



California Budget
& Policy Center

Dollars and Democracy: A Guide to the County Budget Process

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California Budget & Policy Center

The Budget Center was established in 1995 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The Budget Center engages in independent fiscal and policy analysis and public education with the goal of improving the economic and social well-being of low- and middle-income Californians. Support for the Budget Center comes from foundation grants, subscriptions, and individual contributions. Please visit our website at calbudgetcenter.org.

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California's Counties: The Basics



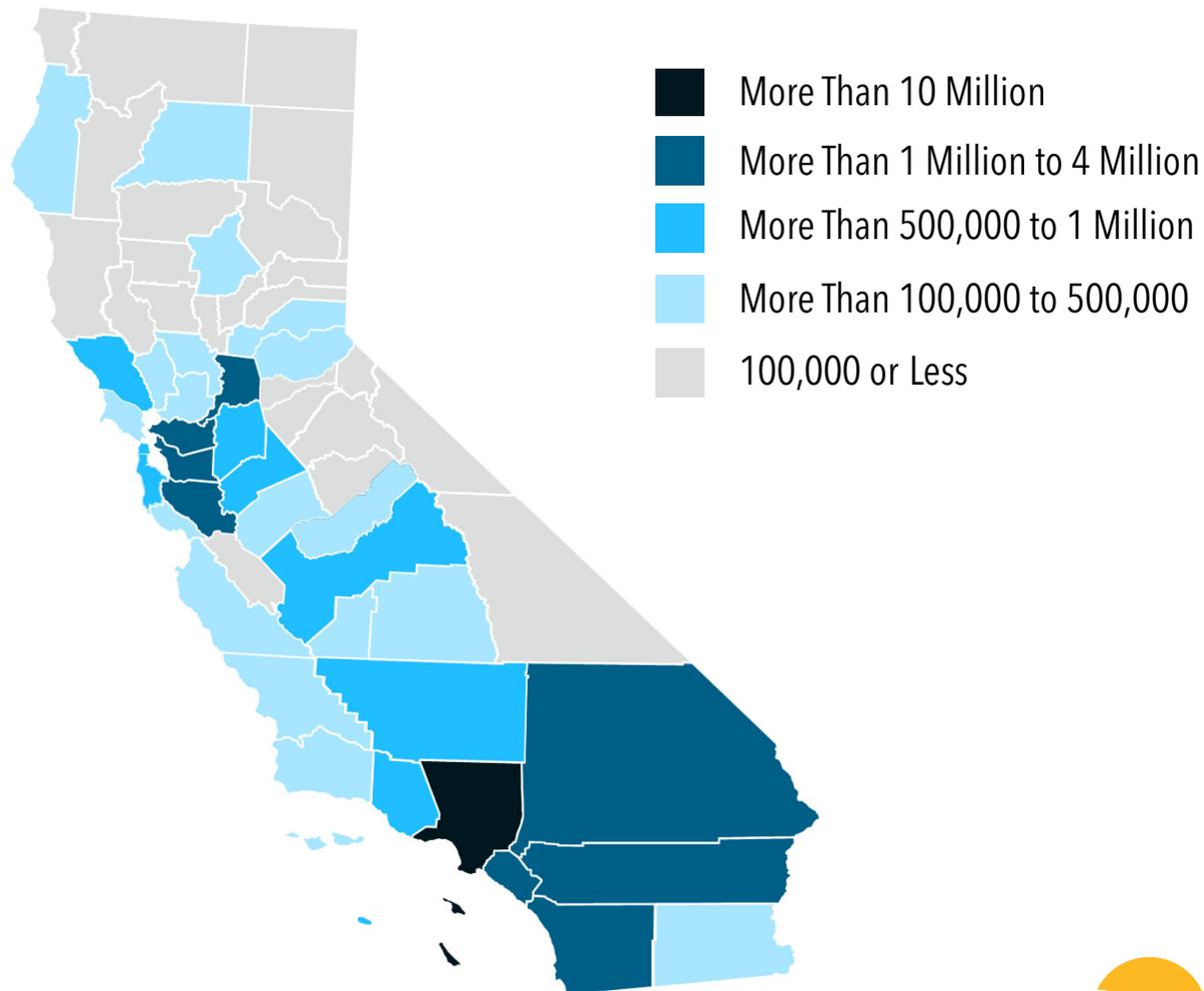
California Has 58 Counties That Vary Widely in Population and Size

- **California's counties range widely in population.**
 - Nine counties have more than 1 million residents, and 23 counties have fewer than 100,000 residents.
 - Los Angeles County has the largest population of any county in the state (10.3 million).
 - Alpine County has the smallest population (less than 1,200).
- **California's counties also differ considerably in size.**
 - San Bernardino is California's largest county (20,057 square miles).
 - San Francisco – which has the state's only consolidated city and county government – is the smallest county (47 square miles).



Nine Counties Have Over 1 Million Residents, While 23 Counties Have Fewer Than 100,000

Estimated Population as of July 1, 2017



Note: Population estimates are preliminary.
Source: Department of Finance



California's Counties Are Legal Subdivisions of the State

- **California's Constitution requires the state to be divided into counties.**
- **Counties' powers are provided by the state Constitution or by the Legislature.**
 - The Legislature may take back any authority or functions that it delegates to the counties.
- **There are 44 general-law counties and 14 charter counties.**
 - Unlike general-law counties, charter counties have a limited degree of independent authority over certain rules that pertain to county officers. However, charter counties lack *any* extra authority with respect to budgets, revenue increases, and local regulations.



Counties Have Multiple Roles in Delivering Public Services

- **Counties operate health and human services programs as agents of the state.**
 - These include foster care; child welfare services; Medi-Cal (health care for low-income residents); public health and mental health services; substance use disorder treatment; the CalWORKs welfare-to-work program; and others.
- **Counties carry out a broad range of countywide functions.**
 - These include overseeing elections and operating – along with the courts and cities – the criminal justice system.
- **Counties provide some municipal-type services in unincorporated areas.** These include policing, fire protection, libraries, planning, and road repair.



Other Types of Local Agencies Also Deliver Public Services

- **Counties provide public services alongside other agencies that operate at the local level.**
- **A wide array of local services are delivered by:**
 - More than 2,000 independent special districts, which provide specialized services such as fire protection, water, or parks.
 - More than 900 K-12 school districts, which are responsible for thousands of public schools.
 - More than 480 cities, which provide police protection along with other municipal services.
 - More than 70 community college districts, which oversee 113 community colleges.



Counties Are Governed by an Elected Board of Supervisors

- **The Board of Supervisors consists of five members in all but one county.**
 - The City and County of San Francisco has an 11-member Board and an independently elected mayor.
- **Because counties do not have an elected chief executive (except for San Francisco), the Board's role encompasses both executive and legislative functions.**
 - These include setting priorities, approving the budget, controlling county property, and passing local laws.
- **Boards also have a quasi-judicial role.**
 - For example, Boards may settle claims and hear appeals of land-use and tax-related issues.



A Number of Other County Officers Also Are Elected

- **Along with an elected Board of Supervisors, the state Constitution requires counties to elect:**
 - An assessor.
 - A district attorney.
 - A sheriff.
- **Although not required by the state Constitution, a few other key county offices are typically filled by election, rather than by Board appointment. These include:**
 - The auditor-controller.
 - The county clerk.
 - The treasurer-tax collector.



The County Manager Oversees the Daily Operations of the County Government

- **The top administrator in each county is appointed by the Board of Supervisors.**
 - Counties have various titles for this position. This guide uses the generic term “County Manager.”
 - San Francisco, with an independently elected mayor, does not have a county manager position.
- **The County Manager:**
 - Prepares the annual budget for the Board’s consideration.
 - Coordinates the activities of county departments.
 - Provides analyses and recommendations to the Board.
 - May hire and fire department heads, if authorized to do so.
 - May represent the Board in labor negotiations.



Key Facts About County Revenues and Spending



The County Budget Is More Than Dollars and Cents

- **County budgets provide a framework and funding for public services and systems.**
 - Dollars provided through county budgets can help move policy ideas from concept to reality.
- **But county budgets are about more than dollars and cents.**
 - At a fundamental level, a county budget expresses our values and priorities, both as residents of a particular county and as Californians.
 - County budgets reflect Californians' collective efforts to help strengthen our communities as well as to ensure the continued vibrancy of our state.



County Budgets Reflect State and Federal Priorities as Well as Local Policy Choices

- **To a large degree, county budgets reflect state and federal policy and funding priorities.**
 - As agents of the state, counties provide an array of services that are supported with state and federal dollars and governed by state and federal rules.
 - This means that a large share of any county budget will reflect priorities that are set in Sacramento and in Washington, DC.
- **County budgets also reflect the policy and funding priorities of local residents and policymakers.**
 - Counties can use a portion of their locally generated revenues to fund key local services and improvements.

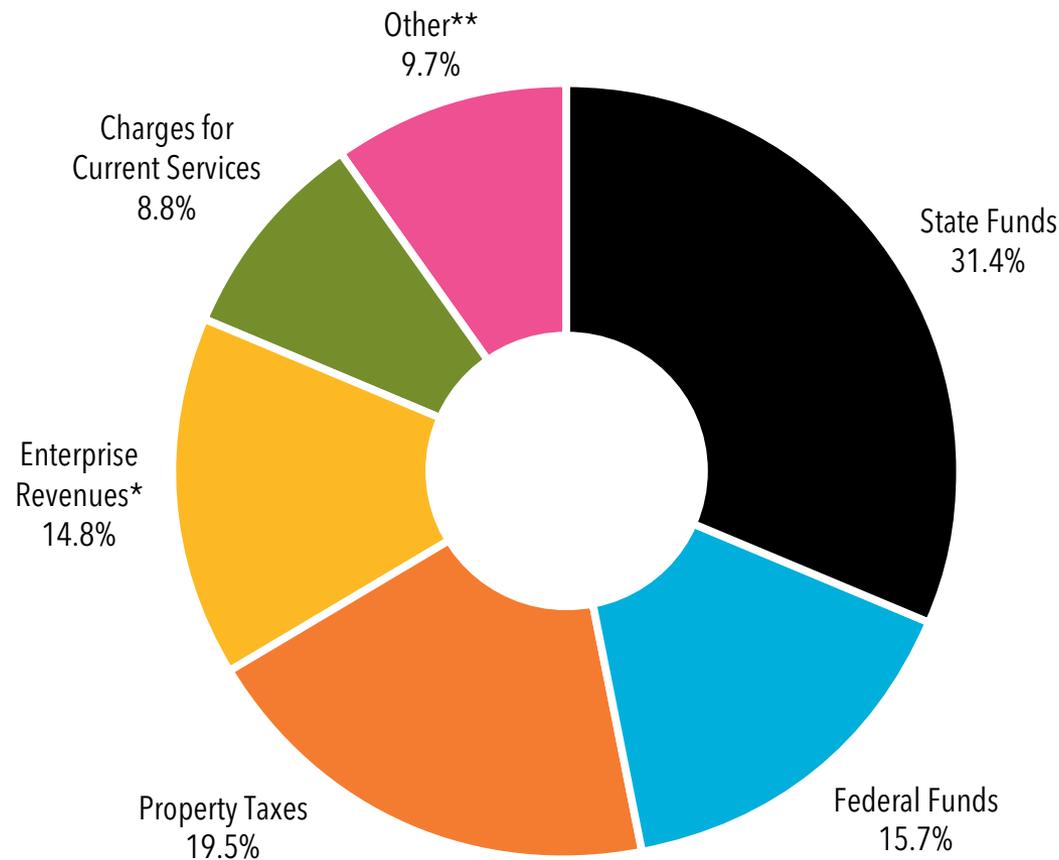


County Revenues = State Funds + Federal Funds + Local Funds

- **County revenues consist of state and federal dollars along with locally generated funds.**
 - State and federal revenues pay for health and human services, roads, transit, criminal justice activities, and other services.
 - Local revenues, particularly property tax dollars, are important because they are mostly “discretionary” and can be spent on various local priorities.
- **In 2015-16, state and federal revenues comprised nearly half (47.1 percent) of all county revenues across the state.**
- **Property taxes made up almost one-fifth (19.5 percent) of total county revenues in 2015-16.**



State and Federal Funds Combined Comprise Nearly Half of Total County Revenues, 2015-16



* Reflects revenues associated with business-type activities, such as airports and hospitals.

** Reflects a range of smaller revenue sources, including other taxes, fines, licenses, and permits.

Note: Excludes the City and County of San Francisco. Percentages do not sum to 100 due to rounding.

Source: California State Controller's Office

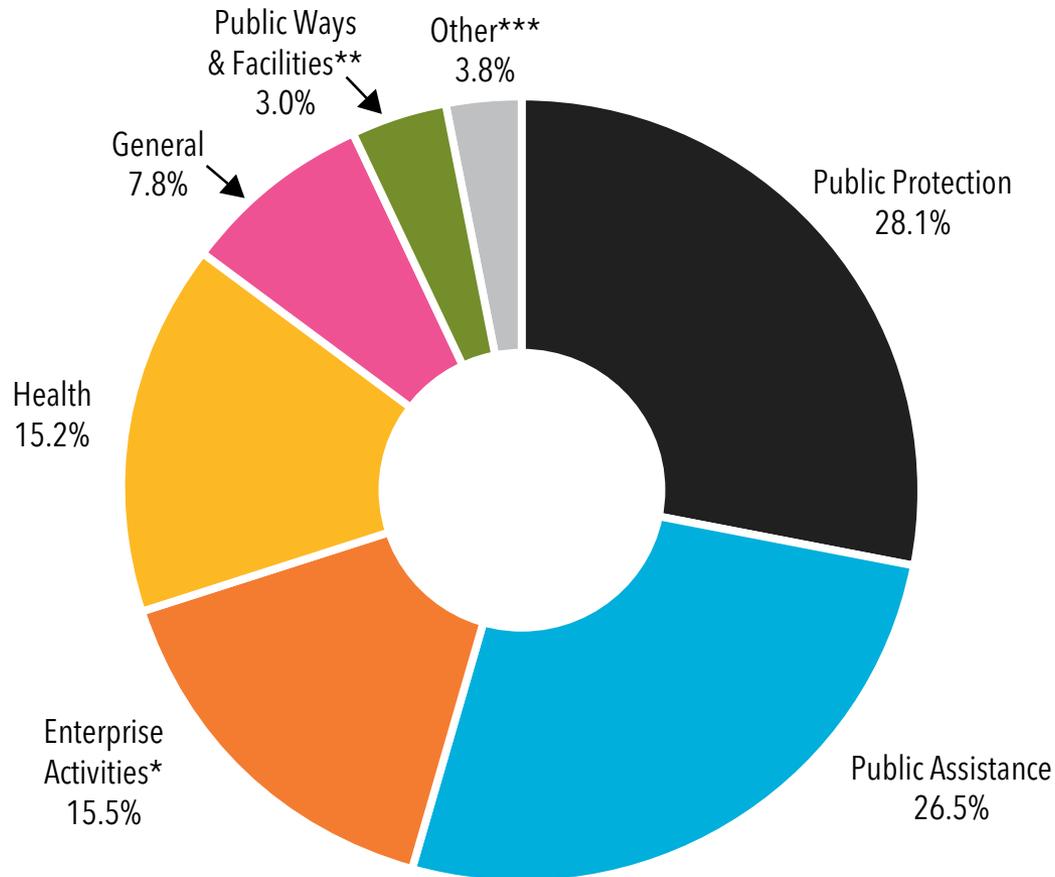


County Budgets Support a Broad Range of Public Services and Systems

- **In 2015-16, more than half (54.6 percent) of all county spending across the state paid for public protection or public assistance.**
 - Public protection includes spending on the district attorney, adult and juvenile detention, policing provided by sheriff's departments, and probation.
 - Public assistance includes spending on cash aid for Californians with low incomes, including families with children in the CalWORKs welfare-to-work program.
- **Large shares of county spending in 2015-16 also supported enterprise activities (15.5 percent) – which includes airports, hospitals, and golf courses – and health-related services (15.2 percent).**



Public Protection and Public Assistance Combined Account for Over Half of County Expenditures, 2015-16



* Business-type activities, such as airports and hospitals. ** Roads, transportation systems, and parking facilities. *** Debt service, recreation and cultural services, education, and sanitation.

Note: Excludes the City and County of San Francisco. Percentages do not sum to 100 due to rounding.

Source: California State Controller's Office



State Rules Determining Counties' Revenue-Raising Authority



State Rules Determine the Authority of Counties to Raise Revenue

- **Counties can levy a number of taxes and other charges in order to fund public services and systems.**
 - The rules that allow counties to create, increase, or extend various charges are found in state law – as determined by the Legislature – as well as in the state Constitution.
- **Statewide ballot measures approved by voters since the late 1970s have constrained counties' ability to raise revenues.**
 - These measures are Proposition 13 (1978), Prop. 62 (1986), Prop. 218 (1996), and Prop. 26 (2010).



Counties Can Increase the Property Tax Rate Solely to Pay for Voter-Approved Debt

- **Prop. 13 (1978) limits the countywide property tax rate to 1 percent of a property's assessed value.**
 - Each county collects revenues raised by this rate and allocates them to the county government, cities, and other local jurisdictions based on complex formulas. Revenues from the 1 percent rate may be used for any purpose.
- **Local jurisdictions may increase the 1 percent rate to pay for voter-approved debt, but *not* to increase revenues for services or general operating expenses.**
 - Most voter-approved debt rates are used to repay bonds issued for local infrastructure projects. At the county level, bonds must be approved by a two-thirds vote of both the Board of Supervisors and the voters.



Counties Can Raise Other Taxes, but Only With Voter Approval

- **In contrast to counties' limited authority over property taxes, counties may levy a broad range of other taxes to support local services.**
- **These include taxes on:**
 - Retail sales.
 - Short-term lodgings.
 - Businesses.
 - Property transfers.
 - Parcels of property.
- **However, county proposals to increase taxes generally must be approved by local voters.**



Counties Can Raise Other Taxes, but Only With Voter Approval (continued)

- **Voter-approval requirements for local taxes vary depending on whether the proposal is a “general” tax or a “special” tax.**
- **General (unrestricted) taxes:**
 - Must be placed on the local ballot and approved by a simple majority of voters.
- **Special taxes:**
 - Include both parcel taxes and taxes dedicated to specific purposes.
 - Must be placed on the local ballot and approved by at least two-thirds of voters.



Counties Also Can Levy Charges That Are Not Defined as “Taxes”

- **In addition to taxes, counties can establish, increase, or extend other charges to support local services. These are:**
 - Charges for services or benefits that are granted exclusively to the payer, provided that such charges do not exceed the county’s reasonable costs.
 - Charges to offset reasonable regulatory costs.
 - Charges for the use of government property.
 - Charges related to property development.
 - Certain property assessments and property-related fees.
 - Fines and penalties.
- **The state Constitution, as amended by Prop. 26 (2010), specifically excludes these charges from the definition of a “tax.”**



Counties Also Can Levy Charges That Are Not Defined as “Taxes” (continued)

- **Charges that are not defined as “taxes” can be created, increased, or extended by a simple majority vote of the Board of Supervisors. A countywide vote is not required.**
- **However, Prop. 218 (1996) does require the Board to consult *property owners* regarding two types of charges.**
 - Property assessments, which pay for specific services or improvements, must be approved by at least half of the ballots cast by affected property owners, with ballots weighted according to each owner’s assessment liability.
 - Property-related fees – except for water, sewer, and garbage pick-up fees – must be approved by 1) a *majority* of affected property owners or 2) at least *two-thirds* of all voters who live in the area.



The County Budget Process: State Rules and Local Practices



State Law Shapes the County Budget Process

- **Counties develop and adopt their annual budgets according to rules outlined in state law.**
 - Rules pertaining specifically to county budgets are found in the County Budget Act (Government Code, Sections 29000 to 29144).
 - The Ralph M. Brown Act (Government Code, Sections 54950 to 54963) includes additional rules that county officials must follow when discussing official business.
- **State law delineates:**
 - The *process* by which county budgets must be developed and shared with the public and the basic *information* that must be included in these budgets.



Local Practices Also Shape the County Budget Process

- **Counties have some discretion in how they craft their annual spending plans.**
 - For example, the Board of Supervisors may hold more public hearings than state law requires and/or convene informal public budget workshops. Some counties also begin developing their budgets earlier than others do.
- **Counties have some leeway in how they structure their budgets and share them with the public.**
 - County budgets may include more information and provide a higher level of detail than the state requires.
 - Counties may make their spending plans and other budget-related materials widely accessible to the public in multiple formats, including online.



State Law Recognizes Three Distinct Versions of the Annual County Budget

- **The Recommended Budget:**
 - The County Manager's proposed spending for the next fiscal year, as submitted to the Board of Supervisors.
- **The Adopted Budget:**
 - The budget as formally adopted by the Board by October 2 or, at county option, by June 30.
- **The Final Budget:**
 - The Adopted Budget adjusted to reflect all revisions made by the Board during the fiscal year.
- **At all stages, the county budget must be balanced (funding sources must equal financing uses).**



Counties Must Adopt Their Budgets Using One of Two Models

- **State law provides two models for adopting the annual county budget.**
 - One model (called the “two-step” model in this guide) requires the Board of Supervisors to first *approve* an interim budget by June 30 and then formally *adopt* the budget by October 2.
 - The other model (called the “alternative” model in this guide) allows the Board to formally *adopt* the budget by June 30 of each year, with no need to first approve an interim budget. This alternative process was created by Senate Bill 1315 (Bates, 2016).
- **Each county decides which model to follow in adopting its annual budget.**



Two-Step Model: Board Approves the Recommended Budget by June 30 (Step 1)

- **The Board of Supervisors must approve – on an interim basis – the Recommended Budget, including any revisions that it deems necessary, on or before June 30.**
 - The Board must consider the Recommended Budget, as proposed by the County Manager, during a duly noticed public hearing.
 - The Recommended Budget must be made available for public review prior to the public hearing.
 - At this stage, the Recommended Budget is essentially a preliminary spending plan, which authorizes budget allocations for the new fiscal year (beginning on July 1) until the Board formally adopts the budget.



Two-Step Model: Board Adopts the County Budget by October 2 (Step 2)

- **The Board of Supervisors must formally adopt the county budget on or before October 2.**
 - On or before September 8, the Board must publish a notice stating 1) that the Recommended Budget is available for public review and 2) when a public hearing will be held to consider it. At this stage, the budget reflects the preliminary version approved by the Board along with any changes proposed by the County Manager.
 - The public hearing must begin at least 10 days after the Recommended Budget is made available to the public.
 - The Board must adopt a balanced budget, including any additional revisions that it deems advisable, after the public hearing has concluded, but no later than October 2.



Alternative Model: Board Adopts the County Budget by June 30

- **The Board of Supervisors must formally adopt the county budget on or before June 30, with no need to initially approve the Recommended Budget.**
 - On or before May 30, the Board must publish a notice stating 1) that the Recommended Budget (as proposed by the County Manager) is available for public review and 2) when a public hearing will be held to consider it.
 - The public hearing must begin at least 10 days after the Recommended Budget is formally released to the public, but no later than June 20.
 - The Board must adopt a balanced budget, including any revisions that it deems advisable, after the public hearing has concluded, but no later than June 30.



County Budget Actions Require a Simple Majority Vote or a Supermajority Vote

- **State law allows the Board of Supervisors to make certain budget decisions by majority vote.**
 - These include approving the Recommended Budget and/or the Adopted Budget as well as eliminating or reducing appropriations.
- **However, a four-fifths supermajority vote of the Board is required for a number of budget actions, including to:**
 - Appropriate unanticipated revenues.
 - Appropriate revenues to address an emergency.
 - Transfer revenues between funds or from a contingency fund after the budget has been formally adopted.
 - Increase the general reserve at any point during the fiscal year.



The Timeline of the County Budget Process



The County Budget Process Is Cyclical and Interacts With the State Budget Process

- **County budgets are developed, revised, and monitored throughout the year.**
- **Because counties perform functions required by the state and receive significant state funding, county budgets are shaped by state budget choices.**
 - County officials must take into account decisions made as part of the state's annual budget process. Federal policy and funding decisions also affect county budgets.
- **The budget process varies somewhat across counties.**
 - For example, counties can hold more public hearings than required, and some counties start developing their budgets earlier than others do.



Moving Toward County Budget Adoption: January

- **At the county level:**
 - The County Manager prepares budget instructions for county departments, taking into account the Board of Supervisors' budget objectives and guidance. (This step may occur before January.) Instructions typically include deadlines, spending targets, and priorities.
- **Meanwhile, at the state level:**
 - By January 10, the Governor releases a proposed state budget for the upcoming fiscal year. This budget outlines recommended policy changes – some of which could affect counties – and provides counties with an initial look at the amount of state and federal funds they could receive in the upcoming fiscal year.



Moving Toward County Budget Adoption: February to April

- **At the county level:**
 - County departments develop budget requests.
 - The County Manager reviews budget requests in light of the county's fiscal situation and other factors.
 - The Board of Supervisors may convene budget workshops in order to clarify Board and public priorities as the County Manager develops the Recommended Budget.
- **Meanwhile, at the state level:**
 - The Legislature reviews the Governor's proposed budget.
 - The Governor's Department of Finance prepares the "May Revision," which revises the Governor's initial spending plan and may include new or modified policy proposals affecting counties.



Moving Toward County Budget Adoption: May

- **At the county level (two-step budget adoption model):**
 - The Board of Supervisors makes the Recommended Budget available for public review and announces a public hearing date. One or both of these steps could occur in June.
- **At the county level (alternative budget adoption model):**
 - The Board of Supervisors makes the Recommended Budget available for public review and announces a public hearing date. These steps *must* occur by May 30.
- **Meanwhile, at the state level:**
 - The Governor releases the May Revision by May 14.



Moving Toward County Budget Adoption: June

- **At the county level (*two-step budget adoption model*):**
 - The Board of Supervisors convenes a public hearing to review the Recommended Budget.
 - The Board may revise the Recommended Budget.
 - The Board approves the Recommended Budget, with or without revisions, by June 30.
- **At the county level (*alternative budget adoption model*):**
 - The Board convenes a public hearing to review the Recommended Budget by June 20.
 - The Board may revise the Recommended Budget.
 - The Board formally adopts the budget for the upcoming fiscal year by June 30.



Moving Toward County Budget Adoption: June (continued)

- **Meanwhile, at the state level:**
 - State lawmakers and the Governor negotiate a state budget deal for the fiscal year that begins on July 1.
 - Following approval by the Legislature, the Governor signs the state budget and related legislation (“trailer bills”) into law, giving counties a clear picture of funding levels and any state policy changes that will affect them in the new fiscal year.
 - In some years, the state budget and trailer bills may not be finalized by the end of June, leaving counties uncertain of how their budgets will be affected in the new fiscal year.



Moving Toward County Budget Adoption: July to September

- **At the county level (two-step budget adoption model only):**
 - The County Manager prepares an updated budget, building on the Recommended Budget as approved by the Board of Supervisors. This document may take into account the county's closing fund balances for the fiscal year that ended on June 30, funding included in the state budget, state or federal policy changes, updated revenue estimates, and other factors.
 - The Board convenes a public hearing to consider the updated county budget. This review typically occurs in September, but may happen in July or August, at county discretion.
 - The Board formally adopts the budget, possibly with additional revisions, by October 2.



After the County Budget Is Adopted

- **After the Board of Supervisors adopts the budget:**
 - The county provides a copy of the Adopted Budget to the California Controller by December 1.
 - The County Manager provides revenue and spending updates to the Board throughout the year.
 - The Adopted Budget may be revised as the fiscal year proceeds, with many types of changes requiring a four-fifths vote of the Board of Supervisors.
 - County officials may develop or update a strategic plan, establishing long-term priorities that will be reflected in the county budget for the upcoming fiscal year.
 - The Board, the County Manager, department heads, and the public look ahead to the next budget cycle.



Navigating the County Budget Process

Each year counties across California work to craft their annual budgets. Because counties perform functions required by the state and receive significant funding through the state budget, their budgets to a certain degree reflect policy and funding choices made by the Governor and the state Legislature. However, county spending plans also reflect the priorities of local residents and policymakers.

Key Players

Board of Supervisors

Every county but one is governed by a five-member Board. (The City and County of San Francisco has an 11-member Board.) The Board has a broad range of responsibilities, including setting county priorities and adopting the budget.

County Manager

The County Manager is appointed by the Board to oversee the daily operations of the county government. This includes preparing the annual budget for the Board's consideration. San Francisco – the only county with an independently elected chief executive (a mayor) – does not have a county manager position.

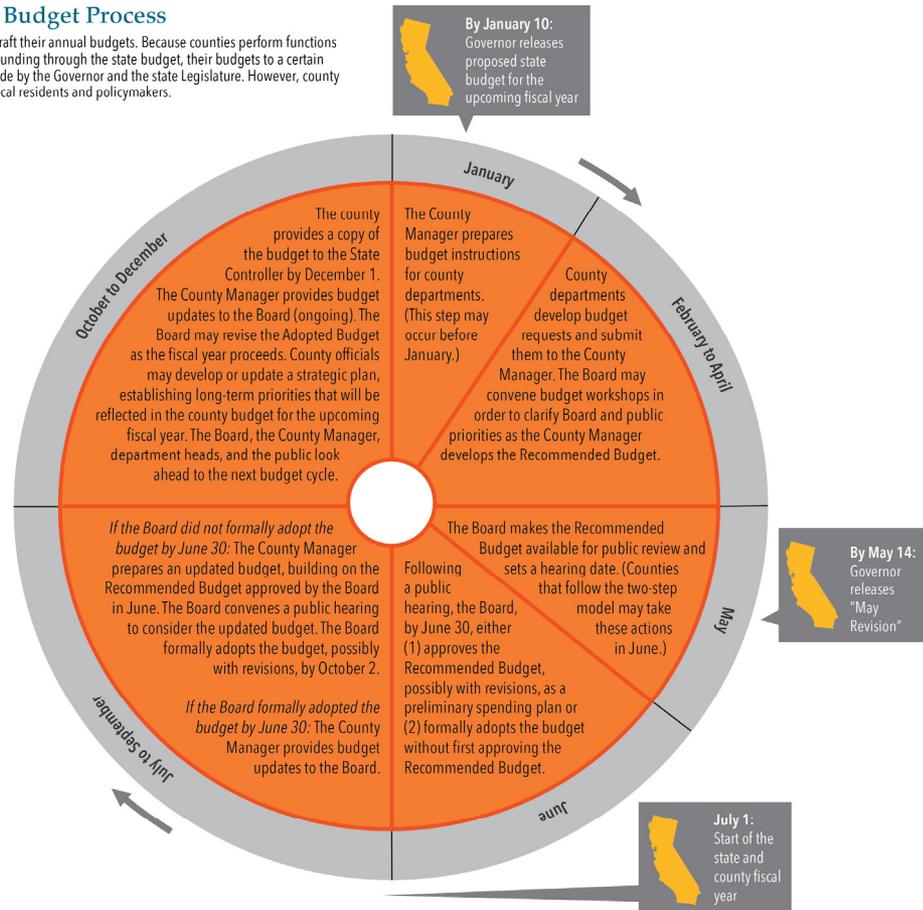
The Public

Members of the public have various opportunities for input during the county budget process. These include writing letters of support or opposition, testifying at budget hearings, and meeting with county supervisors, the County Manager, and other county officials.

Two Models for Adopting the Budget: Two-Step vs. One-Step

State law outlines two models for adopting the county budget, with each county deciding which one to follow. The two-step model requires the Board to initially approve a preliminary version of the budget – called the Recommended Budget – by June 30 and then formally adopt the budget by October 2. An alternative, one-step model requires the Board to formally adopt the budget by June 30, with no need to first approve the Recommended Budget.

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This infographic shows the year-round county budget cycle, illustrating key steps in the process as well as the respective roles of the Board of Supervisors and the County Manager. The infographic is available here: calbudgetcenter.org/countyprocess



Key Takeaways



The Bottom Line

- **County budgets are about more than dollars and cents.**
 - Crafting the annual spending plan provides an opportunity for county residents to express their values and priorities.
- **County and state budgets are inherently intertwined because counties are legal subdivisions of California and perform functions as agents of the state.**
 - To a large degree, county budgets reflect funding and policy choices made by the Governor and legislators as well as by federal policymakers.
 - However, county budgets also reflect local choices, as counties allocate their limited “discretionary” dollars to local priorities.



The Bottom Line (continued)

- **Counties' ability to raise revenues to support local services is constrained.**
 - For example, counties cannot increase the property tax rate to boost support for county-provided services.
 - Counties may increase other taxes to establish or improve local services, but only with voter approval.
- **Both state law and local practices shape the county budget process.**
 - State law establishes minimum guidelines that counties must adhere to in developing their budgets.
 - Counties can – and often do – exceed these state guidelines in crafting their budgets and sharing them with the public.



The Bottom Line (continued)

- **The county budget process is cyclical, with decisions made throughout the year.**
 - The public has various opportunities for input during the budget process.
 - This includes writing letters of support or opposition, testifying at budget hearings, and meeting with supervisors, the County Manager, and other county officials.
 - In short, Californians have the opportunity to stay engaged and involved in their county's budget process year-round.



Appendix

- **How to Find Your County's Budget**
- **Additional Resources**



How to Find Your County's Budget

- **Counties generally make their budget documents available on the Internet.**
 - Online budget materials are typically located in a “budget and finance” section of the county’s website or on the County Manager’s web page.
 - Perhaps the fastest way to find a county’s budget is by using an Internet search engine and entering a phrase like “Kern County budget.”
- **In addition, counties may make their budget documents available in county buildings and local libraries.**



Additional Resources

- **California State Controller:**
 - Extensive county revenue and expenditure data (bythenumbers.sco.ca.gov).
- **California State Association of Counties:**
 - Information on counties' history, structure, and powers along with links to all 58 county websites (www.counties.org/californias-counties).
- **California Government Code, Sections 29000 to 29144:**
 - State rules governing the county budget process (leginfo.legislature.ca.gov).



Additional Resources (continued)

- **Institute for Local Government:**
 - Resources to promote effective governance in California's communities, including a section on budgeting and finance (www.ca-ilg.org).
- **National Association of Counties:**
 - Extensive data for all US counties (explorer.naco.org).
- **California Budget & Policy Center:**
 - Resources on the state budget process, including both a guide and an infographic (calbudgetcenter.org).





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