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May 10, 2024

The Honorable Anna M. Caballero
Chair, Senate Appropriations Committee
State Capitol, Room 412
Sacramento, CA 95814

RE: Senate Appropriations Committee Suspense Hearing: Thursday, May 16, 2024

Dear Senator Caballero,

The California State Association of Counties (CSAC), proudly representing all 58 of California's counties, writes to share the county perspective on pending legislation. There is truth to the time-honored Sacramento adage that "this year's bills are next year's budget." We acknowledge the considerable work ahead and the difficult decisions that will be weighed in the coming weeks. As the state and county budgets are woven together, legislation that affects the state will, in turn, affect the bottom line for county governments and impact core state services delivered by counties. Considering the dearth of detail included in the Administration's 2024-25 May Revision release this morning, careful considerations of fiscal impacts to local government budgets and local, core services is important now more than ever.

In addition to the individual letters that you will receive regarding specific legislation, we respectfully offer the following comments:

Counties Balance Past, Present, and Future Obligations

California's counties implore you to consider every bill before the committee through the lens of its unique impacts on California's local governments, the historical context, and to consider both the longstanding and recently enacted policies that each new bill will affect, or potentially disrupt. Expressly, to reach the best decisions, it is critical to purposefully seek out the ground truth context that shapes our present moment in time.

We remain committed to close collaboration and partnership to achieve our shared goals and serve Californians. Included below are notable programs that counties are diligently carrying out on behalf of the state. At this critical moment in time, California's counties share a common concern that more requirements or new programs may dilute the power and focus of already limited county resources to successfully implement the following programs and new initiatives:

- SB 43 (Eggman, 2023) Lanterman-Petris Short Act Expansion
- SB 272 (Laird, 2023) Local Coast Plans: Sea Level Rise Predictions
- SB 525 (Durazo, 2023) Increased Minimum Wage for Health Care Workers
- SB 1383 (Lara, 2016) Organic Waste Diversion and Short-Lived Climate Pollutants

- Community Assistance, Recovery and Empowerment (CARE) Act
- Proposition 1: Revisions to the Mental Health Services Act
- CalAIM: Medi-Cal Transformation
- California Air Resources Board Advanced Clean Fleets Regulations
- Realignment of the Division of Juvenile Justice and Juvenile Justice Reform

Zooming In: Taking the Pulse of Local Economies and the Impact on Service Delivery

The composition of each county's tax base and labor force is unique. Statewide averages are useful measures; however, averages paint a broad picture that negates the economic realities across California and discounts our hallmark diversity. We must pay attention to the details rather than relying on high-level information that smooths out the truth, the sharper edges of the state's economy. Statewide averages neglect to communicate, for example, the eight counties that are experiencing unemployment rates of more than ten percent as of March 2024 (Colusa, Imperial, Kern, Kings, Merced, Monterey, Plumas, and Tulare),¹ while the statewide average unemployment rate remains relatively stable at 5.3 percent.

Further, local government sales and use tax revenues mirror the state's sales and use tax revenue forecasting woes. In the fourth quarter of 2023, typically the best quarter for sales and use tax revenue driven by holiday consumer demand, 41 counties generated less sales and use tax revenue compared to the same window of time in 2022.² These receipts are not surprising considering the overall sentiment of California residents, who are fatigued and frustrated with the stubbornly high cost of everyday essentials.^{3,4}

Beyond detached and dispassionate numbers and accounting, it is imperative to highlight the critical importance of local programs currently funded, under realignment, by sales taxes. Statewide sales and use taxes fund public safety, local infrastructure, and social service programs, among a diverse array of other programs and services. Reductions in sales and use tax revenue has direct impacts on funding for local programs that communities value. Looking forward, sales and use tax revenues are only expected to increase statewide in fiscal year 2024-25 by 1.8 percent, on average.³

This nuanced glance into the health and diversity of local economies is relevant to the conversation about the state's fiscal health because today, and for decades past, counties have delivered the Legislature's priorities for our shared constituency. Counties in California serve a unique role in providing both state and local government services including behavioral health services, public health care, conducting elections, and managing emergency responses for floods and wildfires. Moreover, county programs are the social safety net for our most vulnerable populations.

¹ [California Economic Development Department Monthly Labor Force Data for Counties - March 2024](#)

² [California Department of Tax and Fee Administration Interactive Data Visualization, Bradley Burns Sales and Use tax Allocations](#)

³ [California Sales Tax Trends and Economic Drivers Report - Q4 2023 Data - HdL Companies](#)

⁴ [PPIC Statewide Survey: Californians and Their Government - February 2022](#)

To create an environment that best supports vulnerable populations and preserves essential core services, the state will need county expertise and ground truth in making difficult financial decisions. During times of economic hardship, our state must prioritize safety net services relied upon by our vulnerable residents to prevent needy families and individuals from falling further into poverty. Thereto, counties encourage this committee to consider how new legislation will, in turn, stretch county governments and disrupt core state services delivered by counties.

Rebuilding California's Historic "Wall of Debt"

The state's compounding revenue shortfalls of the Great Recession resulted in a seemingly bottomless deficit pit that was slowly addressed with a variety of budget maneuvers that culminated in so-called "wall of debt." Following this era, as the state entered into a prolonged period of economic recovery, the wall of debt was paid down, including the voter-created "Rainy Day Fund." Contemporarily, the Administration and legislative leadership plan to address the looming budget shortfall by taking steps to rebuild the wall of debt with, amongst other tools, several one-time borrowing or cost-shifting options.

Understanding the consequences of the "wall of debt" and how it ties the hands of future legislators regarding their budgetary decisions and legislative priorities is relevant at this moment as you consider the bills before the committee. This recent history demonstrates how the challenges and fiscal constraints of each Legislative Session are direct products of our recent shared past. There are no isolated decisions; all bills live within the continuum of the decades-long boom-and-bust cycle of California's economy. During your deliberations, we ask you to consider whether any bill will complicate the state's fiscal condition or tie the hands of future legislators, impeding the state's ability to support counties as they provide the staff and brick-and-mortar facilities necessary to carry out the state's programs.

Notably, one large brick in the state's wall of debt that has never been fully repaid is the backlog of funds owed to cities, counties, and special districts for work conducted and costs incurred to comply with state-mandated programs. According to the State Controller's Office's state-mandated program cost report of unpaid claims and deficiencies, the state owes local governments nearly \$1 billion as of April 2024.⁵ Notable state-mandated local programs that comprise part of the backlog of payments for work counties continue to complete and fund locally includes providing vote-by-mail ballots, testing of sexual assault evidence kits, and behavioral health crisis training for law enforcement. Every bill that is passed that imposes a state-mandated local program could increase the backlog of unpaid reimbursement claims owed to local governments.

Zooming Out: California Exists Within the National Context

Counties are already gearing up for what is likely to be a contentious and labor-intensive presidential election. County elections officials will be managing the presidential election in November 2024. We have also seen the toll that polarization and distrust in government

⁵ [SCO: State-Mandated Program Cost Report of Unpaid Claims and Deficiencies - April 2024](#)

has taken on our county workforce. Concurrently, counties will be in the second quarter of the 2024-25 fiscal year, implementing the state's priorities included in the 2024 Budget Act, and preparing to implement recently chaptered legislation after the close of the 2023-2024 Legislative Session.

Often, California counties are in a dual position of implementing newly chaptered programs and dedicating enough time and resources to ensure a safe and secure election. This year, the layers of county responsibility in the first and second quarter of 2024-25 are expected to be especially challenging, as state budget negotiations in recent years are continuing a pattern of slipping well past the constitutional deadline of June 30. In the fall, counties may be in the position of balancing newly chaptered programs, managing a high-profile election, and responding to significant amendments to the 2024 Budget Act when final negotiations are secured.

As you consider what legislation may be chaptered this fall, please consider the growing layers of county responsibility and the need to focus on the success of recent initiatives at a time of dwindling resources.

At the end of the day –

Counties appreciate the continued engagement to strengthen state and local relationships, and to realize the opportunities to safeguard fiscal resources to best support the people we collectively serve. Should you have any questions regarding the information outlined in this letter, please do not hesitate to contact us.

With deep respect,



Jacqueline Wong-Hernandez
Chief Policy Officer
California State Association of Counties

CC: Honorable Members of the Senate Appropriations Committee
Mark McKenzie, Staff Director, Senate Appropriations Committee