAC should be prepared to expand this debate to related issues when it is brought before the legislature.

Local Government Legislative Caucus/New Legislators: CSAC should make continued efforts to cultivate relationship with, and present county issues to, the Local Government Legislative Caucus. In addition, efforts should be made to contact new legislators, including breakfast meetings in January at the same time as an Executive Committee meeting.

Governor-Elect Davis: Efforts should be made by CSAC to communicate, and establish effective relationships, with the new state Administration. Governor-Elect Davis has been reminded of our invitation to him to attend the CSAC Annual Meeting. A meeting should be scheduled between Governor-Elect Davis and the CSAC Officers, and strategy sessions should be scheduled with Administration transition team members.

Long-Term Restructuring: CSAC principles for state/local governance and finance restructuring should be developed by review of past restructuring proposals. These principles should be used to evaluate restructuring proposals, and serve as the basis for discussions with CSAC allies. No immediate plans should be made to introduce a CSAC constitutional amendment regarding state/local restructuring.

Chief Probation Officers: Clarification must be developed regarding the role and employment status of the Chief Probation Officer. The Administration of Justice Policy Committee should evaluate and make recommendations regarding this issue. The County Counsel's Association should be requested to provide an overview of the status of the Chief Probation Officer. Policy Committee recommendations and legal analyses should be provided to a working group, including representation from the CAOAC, to pursue any necessary changes including coordination with trial court funding efforts.

Proposition 10 (Tobacco Tax): Issues involving implementation of Proposition 10, tobacco tax, should be referred to the Health and Human Services Committee for recommendation.

Federal Issues: When CSAC develops its list of 1999 Federal legislative issues to include in the Waterman and Associates contract, consideration should be given to inclusion of the following: Federal Emergency Management Agency (FEMA) stream-bed permit restrictions; reimbursement of costs related to illegal immigration; Cellular telephone tower land use authority.

It is anticipated that the CSAC Legislative Strategy Priorities for 1999 will be presented, discussed, and considered for adoption by your Board at the November 1998 meeting.

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ATTACHMENT 3

**SANTA CRUZ COUNTY LIBRARY'S
1999 STATE LEGISLATIVE SUPPORT REQUEST**



SANTA CRUZ . PUBLIC
LIBRARIES
A City County System

**1999 STATE LEGISLATIVE
SUPPORT REQUEST**

CONTACT: ANNE M. TURNER, DIRECTOR OF LIBRARIES
831-429-3532

SUMMARY TITLE: CALIFORNIA PUBLIC LIBRARY FUND

PROPOSAL: That Santa Cruz County continue to support full funding for the California Public Library Fund (PLF) as part of the State budget process.

PRESENT LAW: Education Code Sections 18010-18031 provide for a Public Library Fund to fund public libraries on a per capita matching basis with local public library jurisdictions. The per capita funding basis is to be adjusted annually as per the provisions of Education Code Section 18020.

DISCUSSION/ANALYSIS: The State has never fully funded the Public Library Fund. The Legislature approved full funding in 1998-99 but the Governor cut the amount by \$20 million. The advantages of this funding source are that the funds come directly to the Library without the cost and workload requirements of grant requests. Additionally, funds can be used for basic and general library operations and staffing, thereby providing needed flexibility. The County has supported full funding for PLF in past years.

FISCAL IMPACT: In 1998-99 full funding would have provided \$428,691 for the Santa Cruz City-County Library System. Instead, the Library System received \$243,037 in PLF funds. The Watsonville Public Library received \$49,531 in 1998-99; it would have received \$87,368. Full funding would enhance the both libraries' budgets, and would greatly aid financially troubled public libraries all over California.

No local negative fiscal impact is known at this time. The positive impact is noted above

AMT:JLEGREQ.PLF
11/20/98



SANTA CRUZ . PUBLIC
LIBRARIES
A Cii County System

**1999 STATE LEGISLATIVE
SUPPORT REQUEST**

**CONTACT: ANNE M. TURNER, DIRECTOR OF LIBRARIES
831-429-3532**

SUMMARY TITLE: PUBLIC LIBRARY CONSTRUCTION BONDS

PROPOSAL: To support a bond act which may be introduced for grants to cities, counties, and special districts for acquisition, construction, rehabilitation, etc. of public library facilities. Would be submitted to voters on March, 2000 ballot.

PRESENT LAW: The California Education Code, Sections 19950-19981 (Title 1, Division 1, Part II, Chapter 11) is known as the California Library Construction and Renovation Bond Act of 1988. This law was enacted as a result of a successful bond measure in 1988 (Proposition 85). Funds from this bond act are exhausted.

DISCUSSION/ANALYSIS: The funding from Proposition 85, or the 1988 bond measure, has all been allocated to library construction and renovation projects. Many additional library construction and renovation projects exist in California. The funds available from Proposition 85 did not meet the needs in 1988 and those accumulating in the decade since. A 35% local match is required to qualify for Proposition 85 funding.

Both City-County Library System and the Watsonville Public Library have plans for library construction and renovation projects which could qualify for these funds.

The California Library Association plans to sponsor the bond measure in the 1999 Legislative Session. Comparable legislation failed during the 1998 session because the Legislature placed a higher priority on passage of a school bond measure.

FISCAL IMPACT: The local match would be 35% of total project cost.

AMT:JLEGREQ.PLBONDS
1 1/20/1998



SANTA CRUZ • PUBLIC
LIBRARIES
A City County System

**1999 STATE LEGISLATIVE
SUPPORT REQUEST**

**CONTACT: ANNE M. TURNER, DIRECTOR OF LIBRARIES
831-429-3532**

SUMMARY TITLE: CALIFORNIA LIBRARY SERVICES ACT FUNDING

PROPOSAL: Support for continued and adequate funding of the California Library Services Act as part of the State Budget.

PRESENT LAW: California Education Code, Sections 18700-1 8767 is the California Library Services Act. The services provided as per these code sections need continued funding and support.

DISCUSSION/ANALYSIS: The California Library Services Act provides State support for public library services via consultation, reimbursement for certain resource sharing expenses, the interlibrary loan program, and creation and maintenance of a statewide catalog database. State CLSA staff also administers federal grant programs aimed at public libraries. Both the Santa Cruz City-County Library System and the Watsonville Public Library have been recipients of CLSA services and monies. The program, a very small one in State budget terms, should be continued.

FISCAL IMPACT: Loss of funds from the California Library Services Act would place a political burden on the Board of Supervisors to secure replacement revenue.

AMT:JLEGREQ.CLSA
11120198



SANTA CRUZ • PUBLIC
LIBRARIES
A City County System

**1999 STATE LEGISLATIVE
SUPPORT REQUEST**

**CONTACT: ANNE M. TURNER, DIRECTOR OF LIBRARIES
831-429-3532**

SUMMARY TITLE: LIBRARY OF CALIFORNIA FUNDING

PROPOSAL: Support increased funding for The Library of California, a new state law passed in 1998 which will provide structure and funding for the networking of various types of libraries (including public, special, academic, and school) in California.

DISCUSSION/ANALYSIS: Legislation to network California's libraries of all types electronically and through various cooperative programs was signed into law in 1998 and is popularly referred to as "The Library of California." The proposed multitype library network will link and serve users of California's 8,000 libraries of all types: academic, public, school, and special. Services to be provided to California residents through such networks include access to library service via a basic telecommunications infrastructure, and access to library materials from all types of libraries.

Only \$5 million in startup planning funds was approved in the 1998-99 State budget. A significant increase in funding will be required in 1999-2000 to make this program a reality.

Both the Santa Cruz City-County Library System and the Watsonville Public Library have been active participants in the resource sharing activities of the Library of California's predecessor agency, the Monterey Bay Area Cooperative Library System.

FISCAL IMPACT: Unknown at this time. There should be no direct County or City Library cost, although cost savings due to electronic networking may be anticipated in future years.

AMT:LEGREQ.LOCALIF
11/20/98



SANTA CRUZ . PUBLIC
LIBRARIES
A City County System

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**1999 FEDERAL LEGISLATIVE
SUPPORT REQUEST**

**CONTACT: ANNE M. TURNER, DIRECTOR OF LIBRARIES
831-429-3532**

SUMMARY TITLE: LIBRARY SERVICES & TECHNOLOGY ACT FUNDING

PROPOSAL: Support continued funding for the Library Services and Technology Act as part of the federal budget.

PRESENT LAW: The Library Services and Technology Act (U.S. Code, Title 20, Chapter 16) was enacted in September 1996 to succeed the Library Services and Construction Act. The LSCA has been the primary source of supplemental federal funding for California public libraries and systems and the LSTA will continue in this role.

DISCUSSION/ANALYSIS: The Santa Cruz City County Library System and the Watsonville Public Library have received substantial support from LSCA since its enactment. Programs include information and referral projects, literacy, acquisition of Spanish language materials, provision of internet access to the public, and creation of new services for teenagers.

LSTA is continuing this support. Continuing federal support of public libraries is an important national effort.

FISCAL IMPACT: Additional grant funds will be available to both libraries for innovative and experimental programs.

There are no direct local costs.

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SANTA CRUZ • PUBLIC
LIBRARIES
A City County System

**1999 STATE & FEDERAL
LEGISLATIVE SUPPORT REQUEST**

**CONTACT: ANNE M. TURNER, DIRECTOR OF LIBRARIES
831-429-3532**

**SUMMARY TITLE: TELECOMMUNICATIONS: DISCOUNTED RATES
FOR LIBRARIES**

PROPOSAL: Support regulations at both the State and Federal levels which guarantee for libraries the largest possible discount in rates for telecommunications services, internal connections, and access to the Internet.

PRESENT LAW: The Telecommunications Act of 1996 provides for “discounted rates for schools and libraries.” Regulatory and program development processes are underway at both the Federal (FCC) and State (CPUC) levels to make this a reality.

DISCUSSION/ANALYSIS: Both the City-County Library System and the Watsonville Public Library need to keep current in the latest information technologies. Providing access to information on the Internet and particularly to the World Wide Web has become a basic, important public library service. The public now expects and demands current, instant, up-to-date information services, far beyond what is provided in print form. Providing access to this information requires significant (and rapidly escalating) telecommunications expenditures.

Under current regulations and policies, the City-County Library System and the Watsonville Public Library have submitted applications to the Federal Communications Commission for substantial discounts on eligible telecommunications services and equipment. We are awaiting receipt of funding award notices. The California Public Utilities Commission has already implemented 50% discounts for libraries. The Federal program is under development, but has been subject to continual congressional scrutiny and revision. It is important that local jurisdictions, as well as national and state library organizations, advocate for the most favorable regulations and policies.