



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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Budgets are statements about our values and priorities.



California's Counties: The Basics



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.

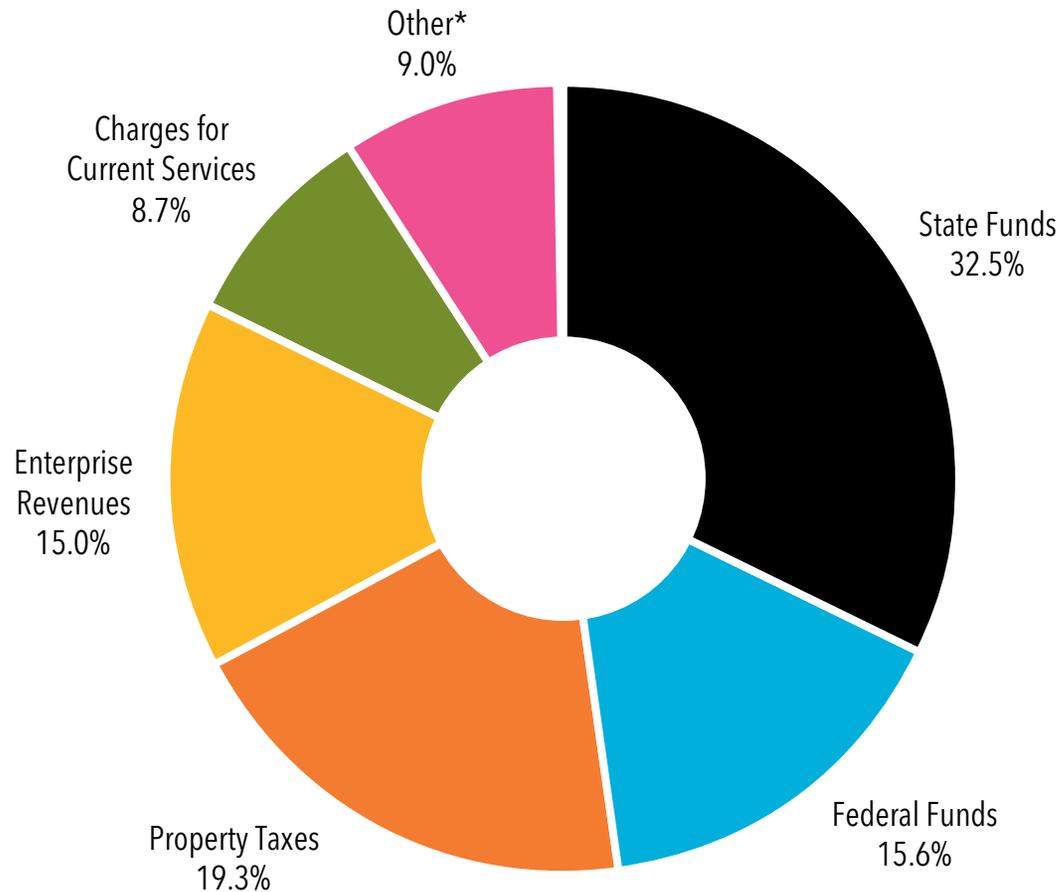


County Revenues = State Funds + Federal Funds + Local Funds

- **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 2014-15, state and federal revenues comprised nearly half (48.0 percent) of all county revenues across the state.**
- **Property taxes made up almost one-fifth (19.3 percent) of total county revenues in 2014-15.**



State and Federal Funds Combined Comprise Nearly Half of County Revenues, 2014-15



* Reflects a range of smaller revenue sources, including other taxes, fines, licenses, and permits.
Note: Data exclude the City and County of San Francisco. Percentages do not sum to 100 due to rounding.
Source: California State Controller's Office

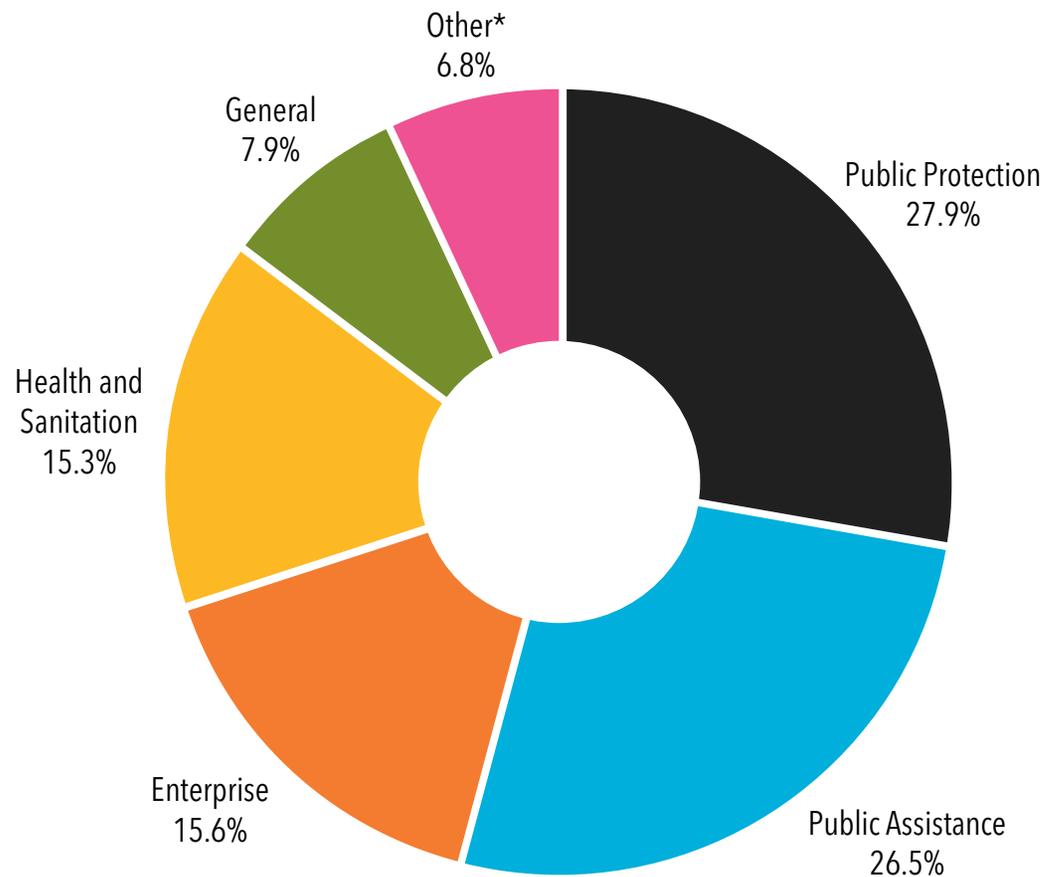


County Budgets Support a Broad Range of Public Services and Systems

- **In 2014-15, more than half (54.4 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 2014-15 also supported enterprise activities (15.6 percent) – which includes sewer service and golf courses – and health and sanitation (15.3 percent).**



Public Protection and Public Assistance Combined Account for Over Half of County Expenditures, 2014-15



* Reflects spending for public facilities, debt service, recreation and cultural activities, and education.

Note: Data exclude the City and County of San Francisco.

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



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

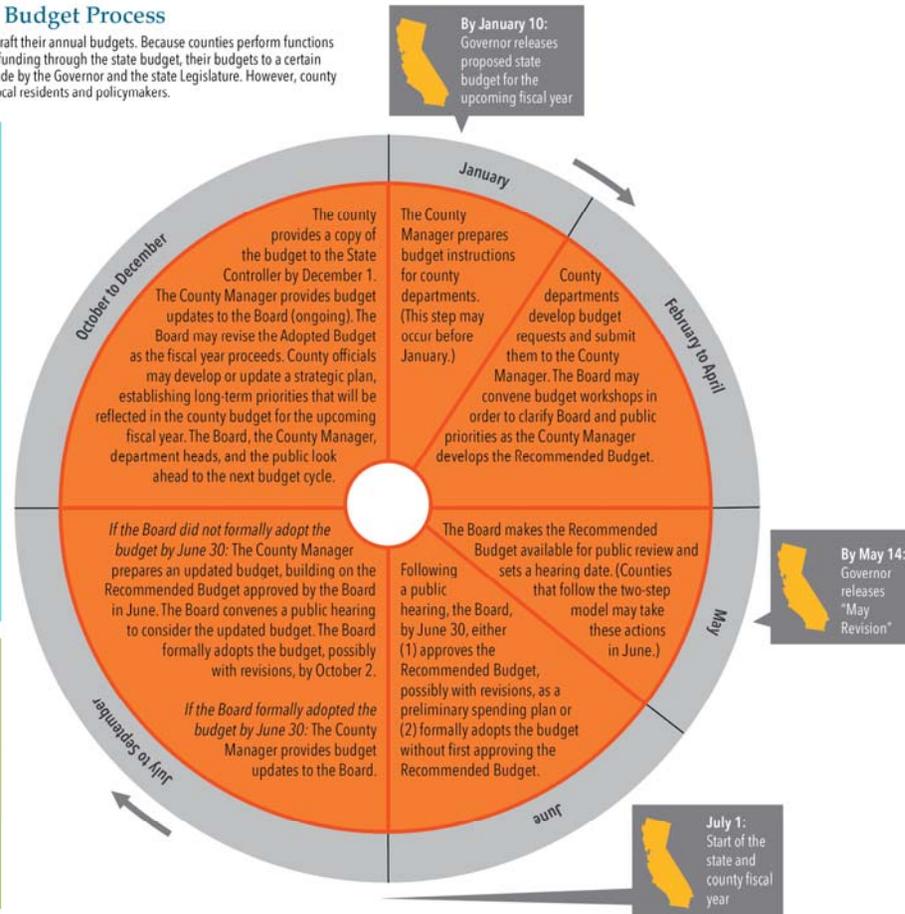
The County Manager is appointed by the Board to oversee the daily operations of the county government. This includes preparing the annual budget for the Board's consideration. San Francisco – the only county with an independently elected chief executive (a mayor) – does not have a county manager position.

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.



Budgets are statements about our values and priorities.





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