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# An Overview of the Governor's Realignment Proposal

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LEGISLATIVE ANALYST'S OFFICE

Presented to:

Senate Committee on Governance and Finance

Hon. Lois Wolk, Chair





## What Is Realignment?

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- ☑ Broadly speaking, realignment refers to changes in the assignment of program and fiscal responsibilities between the state and local governments.
  
- ☑ Currently, these responsibilities are assigned in different ways.
  - ***Entirely to State***—Such as upper-division and graduate college instruction and research.
  - ***Predominantly to Locals***—Such as enforcement of criminal laws.
  - ***Mix Between the Two***—Most health and social services programs.



## Some Brief History

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- ☑ **1991 Realignment**
  - Increased county funding ratios for many health and social services programs.
  - Provided counties with dedicated funds (sales tax and vehicle license fee monies).
  
- ☑ **Trial Court Realignment (1997 and Later Years)**
  - Shifted responsibility for operation of trial courts from counties to the state.
  
- ☑ **Juvenile Justice (Mid-1990s to Today)**
  - Shifted responsibility for housing and supervising more serious juvenile offenders from state to counties.
  
- ☑ **2011-12 Governor's Budget Proposal**



## What Is the Governor Proposing to Realign?

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- Administration would shift almost \$6 billion in state costs and program responsibilities to counties, primarily in the areas of:
  - Criminal justice.
  - Mental health.
  - Child welfare services.
  
- Realignment would be contingent on voters approving extension of 2009 temporary tax increases for five more years.
  - Administration proposes a “guarantee” of state funding after the five years.



## LAO's Overall Assessment of the Proposal

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### **Much Merit to the Governor's Plan**

- Many of the components—particularly in the criminal justice area—are consistent with proposals we have made in the past.
- Plan could lead to both improved service delivery and program accountability.



### **However, Many Challenges Remain**

- Needed detail is lacking.
- Many tough decisions required on implementing realignment proposal.
- Not much time.
- In addition, the entire plan is contingent on voter approval.



## Step 1: Which Programs Should Be Realigned?

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- In tackling the Governor's proposal, we think the Legislature's first priority is in assessing which programs are appropriate to be devolved to local governments.
  
- We believe programs are best shifted to locals where:
  - Statewide uniformity is not necessary.
  - Local control can lead to more efficient delivery of services.
  - Innovation and responsiveness to community interests are paramount.
  - Coordination with other, closely linked local programs is facilitated.



## LAO's Initial Assessment of Programs Selected for Realignment

*(In Millions)*

	2011-12	2014-15
<b>Programs Suited for Realignment</b>		
Fire and Emergency Response Activities	\$250	\$250
Local Public Safety Programs	506	506
Local Jurisdiction for Lower-Level Offenders and Parole Violators <sup>a</sup>	1,802	908
Adult Parole to the Counties <sup>a</sup>	741	410
Juvenile Justice Programs	258	242
Adult Protective Services	55	55
AB 3632 Services <sup>b</sup>	—	104
Foster Care and Child Welfare Services	1,605	1,605
<b>Program Meriting Consideration</b>		
Substance Abuse Treatment	184	184
Early and Periodic Screening, Diagnosis and Treatment Program <sup>b</sup>	—	579
Mental Health Managed Care <sup>b</sup>	—	184
Existing Community Mental Health Services	—	1,077
<b>Program Not Suited for Realignment</b>		
Court Security	530	530
<b>Unallocated Revenue Growth</b>		
	—	621
<b>Totals (Administration Estimates)</b>	<b>\$5,931</b>	<b>\$7,255</b>
1% Sales Tax	\$4,549	\$5,567
0.5% Vehicle License Fee	1,382	1,688
<b>Total Revenues (Administration Estimates)</b>	<b>\$5,931</b>	<b>\$7,255</b>
<sup>a</sup> Costs decline by 2014-15 as state reimbursements end. Funding in 2014-15 assumes this program is fully county operated and at lower costs.		
<sup>b</sup> First-year costs for this program are paid from Proposition 63 resources.		



## Step 2: Key Program Design Issues

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- Roughly Match Revenues and Expenditures**
- Maximize Program Flexibility**
  - If counties have responsibility for programs, they need to have as much decision-making control as possible.
- Develop a Simple Revenue Allocation Approach, Focusing on Such Key Issues as:**
  - Decide how many “pots” of money.
  - Decide how to make initial allocations and distribute growth funds.
- Get the Fiscal Incentives Right**
  - Ensure that counties bear the costs of program failures and that the costs are not shifted to the state.
- Build in Accountability**
  - Promote outcome-based performance and public reporting, not input-based data and reporting to state agencies.



## **Step 3: The Legislature Has Many Options in Shaping a Realignment Proposal**

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- Choose Which Programs to Include**
  - Realign the right programs—not programs that meet some revenue target.
  
- Choose Among Various Financing Options**
  - Select the revenue source and its operative time period.
  
- Choose Among Program Design Options**



## Final Words of Caution

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- ☑ **As With Any Complex Legislation, the Details Really Matter**
- ☑ **Achieving General Consensus Is Critical**
  - Close consultation with counties is essential.
- ☑ **Realignment Plans, Once Adopted, Are Not Easily Changed**
  - Mandate issues, practical constraints, make mid-course corrections difficult.
  - More pressure to get it right the first time.