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To: CBHDA Members

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Subject: Governor Newsom's Proposed 2019-20 State Budget

Governor Gavin Newsom, inaugurated just a few days ago, released his first proposed Fiscal Year (FY) 2019-20 budget yesterday. The budget is \$209 billion in total state spending, consisting of \$144 billion from the state General Fund (GF), \$60 billion from special funds and \$5 billion from bond funds.

The proposals in the Governor's Budget are vetted through the legislative budget process over the next six months. CBHDA is active in advocating on behalf of County Behavioral Health Directors on numerous budget issues. Below is a summary of significant budget items in behavioral health policy areas. To review the January State Budget, visit <http://ebudget.ca.gov/>. Please do not hesitate to contact us with any questions you may have.

According to the Governor California's economic outlook for the year is solid, with revenues exceeding prior expectations. However, he acknowledges a slowing economy and the potential for a recession in the next few years. Through this proposed budget, he makes strategic investments in health, human services and housing while maintaining fiscal prudence started by Governor Brown. For example, the Rainy Day Reserve is currently \$13.5 billion and the Governor proposes adding \$1.8 billion in FY 2019-20. In addition, the Governor proposes adding \$700 million GF to the Safety Net Reserve enacted in 2018 to support Medi-Cal and CalWORKs during economic downturns.

**Changes to 1991 Realignment.** The Governor's Budget proposes changes to the In-Home Supportive Services Program (IHSS) cost-sharing, restoring the 7 percent

across-the-board service hours reduction and revising the IHSS Maintenance of Effort (MOE). The new MOE adjusts the inflation factor, increasing the state GF costs by \$242 million in FY 2019-20, thereby reducing county costs by the same amount. This redirection of 1991 Realignment dollars provides county indigent health and mental health with Growth funds again.

**Revenue Forecasts:** Several major sources of behavioral health revenues are as follows for the 2019-20 budget year:

1. 1991 Realignment. The Mental Health Services Subaccount estimate is \$1.3 billion and \$96 million of Growth.
2. 2011 Realignment. The Behavioral Health Subaccount estimate is \$1.6 billion and \$116 million of Growth.
3. MHSA Funding. \$2.4 billion of revenue is forecasted.

### **Medi-Cal**

The Medi-Cal budget is \$101 billion (all funds), representing almost two thirds of the Health and Human Services budget. Medi-Cal is projected to cover 13 million Californians in 2019-20, including almost 4 million in the Medicaid Expansion population. The following are some of the significant Medi-Cal proposals:

- **Drug Medi-Cal Organized Delivery System (DMC-ODS).** Proposes \$695 million (\$315 million GF) for the implementation of the DMC-ODS program in FY 2019-20. This is growth of about \$100 million from FY 2018-19.
- **Managed Care Behavioral Health Integration.** Invests \$360 million (\$180 million Proposition 56 funds (2016 tobacco tax)) to encourage Medi-Cal managed care providers to meet goals in critical areas such as chronic disease management and behavioral health integration.
- **Whole Person Care Pilot Program.** Provides \$100 million for the Whole Person Care Pilot Program for supportive housing and the coordination of health, behavioral health and social services for people with mental illness.
- **Undocumented Medi-Cal Expansion.** Expands Medi-Cal eligibility to all income-eligible young adults (ages 19-25), regardless of immigration status, This

may result in an additional 138,000 new enrollees at an estimated cost of \$260 million (\$197 million GF).

- **Early Developmental Screenings.** Includes \$60 million (\$30 million Federal Funds, \$30 million Proposition 56 funds) for early developmental screenings for children in Medi-Cal.
- **Adverse Childhood Experiences Screening.** Includes \$45 million (\$23 million Proposition 56 funds) for Adverse Childhood Experiences screenings for children and adults in Medi-Cal, beginning no sooner than January 1, 2020. Requires the use of an existing screening tool for adults and the development of a new screening tool for children.
- **Medi-Cal Drug Purchasing Pool.** Creates a single-purchaser system for Medi-Cal prescription drugs by requiring the Department of Health Care Services to purchase and negotiate the pricing of all prescription drugs for 13 million Medi-Cal beneficiaries. This requires all Medi-Cal managed care pharmacy services to be transitioned to a fee-for-service benefit.

### **Other Significant Proposals**

- **Proposition 64 Tax Revenues.** The budget estimates the excise tax for the cultivation and retail sale of cannabis, pursuant to Proposition 64, to generate \$355 million in 2018-19 and \$514 million in 2019-20. Revenues generated from this purpose are deferred from allocation until the May Revision, when updated tax revenue is available.
- **Workforce Development.** The Office of Statewide Health Planning and Development (OSHPD) budget includes \$50 million GF with the anticipation of potential additional private contributions from universities, health clinics and philanthropic organizations, for mental health workforce development and training programs.
- **Early Psychosis Interventions.** The Budget includes \$25 million one-time GF for early psychosis research and treatment. These will be competitive grants for counties, academic institutions and others.
- **UC Student Mental Health.** The Budget includes \$5 million GF on going for University of California student mental health treatment to meet recommended staffing ratios.

- **Covered California Funding and Eligibility.** Increases and expands subsidies to individuals and families insured through Covered California, by increasing subsidies for people between 250 and 400 percent of the federal poverty level and by adding subsidies for people whose income falls between 400 and 600 percent of the federal poverty level. Proposes the adoption of a California individual mandate, with penalties for lack of coverage, the revenue from which will cover the subsidies.
- **State Surgeon General.** Establishes a California Surgeon General to provide leadership in addressing root causes of serious health conditions, such as Adverse Childhood Experiences and the social determinants of health.
- **Task Force on Brain Health.** The Governor's Budget includes \$3 million GF for Alzheimer's Disease Program research grants and the creation of the *Governor's Task Force on Brain Health*.
- **Substance Abuse Prevention and Treatment (SAPT) Block Grant Oversight.** DHCS requests \$1.9 million and 14 permanent positions for enhancement of oversight and monitoring of the SAPT Block Grant.

## Criminal Justice

- **Prop 47 Savings.** The Department of Finance estimates net GF savings of about \$79 million when comparing 2018-19 to 2013-14, an increase over the estimated savings in 2017-18. The Board of State and Community Corrections gives competitive grants based upon the savings to public agencies to provide mental health services, substance use disorder treatment and/ or diversion programs.
- **Moving Division of Juvenile Justice.** The Governor's Budget proposes to move youth correctional facilities from the California Department of Corrections and Rehabilitation (CDCR) to a new department under the Health and Human Services Agency with a focus on rehabilitative programming.
- **Law Enforcement Training.** The Budget proposes \$20 million GF for local law enforcement for training on the use of force, de-escalation, and engaging individuals experiencing a mental health crisis.

## **Department of State Hospitals (DSH)**

The Budget proposes several increases to the DSH budget to treat more individuals deemed Incompetent to Stand Trial (IST) and forensic commitments:

- **Metropolitan State Hospital Expansion.** \$19 million GF and 119 positions for the second phase of Metropolitan State Hospital's secured treatment area expansion. When completed, this will provide an additional 236 forensic beds to treat ISTs.
- **Competency Restoration.** \$12 million GF to contract for an additional 74 jail-based competency restoration treatment beds.
- **Nurse Staffing Levels.** \$15 million GF and 117 positions for a three-year phase-in to increase direct nursing staffing levels.
- **Court Supports.** \$8 million and 43 positions for a three-year phase-in dedicated to forensic evaluations, court reports, testimony, report coordination, assessments and treatment.
- **Forensic Psychiatry Program.** \$2 million to expand to expand capacity in Psychiatric Technician training programs and establish a Forensic Psychiatry Residency Program.

## **Housing and Homelessness Funding**

- **Emergency Shelters.** The 2019-20 budget builds upon recent legislative and ballot efforts by prioritizing funding for jurisdictions to tackle homelessness. The budget includes \$500 million one-time GF for jurisdictions to build emergency shelters, navigation centers or supportive housing. There are also some longer-term programs included from the past few years.
- **Regional Collaboration.** \$300 million will be allocated to jurisdictions that establish regional plans. The Business, Consumer Services and Housing Agency will distribute \$200 million to Continuums of Care and \$100 million to the eleven most populous cities. Plans must include regional coordination between counties and cities. An additional \$200 million will be made available to jurisdictions that show progress towards meeting goals.

- **Accelerate No Place Like Home (NPLH) Allocations.** In 2018, voters approved Proposition 2, enacting NPLH again. The Governor’s budget proposes accelerating the granting of NPLH awards, which will generate \$2 billion in new funding to help get people who are living homeless with serious mental illness off the streets and into long-term housing and recovery.
- **Veterans and Affordable Housing Bond Act.** This bond approved by voters in November 2018 provides \$4 billion for various programs, of which \$1.5 billion can be used for supportive housing development.
- **Veterans Housing and Homelessness Prevention Act.** This Act repurposed bonds totaling \$600 million to provide supportive housing for veterans. There is \$286 million left to be awarded.