

Realignment Survival Guide: How to Succeed in the New Era of Fiscal Balancing Opportunities

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EXECUTIVE SUMMARY

*“We must all hang together, or assuredly we
will all hang separately.”*

—Benjamin Franklin

This project examines the 2011 Realignment and the 2012-13 Realignment in the Governor’s proposed budget in the context of three areas: 1) the relationship between the county governments and the state, 2) financing, and 3) programmatic changes. The findings are intended to identify potential areas of challenge and opportunities for counties. This examination is of both the 2011-12 Realignment and the associated legislation, budget and budget trailer bills and the available 2012-13 budget information that

comprise the current realignment. Findings indicate a need for an integrated approach for realigning programs into county departments and coordination of counties regarding sharing information and best practices. Recommendations include active engagement of program staff in the realignment planning process at the county level, establishment of a county-wide inter-departmental taskforce that meets regularly, shared information and recommendation of policy, engagement with state legislators and participation of county staff on statewide taskforces, and/or workgroups establishing realignment policy and regulations.

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What is Realignment?

Realignment is a complex reordering of state and local government. The term “realignment” refers to a process that shifts responsibility and funding for a number of public services from the state to local government (i.e., counties). Theoretically, realignment means that the state provides local government (the counties) with a revenue source, and with the authority to shape realigned public services to best fit the needs of their communities. Realignments happen throughout time as responsibility for funding and implementing governmental or public good programs shifts between governmental agencies.

Realignment is a strategy that has been used many times in California politics and finance to pass the budget. California has a particularly difficult time getting the budget passed, structurally (with a super majority required until recently) and when faced with deficits, such as what has been experienced during the last ten years. The traditional options for closing a deficit gap have been either to raise revenues or to cut expenses, or both. Realignment as a budget strategy offers an alternative to those traditional options.

Justification for Realignment

When money is abundant, programs are more easily funded. It is in times of budget constriction that we contemplate the “need” for an existing program, the scale it must be, performance outcomes and expectations and how it will be funded and sustained, and if a “realignment” should be applied. At present, the scale of this realignment shift is huge—\$6.3 billion

to local governments to fund various criminal justice, mental health, and social services programs in 2012-13, and possibly commitments for ongoing funds for these programs thereafter. The state is currently implementing Phase I. The state is interested in giving counties responsibility for fast-growing programs to alleviate state general fund problems. Programs being realigned in 2011-12 are those serving low-level adult offenders and parolees, court security, some mental health services and public safety grants, substance abuse treatment, child welfare programs, Adult Protective Services and CalWORKs. New fiscal, regulatory and policy systems are being created to support the changes.

Brief History

In 1978 Proposition 13 (known as the Jarvis Initiative to Limit Taxation) was voted in overwhelmingly as an amendment to the California constitution. It changed the way local governments were able to assess property taxes, both residential and commercial, and fund local programs with those taxes. Local government was no longer able to continue to increase property taxes on existing owners—it was capped. Local education and other programs could no longer be funded by local revenues alone and made local governments more dependent on state taxes to fund programs. There were further realignments in 1991 that covered aid to families with children, some medically indigent healthcare and mental health programs. There are multiple pieces of legislation that comprise the current composite “Realignment”, including Assembly Bill (AB)

118 Local Revenue Fund 2011—(cited as the 2011 Realignment) and Senate Bill (SB) 89 (both trailer bills), SB 87 and AB 109 and 117, 111 and 94. There is additional regulatory direction.

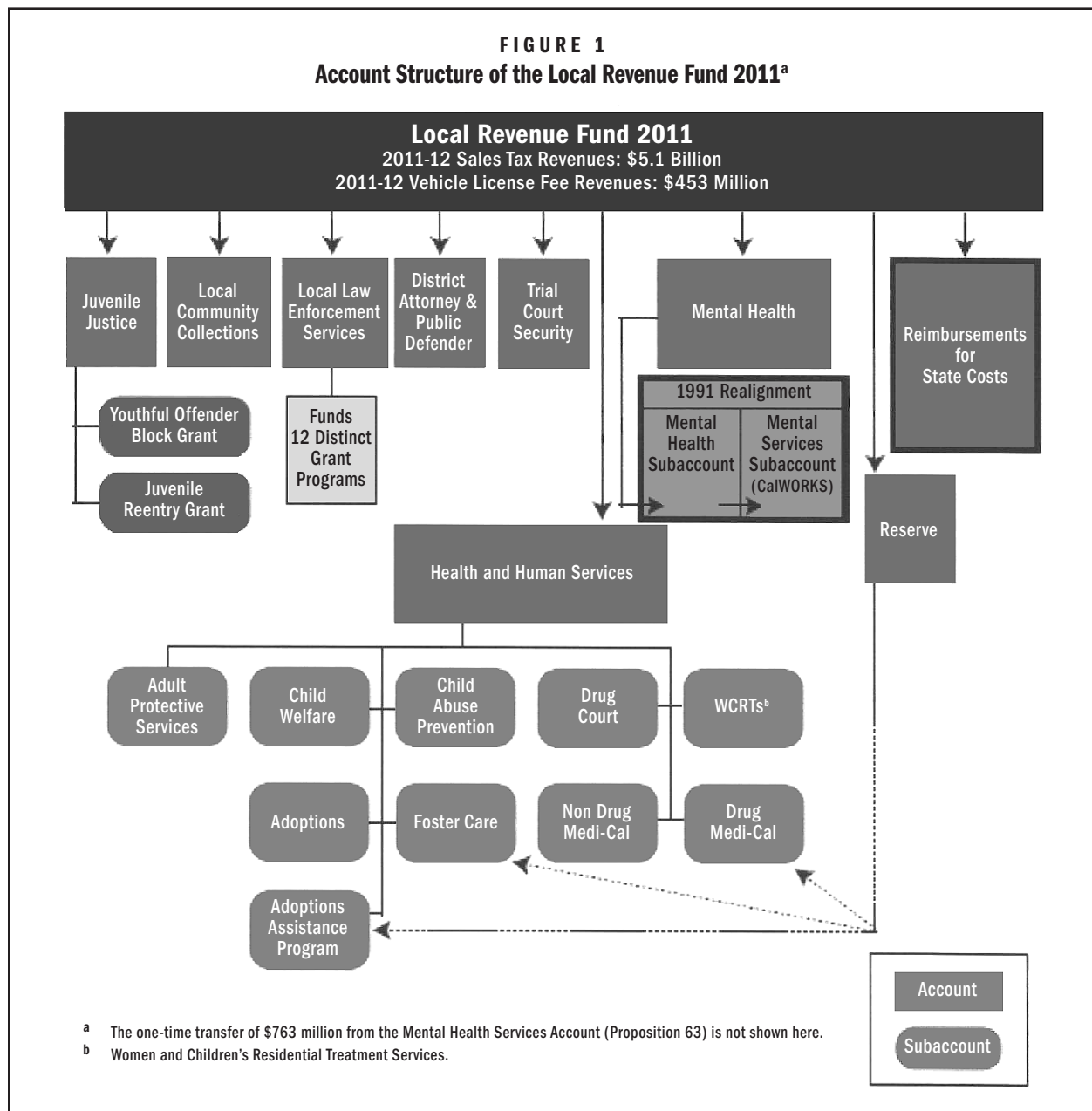
What are the Major Components of Realignment?

STRUCTURE OF THE REALIGNMENT FUNDING

Funding is the primary impetus for this realignment—moving the expenses out of the state budget to facilitate passing the budget, and passing it on

time. AB 118 sets up the mechanism to fund realigned programs and SB 89 provides revenues (percentages of state sales tax, vehicle license fees (VLF), and Proposition 63 funds for 2011-12 only). SB 87 appropriated \$25 million to cover costs associated with hiring, training, providing data improvements, contracting costs and capacity planning for county implementation plans related to public safety realignment.

This strategy could have profound implications on many other areas of the budget that are not fully evident.



As of this writing, there is no overall finance plan specific to realignment, but structure comes from the Governor's proposed budget and legislation (see *Figure 1*). The Department of Finance generates proposals, the Legislative Analyst's Office (LAO) provides analysis and alternatives, the lobbyists get involved in the process, and it becomes politicized. Allocation formulas, methodologies, etc. are outside the legislation and the Department Of Finance (DOF) collaborates with the California State Association of Counties to come up with formulas so there is "buy in" from counties.

COUNTY REQUIREMENTS

Each county is required to create a local plan for implementation of realignment—the County Implementation Plan (CIP). The plan includes recommendations from the Community Corrections Partnership (CCP) and requires approval of at least 80% of the county board of supervisors.

The CCP is a seven-member committee consisting of the Chief Probations officer, Chief of Police, Public Defender, District Attorney, the Presiding Superior Court Judge, and an appointed county health and human services representative. These CCPs are constituted by the counties, and the state does not need to approve the committee nor the plan. To quote from the Contra Costa Implementation Plan: "We have spent many hours of meeting virtually every week since early July and many additional hours developing this CCP Plan. We have had excellent attendance of the voting members. We have attended training seminars, held several community forums and invited anyone interested to attend our weekly meetings. It has become abundantly clear that the only plan that should be offered is one that continues as a work-in-progress."

WHAT DOES REALIGNMENT REALLY MEAN FOR COUNTIES?

The relationship between the State of California and the 58 counties is not typically "smooth", and it has the potential to be adversarial. The relationship is based on working in a good faith partnership, but it is not balanced. Counties communicate with the state

primarily through the California State Association of Counties (CSAC). CSAC is the vehicle that counties use to create the "power in numbers" and put forth a unified message to the state. There is a very collaborative relationship between CSAC and the DOF, and the counties benefit. As I began my project I asked each new source of information who else I should contact. When I asked "who knows the most about realignment?" the answer was "the lobbyist at CSAC." Much information is disseminated through the DOF on "how much money," which defines what will be funded, and CSAC has the most information on "how" the counties will be able to use revenue and implement programs. The California Welfare Director's Association (CWDA) has also been effective at disseminating information to county social services from the state and continues to play a vital role in the realignment related to social service programs.

FUNDING ISSUES

A fear is that this realignment strategy may become a means to create another un-(or under) funded state mandate to counties and that a Constitutional Amendment is necessary to ensure funding at appropriate levels. The Governor's current tax initiative does include a Constitutional Amendment to help fund realignment; however, the volatility of the California budget may not offer the funding stability that is sought. Realignment will make it difficult for counties to take on any expansion of the programs transferred without creative, new local funding sources. Growth is factored in to the ongoing funding but at predetermined rates. Despite the desire (on the part of counties) for constitutional protections on the funding being transferred from the state, some funding will almost certainly need to be from local sources. How this can be accomplished is left to local government to figure out. Financing itself has become more complex, and local government leaders may not be prepared to fully analyze the "deals" coming to them from the investment community. Financing or funding the programs implemented locally is a separate thesis, but suffice it to say that taxes, fees, bonds, business improvement districts, and up until

this current year, redevelopment districts and enterprise zones, are just the tip of the iceberg.

Programmatic Opportunities

FLEXIBILITY

Flexibility in programming is one of the potential benefits of realignment. “Clearly the successful implementation of realignment will require a significant paradigm shift in public safety communities. The successful model will not be an incarceration model, but one that seeks to divert and rehabilitate citizens, returning them to be productive members of our community. Counties have got to start looking at what programs work to keep people from re-offending. This is a matter of public safety—and cost.”¹ For example, the state prison system in California is the largest provider of mental health services in the state. Realignment will fund mental health services provided in the community to low-level offenders returning to their communities rather funding them to incarcerate them locally. Flexibility may or may not lead to more cost effective programming, depending on the program and the implementation.

EQUITY

Will counties implement programs across the state equitably, given the local flexibility they will have? Will services be equitable to the ultimate end user/client/consumer from county to county? Structural discrimination is a problem that can be the unfortunate result of well-intentioned actions unless not carefully planned for. “These creative practices could flourish under realignment if the state’s terms of engagement give the counties the financial stability and incentives to support prevention and the flexibility to create the right mix of community-based services. Equally important, the new arrangements must ensure that local flexibility does not lead to major disparities across counties—that youth are not denied equivalent opportunities based on where they live.”²

¹ Paul McIntosh, Executive Director of CSAC, in a July 12, 2011 memo to counties.

ENGAGEMENT

Counties are independently and creatively adapting to realignment. Santa Clara County has developed an Evaluation Design and Policy Research and Data Analysis Work Group that will “promote the implementation and long-term sustainability of data collection and analysis, track outcomes, and determine the effectiveness of policies, programs and practices in effecting offender behavior change.” Some counties are sharing expertise: San Mateo, Orange and San Diego Counties collaborated to create an Excel spreadsheet for fiscal tracking and forecasting. Counties are also participating in CSAC workgroups.

SUSTAINABILITY

Sustainability is important to consider. Intent language in AB 118 directs that new allocation formulas be developed using appropriate data and information for the 2012-13 fiscal year and continuing, and that there be sufficient protections in place to provide ongoing funding and mandate protection for both the state and local government. What do these programs really cost? In an April report from the Judicial Council, it was estimated that consolidated court costs related to realignment from all counties totaled close to \$5.6 million for the period 7/1/11 through 6/30/12. The LAO’s recommendations for the 2012-13 budget include creating a reserve fund for revenue growth to promote financial flexibility, designing ongoing allocation formulas to be responsive to future changes, creating a new board to provide technical assistance to counties and promote local accountability, and rejecting the Governor’s proposal for an additional year of funding for the community correctional plans. Additionally, there will be more flexibility in the counties’ ability to move allocation money between programs.

Programmatically, the flexibility granted to the counties will hopefully lead to addressing root causes of social needs by applying evidence-based practices. For example, public safety programs might not be

² Angela Blackwell and Victor Rubin, “Looking at Realignment Through the Lens of Equity”, Policylink publication retrieved at www.ppic.org

based on building prisons, but on criminal justice reform and reinvestment strategies that are evidence-based strategies that increase public safety while holding offenders accountable.

Aside from funding, sustainability will depend on counties' capacity, creativity, accountability, data collection and reporting and internal resources. Santa Cruz, Alameda and San Francisco Counties' plans all indicated strong community-based, multidisciplinary approaches to realignment and could act as models for other counties.

Findings:

- It is an extremely complex process involving multiple pieces of legislation and more to come.
- There are multiple sources for information, but each has its own focus.
- There appears to be a lack of integration or coordination of realignment information.
- Communication between the state and counties is not thorough and is a bit one-sided.
- Engagement on the part of counties is critical. Having a voice in the process ensures that county issues will be included in the processes determined. Vertical engagement above (to the state) and below (community-based organizations, etc.) and horizontal (with other counties) is necessary for success.

Conclusion

Change is here in the form of realignment, but it does not end with this manifestation. Counties need to look at this time as an opportunity for improvement in what they do in terms of funding, programming and collaboration with other counties. Engagement in the process is critical in order for the changes being made are equitable and real improvements to the system being created. Counties need to begin the dialogue with the state on what it takes for realignment to work, and, with each other, on how to define best practices. As the 2012-13 budget and realignment issues are debated, the programs shifted to counties will continue transferring the programs from 2011-12 and expand to include child support

and child care, mental health managed care, and Cal-Fresh administration. Technical training is slated to come in 2012 which will provide consistent information and reporting mechanisms for counties. The burden will be on each county's Board of Supervisors to ensure that they have the right programmatic and funding approach. Counties have to drill down, figure out what underlying issues and causes exist, and what array of cost-effective services will produce positive results for people and sustain community and county programs. We have a variety of options and technological tools available to accomplish greater communication and information-sharing to improve our programs and service to our communities. It is up to us to use them.

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