

County Contract No.

Department
Board of Supervisors

TRINITY COUNTY
Board Item Request Form
2015-07-07

1.02

Contact

Karl Fisher

Phone

623-1217

Requested Agenda Location

Presentations

Requested Board Action:

Receive a presentation on the fiscal effect to Trinity County of joining the State of Jefferson.

Fiscal Impact:

No fiscal impact.

Motion:_____ Second_____ Roll Call: Ayes:_____ Nays:_____ Tabled To:_____

Action:

Notes:

BOARD REPORT

Subject: Fiscal Effects on Trinity County of Joining the State of Jefferson

Date: July 7, 2015

ISSUE: Should the Board receive a presentation on the fiscal effect to Trinity County of joining the State of Jefferson?

In 2014, the Board Chairman tasked me with researching the fiscal effects of Trinity County moving to the State of Jefferson. This information was sought for the Board to have in their discussions of the issue.

Attached is information gather from the California Highway Patrol, CALFIRE, Trinity County Behavioral Health Services, Trinity County Health and Human Services, Trinity County Fire Chief's Association and Trinity County Department of Transportation.

Karl Fisher
District 3 Supervisor

***I. California Highway Patrol
Mark Loveless, Trinity Area Commander***

As a disclaimer, the California Highway Patrol, in no way, shape or form supports or endorses the State of Jefferson movement.

- I. The following is the number of positions, by title, that the California Highway Patrol, Trinity River Area employs when at full capacity to provide 24 hour coverage, 7 days a week, 365 days a year:
 - a. 1 – Lieutenant Commander
 - b. 3 – Sergeants
 - c. 20 – sworn, uniformed officers
 - d. 1 – Office Services Supervisor
 - e. 1 – Office Assistant
 - f. 1 – Automotive Mechanic II
 - g. 1 – Maintenance Worker

- II. The current facility houses the California Highway Patrol and the California Department of Motor Vehicles office space. The facility is approximately 8,765 square feet in size and is undersized for the current number of employees.

- III. The Trinity River Area’s fleet is composed of 10 black and white marked enforcement vehicles, one unmarked commander’s vehicle, one black and white commercial enforcement vehicle, one Special Education Traffic Radar trailer, and one enclosed utility trailer.

- IV. The Northern Division Command, stationed in Redding, has several specialized investigation/enforcement Units that Trinity County has called upon for assistance numerous times throughout the years. These Units are overseen by one captain and one lieutenant. They are:
 - a. Air Operations Unit – two fixed winged and two fully equipped helicopters. The helicopters each have two uniformed California Highway Patrol officers onboard at all times; one pilot and one paramedic.
 - b. Multi-disciplinary Accident Investigation Team (MAIT) – this Unit is composed of one sergeant, three uniformed officers, one Caltrans engineer, and one non-uniformed mechanic.
 - c. Investigations Services Unit (ISU) – this unit is composed of two sergeants, eight officers, and five K-9 officers.
 - d. Commercial Unit – although the Division Commercial Unit has a number of specialized commercial enforcement officers there is only one assigned to Trinity County. However, the Unit brings all the officers together to provide strategic

commercial enforcement operations all across northern California, including Trinity County.

- e. Motor Carrier Safety Unit – these are all non-uniformed personnel whose primary function is to conduct safety inspections of commercial vehicle operators within thirteen Northern California counties. These inspections are conducted off-highway at terminal locations where the operators regularly garage and maintain their vehicles.
- V. Additionally, the Northern Division Command of the California Highway Patrol has a full company uniformed officers, Special Response Team, who receive regular and on-going training in crowd control and civil unrest.

II. CALFIRE
Andy Reiling, Battalion Chief
California Dep't of Forestry and Fire Protection

CAL FIRE has in Trinity County:

- Two one engine stations
- One two engine station
- One Conservation Camp (6 crews)

Personnel wise we have:

- One Division Chief
- One Battalion Chief
- One Forester
- Seven Fire Camp "A's"
- Twelve Fire Captain "B,s"
- One Mechanic
- One water/sewer technician
- Three Fire apparatus Engineers
- Thirty Four firefighters

The above does not take into account the state aircraft and dozers that respond from Redding to a Wildland fires in Trinity County.

Estimated Costs*:

- Two engines 3-0 staffed at \$1905 per day = \$3810.00
- Two engines 4-0 staffed at \$2180 per day = \$4360.00
- 6 crews at \$2668. per day = 16,008
- Division Chief \$710.00 per day
- Battalion Chief and Forester \$400.00 per day

*The above costs were taken from a 2013 cost estimation tool to calculate daily cost on fires.

III. *Trinity County Behavioral Health (TCBHS)*
Noel O'Neill, Director TCBHS

Fiscal impacts to TCBHS move to the State of Jefferson

Formulated in December 2014 by Agency Director

Bottom Line:

- TCBHS currently enjoys an annual budget of about 5.2 million dollars to operate both the MH Program and the Substance Use Treatment
- Should Jefferson become a State, the majority of these State and Federal funds will disappear.
- Currently the County is mandated to match the 1991 account with 1% of county revenue. This generally amounts to approximately \$6,000. This is the only County General Funds that exists in the current budget.

Breakdown of revenue and why it will no longer be available:

- Mental Health Services Act (MHSA) is the largest source of funding TCBHS has. It is based on the Ca. proposition 63 passed by voters in 2004. The State of Jefferson (S of J) would have no such mechanism if it were created without the will of the voters. We are usually getting somewhere in the neighborhood of 1.5 million dollars annually.
- TCBHS nets two separate realignment funds; 1991 and 2011. Both of these are generated by sales tax. Again, without the will of the people, and the new legislative body, there would be no source of funding. TCBHS enjoys about 1.25 million annually now from this pot of money.
- Medi-Cal revenue makes up about 1.25 million in revenue. However, the S of J would need to enter into a contract with the Federal Government in order to draw down Federal Funds. Then, even if a contract were put into place a couple of years after statehood, TCBHS would have no revenue upon which to match for these Federal Funds. In short, for every \$1. That is pulled down; the County must put up a certified public match of .50cents. Where would we get the .50cents as we use realignment and MHSA dollars now, but we would not have that revenue in the future?
- SAMHSA has a contract with the State of Ca. for homeless services and substance use treatment for non Medi-Cal Beneficiaries, which brings in about \$100,000. Annually. The S of J would need to enter into a contract with the Federal Government in order to get an allocation, and certainly that could take several years of negotiating.
- The Alcohol and Other Drug Program receives Substance Abuse Program Treatment (SAPT) dollars of about \$350,000. Annually for TCBHS. Without a contract in place with the Federal Government, it would take several years for this flow of money to begin.

- Alcohol and Other Drug also gets a share of tax-based realignment Ca. Dollars, but this fund too would end for the S of J if it were to be created. Nor would there be a capacity for to bill Drug Medi-Cal as the S of J would not be recognized as a holder of a contract with the Federal Government. One would have to be established.
- When TCBHS wanted to get certified as a (Federal) Medicare Provider, it took well over 18 months to accomplish this task. The current contractor for the Federal Government, Noridian, makes it very tough for any new provider. The S of J would require that TCBHS would need to start over.
- If the S of J were formed, the current Health Plan, Partnership Health, would have no authority to operate in this new State. There would be no State Health Exchange for the purchase of health insurance.

TCBHS would be devastated if the Agency was to leave Ca. Additionally, the agency has relationships with so many associations that provide information for it and advocate for its needs. What would be the agency's new sources of information? The agency would have none of the State Institutions that it currently utilize like the State Hospitals, and Universities that it relies on so heavily. There would only be two State Colleges in the S of J; Humboldt and Chico.

Recommendation from TCBHS: Do not proclaim support for the State of Jefferson.

***IV. Trinity County Health and Human Services (TCHHS)
Christine Zoppi, Director, TCHHS***

There are fiscal elements and capacity related costs not included in the SofJ analysis. Mainly the support that comes from the current state system, be it direct revenues, or the highly complex system that allows administration of programs within the state framework as required by federal law, or gains us as a small county leverage which doesn't show in our county budget. An example would be regional consortiums of small counties which participate in IT infrastructure projects, state association support, or state policies for varied federal programs.

The Health and Human Services budget is comprised of primarily State or Federal originated revenues. Virtually all funding would be impacted in a change such as this proposed until an assumed new State government was formed. State revenues from Vehicle License fees, Sales Taxes and State general fund provide direct revenues to the department and county, and also allow the county to draw federal funds requiring leverage from State/local resources.

Approximate State revenues to Health and Human services are received annually from State realignment funds comprised of Sales Tax and or Vehicle License fees. (This doesn't include any revenues associated with the state match to provide state match such for IHSS

programs, Cal FRESH benefits, or Medical direct expenditures which would take a substantial amount of analysis to determine):

- \$1.1 Million - Health Realignment: Funds Public Health, Jail health, etc.
- \$2.8 Million - 2011 Social Services Realignment
- \$1.7 Million - 1991 Social Services Realignment

\$5.6 million Total State Revenues

Leverage: These revenues also leverage another nearly 50-75% in Federal revenues. Having a State/local funding source is required to leverage most all federal revenues.

Approximately:

- \$1.4 Million in leveraged federal revenues at 25%
- \$2.8 Million in leveraged federal revenues at 50%
- \$4.2 Million in leveraged federal revenues at 75%

Total potential lost revenues if not restored with local or new state subsidies:

\$7.0 Million @ 25%

\$8.4 Million @ 50%

\$9.8 Million @ 75%

Capacity and other Impacts: Regional and State-wide systems projects and collaborative arrangements would need to be re-established, largely the state overlay of law and infrastructure to transfer and regulate federal funds to the county and most specifically the sales tax and vehicle license revenues that would need to be reestablished somehow, or there would be a tremendous loss to the basic financial stability of probably 4,000 residents served from Health and Human Services during a transition phase.

***V. Trinity County Fire Chief's Association (TCFCA)
David Loeffler, President, TCFCA
Chief, Hayfork VFD***

My comments on "The State of Jefferson" effects on the fire service in Trinity County. Presently California has the greatest mutual aid system for fire and rescue of any state in the union. The system involves State, Federal and local agencies and is a highly functional system.

Immediate effects would be the loss of the three Cal-Fire Stations and Trinity River Conservation Camp. The 3 forest fire stations provide 4 engine companies covering many communities. The camp provides in addition to fire suppression services project work on a contractual basis to local agencies. Hazard reduction around the fair grounds and along roads and highways are just a few. CDC and CDF personnel provide revenue to local business on a regular

basis. Loss of these creates the following questions. The formation of a Calfire type agency, infrastructure needs to house the agency, cost to purchase existing or construct.

A new state office of emergency service will it provide free fire apparatus as Cal OES does presently. Immediate loss of a water tender presently stationed in Weaverville Fire available to all County fire departments. The loss of State Fire training which will require retraining and recertification of instructors, possibly recertification of fire fighters state wide.

The new state will have to develop policies and procedures with The US Forest Service, National Park Service, Fish and Wildlife, involving fires in their jurisdictions.

Loss of the California Highway Patrol will also affect the fire service. We will have to conform to the new agency policies for traffic accidents, hazardous material incidents. We have 20 + officers working in the county with a two person unit available at night.

Will the new state have the personnel and the funds to provide the above services? It will take time to replace the three agencies all the while adding additional risk and costs to local fire agencies. My first lobby would be for state, county and school owned property to pay the Fire District benefit assessment or not receive the service.

VI. Trinity County Analysis of State of Jefferson Financial Model

- **Property Taxes (100% of 1%) for FY 2013-2014:**
 - * Total Secured and Unsecured property taxes billed are accurate.
 - * Total Unsecured property taxes collected are accurate.
 - * Total Secured property taxes are overstated by about \$90,000.
 - * There is no provision made for the special districts that participate in the 1% and the expenditures of special districts have been excluded.
- **State Personal Income Taxes (flat 8%) for FY 2011-2012:**
 - * $\$31,296,945$ from equation $[\$34,027(\text{per capita income}) * 13,526(\text{population}) * 0.08(\text{SofJ flat tax rate}) * 0.85(\text{TC share})$.
 - * Assumes all personal income taxed at 8% flat rate, no exemptions allowed.
 - * Does not provide for a standard deduction, itemized deduction or personal exemptions.
 - * No adjustments or credits allowed.
 - * 8% flat rate on all personal income.
 - * The model places the highest tax burden on middle income and poor tax payers.
- **Federal Income Tax Returned (85% of the 88% feds returned):**
 - * Uses 2007 per capita (\$3,064) fed taxes paid and uses FY 2011-2012 population (13,526).
 - * $\$3,064 * 13,526 * 88% * 85%(\text{TC share}) = \underline{\$31,296,945}$ assumed returned by feds.
 - * Taxes paid (\$3,064) may be overstated because it is a value prior to the great recession.
 - * Assumes that 88% paid to Feds will be returned to SofJ and its counties, w/o stating how it is returned. Thus the amount appears to be unverifiable.
 - * In 2013-2014, TC received \$14.4 million in direct federal grants (only 46% of the assumed amount of \$31.3 million).

* Some of the 46% shortfall may be made up by indirect federal funding, however the high cost for researching these funds was deemed to not be in the best interest of TC taxpayers.

- **State Sales Tax (flat 8%) FY 2006-2007:**

- * \$69,188,000(2007 retail sales)*8%(flat rate tax)*33%(TC share) = \$1,826,563.

- * Presumes all sales are taxable. (NO EXEMPTIONS FROM STATE SALE TAX).

- * Can citizens increase sales tax rate for special purposes (floods, roads, etc.)?

- * 2007 sales tax is prior to the great recession, so may be an overstatement.

- **Retail Fuel Sales (\$0.53/gal. state tax) in addition to \$0.184/gal. in federal tax:**

- * 2,000,000/gal. (2012 sales)*\$0.53/gal.*50%(TC share) = \$530,000.

- * Back-up documents are rounded to the millions, so 2 million could be from 1.59 million to 2.49 million gallons. This difference would make little difference in the TC Road Department budget.

- * In this model, there would be a total (state & fed.) of \$0.714/gal fuel tax compared to the current approximate \$0.48/gal. total fuel tax.

- * This is another taxation sector that places the heaviest tax burden on middle income and poor taxpayers.

- **Special Districts:**

- * This model ignores the expenditures of special districts and shifts the revenue that currently helps to fund districts to TC (property tax money).

- * The model is not clear if it intends to eliminate all board governed districts or to fund them via the SofJ state budget.

- * What happens to these districts?

- **Debt:**

- * The model assumes that SofJ's portion of the California debt equals 4.95% of the total California debt. It should be noted that West Virginia and Virginia fought over West Virginia's share of Virginia's debt for approximately 50 years and in all levels of the court system. (LAO report dated January 31, 2014.

- * It is not clear what type of debt is included in this amount. (COPs, Unfunded Pensions, OPEB Liabilities, workers comp claims, unemployment, etc.)

- **SofJ Budget Concerns:**

- * There is currently no SofJ constitution, infrastructure, organizational chart to identify how SofJ will be formed and operate.

- * This model fails to provide for the following government organizations, unless covered by within the SofJ's budget:

1. Court System
2. State Universities and Community Colleges
3. State Officers and Departments
4. State Hospitals
5. State Prisons

- * This model states that it there will be NO Corporate Income Tax. This creates a significant tax loop hole where people can create their own corporations, pay themselves from their corporation, and only pay income taxes on their pay. This is another tax strategy that places the tax burden on the middle income and poor citizens.

- * This Model states that "it will never have other types of taxes/penalties/fines

collected by the state, counties or cities”. Does that include:

1. Criminal and civil fees, fines, forfeitures and penalties?
2. How will ordinance violations be enforced without the imposition of fines, forfeitures and penalties?
3. Will there be any licensing fees, fines, forfeitures, penalties for vehicles, professionals, businesses, etc.?
4. Will there be any fees for the State’s requirement for Recorder Services, Assessor Maps, Copier fees, dump fees, etc.?

* Does this model presume that Trinity County pay for all public school (elementary and high school) education costs?

VII. Trinity County Analysis of Road and Transportation Funding:

Richard Tippett, Director TC Department of Transportation.

STAFF REPORT

Subject: Jefferson State Department of Transportation Impacts

Date: July 7, 2015

ISSUE: What would be the effects on the Trinity County Department of Transportation should it become a part of the State of Jefferson?

BACKGROUND: Transportation funding is an intermixed blend of Federal and State funds that drive road maintenance, road construction, transit, and transportation planning. Following the flow of money is difficult at best, but how it is allocated can have a big effect on what is received.

Existing law imposes federal and state taxes and fees related to transportation as follows:

- Federal gasoline excise tax \$0.184/gallon
- Federal diesel excise tax \$0.244/gallon
- Gasoline excise tax \$0.36/gallon
- Diesel excise tax \$0.11/gallon

- State Aid (Diesel Gas Tax) \$70,000 (T)
- Planning, Program, Monitor \$60,000 (P)
- Overall Work Program \$158,000 (P)
- PTMISEA Bond \$52,800 (T)

Federal

- Secure Rural Schools and Roads \$1,428,435 (M)
- Federal RSTP (Exchange) \$157,399 (M) Converted
- STP Reallocation \$60,540 (C)
- Federal STIP (by formula) \$1,508,000 (C)
- Highway Bridge Program (need) \$1,500,000 (C)
- Federal Lands Access Program \$1,250,000 (C)
- Highway Safety Improvement Program \$750,000 (C)
- Transit Article 4 (5311) \$500,000 (T)

M–Maintenance, C–Construction, T-Transit, P-Transportation Planning

Trinity County receives little from the direct allocation of federal transportation dollars (about \$220k) due to it being a population-based formula. The majority of the funding comes through other programs such as the federally allocated State Transportation Improvement Program (STIP), Highway Bridge Program (HBP), Highway Safety Improvement Program (HSIP), and Federal Lands Access Program (FLAP). The STIP is by formula (75% number of registered vehicles vs. 25% road miles), the HBP is based on need to replace qualified bridges, and the HSIP and FLAP are grants that are distributed through a competitively based program (which Trinity County has been successful in obtaining). Spreading out the individual allocations received over the last five years, Trinity County has averaged approximately \$5M annually in STIP, HBP, HSIP, and FLAP.

Funds from the state are different. There are numerous methods and formulas that are applied, but in general, more than half is through the STIP formula, 75% registered vehicles and 25% road miles. The remaining half is allocated through a number of fixed values, such as snow plowing, engineering, and drainage. Whatever remains is distributed by population.

Transit and Transportation Planning, for the most part, are population and need based formulas. Example, Federal Transit (5311) is based on the routes that you run, whereas State and Use Tax is 0.25% of the 7.5% sales tax that is collected in Trinity, and the remainder of the funds are population based.

This leaves the following funds for these particular operations within DOT

Maintenance \$4,377,787

Construction	\$5,068,540
Transit	\$867,800
<u>Transportation Planning</u>	<u>\$218,000</u>
TOTAL	\$10,532,127

DISCUSSION: One of the key issues for Trinity County is that it is a county within a low population in a highly populated state. This comes into play when items are distributed based on road miles or formularies, as the pool of funds that these are drawn from are substantially larger than states with a smaller population. Put another way, Trinity County is heavily subsidized by the larger counties in the state. Example, when it is a population based formulary, the amount of funds that are available decrease by 85% for Trinity County. Overall, depending on the county's population, funding would decrease anywhere from 35% for Shasta County to 90% for Sierra County, with a weighted average/estimate of about 50%. This means that for formulary funds such as STIP, it would be reasonable to expect only 50% would be available for distribution.

Concerning Transit, there would be no significant changes as funds are distributed based on population and receipts. The critical factor would be if a tax was collected.

As mentioned above, Transportation Funding is highly complex, but there are some fundamental assumptions that could be made that can predict what is going to happen if Trinity County were to become part of the state of Jefferson. I will highlight each one of those examples.

1. Assume that transportation funding will only come from federal sources and that there will be no state fuel tax or contribution. Federal funds will remain the same except for STIP, which will decrease about 50% assuming that they will continue to be distributed by formulary (25% miles/75% vehicles). Further, it would have to be assumed that Federal RSTP will be restricted and reduced due to State Conversion processes.

2. Following would be available for particular DOT operations

Maintenance	\$1,585,834
Construction	\$4,263,081
Transit	\$500,000
<u>Transportation Planning</u>	<u>\$0</u>
TOTAL	\$6,348,915

3. Assume that a similar gas tax was approved and that it was going to be distributed based on population. The gas tax hopefully will include a component for Transit. Funds will not be available for matching programs such as State Match or FAS Roads, which were programs exclusive to California. It is also assumed that Transportation Planning funds would become available and continue to be distributed by population.

4. Following would be available for particular DOT operations

Maintenance	\$1,975,384
Construction	\$4,263,081
Transit	\$815,000
<u>Transportation Planning</u>	<u>\$218,000</u>
TOTAL	\$7,271,465

5. Assume that a similar gas tax was approved and that it was going to be distributed based on a road mile formula. The effect could be significant, as the only areas that would provide significant tax base is Medford, Redding, and Chico. However, to be conservative, a 50% reduction will be likely. The other funds will be similar to distribution by population.

Following would be available for particular DOT operations

Maintenance	\$2,884,334
Construction	\$4,314,540
Transit	\$815,000
<u>Transportation Planning</u>	<u>\$218,000</u>
TOTAL	\$8,231,874

While not necessarily a direct effect of joining the State of Jefferson, maintenance funds are mainly comprised of Secure Rural Schools funds, which have been diminishing yearly, and long term are not necessarily guaranteed to be available every year. Should they discontinue, only \$100k will be available for maintenance.

When looking at availability of funds, one must understand the “color of money.” What that means is that construction money for example is only available for construction on the busier roadways. One cannot decide to go use it on maintenance as the funds are restricted to construction. If this happens, the FHWA will request that all funds be returned, and it would significantly jeopardize future funding opportunities.

In order to provide an effective snow plow program in Trinity County, 19 road crew maintenance workers are required. Current payroll only provides for 16 road crew members. Even in the best scenarios, payroll would have to be reduced to \$1.4M which would be about 10 road crew members, or the 50% payroll allocation would have to be modified reducing the amount available for materials and equipment and increasing the amounts available to payroll.

CONCLUSION: From what it appears, leaving the State of California would significantly impact the maintenance that could be provided to County Roadways. Funds for construction of projects will be affected, but since the source is federal, the impact is not critical. Transit funds will be dependent to what extent a fuel tax, or some other type of revenue, is determined. If there was a gas tax, it could be assumed that a transit component would be included.

Given the conservative nature of the counties that would be joining together to form Jefferson State, adoption of a new gas tax or other forms of roadway funding are speculative and the final product would truly be unknown.

Respectfully Submitted

Richard Tippett – Director

Department of Transportation

	Road Miles Based	M	C	T	P	
• Highway Users Tax (HUTA)	\$2,597,000 (M)	\$1,298,500				
• State Match	\$100,000 (M)					
• 1991 FAS Roads Match	\$94,953 (M)					
• Sales and Use Tax	\$245,000 (T)			\$245,000		
• State Aid (Diesel Gas Tax)	\$70,000 (T)			\$70,000		
• Planning, Program, Monitor	\$60,000 (P)				\$60,000	
• Overall Work Program	\$158,000 (P)				\$158,000	
• PTMISEA Bond	\$52,800 (T)					
Federal						
• Secure Rural Schools and Roads	\$1,428,435 (M)	\$1,428,435				
• Federal RSTP (Not Exchange)	\$157,399 (M)		\$157,399			
• STP Reallocation (by population)	\$60,540 (C)		\$9,081			
• Federal STIP (by formula)	\$1,508,000 (C)		\$754,000			
• Highway Bridge Program (need)	\$1,500,000 (C)		\$1,500,000			
• Federal Lands Access Program	\$1,250,000 (C)		\$1,250,000			
• Highway Safety Improvement Program	\$750,000 (C)		\$750,000			
• Transit Article 4 (5311)	\$500,000 (T)			\$500,000		
		\$2,726,935	\$4,420,480	\$815,000	\$218,000	Grand Total
						\$8,180,415