

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

n46



FROM: Executive Office

SUBMITTAL DATE:
July 13, 2009

SUBJECT: Proposition 172 Distribution and Use

RECOMMENDED MOTION: That the Board of Supervisors receive and file this report and direct the Executive Office to return with recommended changes to the management of Proposition 172 revenue as a part of the FY 10/11 budget process.

BACKGROUND: Proposition 172, the Local Public Safety Protection and Improvement Act of 1993, was approved by Riverside County's voters. Its approval raised local sales taxes by one-half cent and dedicated the revenue to supporting public safety programs, to partially compensate for state cuts to local revenue under ERAF.

A city or county that receives Proposition 172 funds must place the revenues in a special revenue fund to be expended only on public safety services as defined in Government Code Section 30052. Eligible services include sheriff, police, fire, county district attorneys, corrections and ocean lifeguards. Government Code Section 30056 contains "maintenance of effort" provisions concerning Proposition 172 funds requiring cities and counties to maintain funding levels to public safety functions which receive Proposition 172 funds. These provisions ensure that Proposition 172 funds are spent on public safety services as defined.

(continued on page 2)

Christopher Hans

Christopher Hans
Deputy CEO

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2009/10

SOURCE OF FUNDS:	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY: *Jay E. Off*
JAY E. OFF

County Executive Office Signature

- Policy
- Policy
- Consent
- Consent

Dep't Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.: | District: All | Agenda Number:

3.97

BACKGROUND: (Continued)

State law assigned about 4.5 percent of this revenue to cities incorporated before 1993. The remaining 95.5 percent was divided per Riverside County Board direction among the departments of the Sheriff, District Attorney, Probation and Fire. The percentage splits to our departments have not been changed since they were initially set.

Existing Prop 172 Distribution	
Sheriff	58.5%
DA	16.4
Probation	15.8
Fire	4.8
Cities	4.5
TOTAL	100%

In many ways Riverside County has treated Proposition 172 revenue as non-departmental revenue. Each year, the Executive Office provides a budget estimate to the Board as a part of the proposed budget. At the Board's direction, approximately half of the revenue is used to support operations at South West Justice Center. Recently, when actual revenue fell short of budgeted amounts, the Board approved the use of general funds to fill the gap.

The slowing and then shrinking of this revenue source, coupled with the Board's direction to protect department budgets from the loss, created a "structural deficit" with respect to Proposition 172 revenue. During Fiscal years 07/08 and 08/09 departments received a mix of Proposition 172 revenue and general fund support. This fiscal year department budget targets were lowered to the level of actual revenue expected. This had the effect of removing the general fund backfill of approximately \$30 million. This cut exacerbated an already difficult situation as the four affected departments struggled to balance their most recent budget.

After many months of careful consideration and some painful decisions, each department created its own unique plan for the current year that protected all essential services and personnel. The Sheriff's Department had its net county cost adjusted upward by a total of \$43.2 million (prior to the \$1.2 million labor savings adjustment) which includes \$21 million to compensate for the loss of Proposition 172 revenue. The District Attorney's net county cost was adjusted upward by \$5.1 million (prior to the \$5.1 million labor savings adjustment) to compensate for the loss of Proposition 172. The Fire Department's net county cost was adjusted upward by \$7 million, the amount needed to keep all fire stations open. There was no specific connection to Proposition 172 funding. No adjustments were made to the Probation Department's budget.

Each department must be carefully monitored this year and next to ensure that their budget plan is adequate, and it is reasonable to expect changes will be needed next fiscal year.

Though there was not a uniform approach to correcting for this budget loss, each department now has a balanced budget. Changes at this point could be made, but would require that some department budgets be cut – requiring layoffs or the use of more general fund reserves – in order to increase the allocation to other departments.

It seems appropriate to reexamine the Board's policies governing the distribution and backfilling of Proposition 172 revenue as the next budget is constructed. It is the recommendation of the Executive Office that no further changes occur this year, but that a plan be brought to the Board in the midyear budget report for changes to the distribution and use of this revenue beginning in Fiscal Year 09/10.