

CSAC Realignment Principles 2005



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With the passage of Proposition 1A, the state and counties have entered into a new relationship whereby local property taxes, sales and use taxes, and Vehicle License Fees are constitutionally dedicated to local governments. Proposition 1A also provides that the Legislature must fund state-mandated programs; if not, the Legislature must suspend those state-mandated programs. Any effort to realign additional programs must occur in the context of these constitutional provisions.

Counties have agreed that any proposed realignment of programs should be subject to the following principles:

- 1. Revenue Adequacy.** The revenues provided in the base year for each program must be at least as great as the expenditures for each program transferred and as great as expenditures would have been absent Realignment. Revenues in the base year and future years must cover both direct and indirect costs. A hold harmless protection must be included to ensure that a county's share of costs must not exceed the amount of realigned and federal revenue that it receives for the program. The state shall bear the financial responsibility for any costs in excess of realigned and federal revenues. There must be a mechanism to protect against entitlement program costs consuming non-entitlement program funding.
- 2. Revenue Source.** The designated revenue sources provided for program transfers must be levied statewide and allocated on the basis of programs transferred; the designated revenue source(s) should not require a local vote. The state must not divert any federal revenue that it currently allocates to realigned programs.
- 3. Transfer of Existing Realigned Programs to the State.** Any proposed swap of programs must be revenue neutral. If the state takes responsibility for a realigned program, the revenues transferred cannot be more than the counties received for that program or service in the last year for which the program was a county responsibility.
- 4. Mandate Reimbursement.** Counties, the Administration, and the Legislature must work together to improve the process by which mandates are reviewed by the Legislature and its fiscal committees, claims made by local governments, and costs reimbursed by the State. Counties believe a more accurate and timely process is necessary for efficient provision of programs and services at the local level.
- 5. Local Control and Flexibility.** For discretionary programs, counties must have the maximum flexibility to manage the realigned programs within the revenue base made available, including flexibility to transfer funds between programs. For entitlement programs, counties must have maximum flexibility over the design of service delivery and administration, to the extent allowable under federal law. Again, there must be a mechanism to protect against entitlement program costs consuming non-entitlement program funding.
- 6. Federal Maintenance of Effort.** Federal maintenance of effort requirements (the amount of funds the state puts up to receive federal funds, such as IV-E and TANF), as well as federal penalties and sanctions, must remain the responsibility of the state.