

OVERVIEW OF GOVERNOR'S FY 2020-21 PROPOSED BUDGET

COUNTY ADMINISTRATIVE OFFICE

JANUARY 29, 2020

On January 10, 2020, Governor Newsom released his \$222.2 billion proposed budget for the fiscal year beginning July 1, 2020. The Governor's spending plan continues to build reserves and focuses on addressing homelessness, inequality of opportunity, and strengthening the state's readiness and emergency capabilities. It is reflective of California's economy which continues to experience the longest expansion. The proposed budget prepares for an economic downturn as state revenue growth is projected to slow in the next four years, due to slowing global growth, an uncertain political climate, and federal policy.

In preparation for a rainy day, the proposed budget includes \$21 billion set aside in reserves which consist of: \$18 billion in the Budget Stabilization Account (Rainy Day Fund); \$900 million in Safety Net Reserve; \$487 million in Public School System Stabilization Account; and \$1.6 billion in the Special Fund for Economic Uncertainties.

The following is a brief summary of potential impacts the proposed budget may have on Monterey County. Departments have provided input after a short review time and will report back as pertinent developments arise. To the extent impacts can be ascertained during the County's upcoming budget process, staff will incorporate changes into the recommended budget for discussion during the annual budget hearings.

Homelessness

- **California Access to Housing and Services Fund:** The budget proposal includes one-time funding of \$750 million for the California Access to Housing and Services fund. Funding will provide rent payments for those facing homelessness, support new dwelling units, and stabilization of board and care facilities and homes. The State Department of Social Services will administer the funds through performance-based contracts with regional administrators. It is unknown at this time what the role of counties will be.

Public Safety

- **Indigent Defense:** The budget provides \$4.0 million for the State Public Defender to improve the quality of indigent defense provided by counties through training and technical assistance for attorneys. The Public Defender's Office does not anticipate any additional funding.

SB 678 Funding (Community Performance Incentive Grant): This funding stream supports probation's evidence-based prevention and intervention efforts in reducing the number of adult felony probationers re-committed to state prison because of new crimes

or violation of probation. Monterey County's proposed portion of this funding is \$300,463, which is an increase of \$100,463 from the prior year's allocation.

- **Proposition 47 Savings Estimate:** \$122.5 million in savings from implementation of Proposition 47 are to be transferred and reallocated to fund behavioral health treatment programs for qualifying inmates. Specific impacts to the County have not been determined.

Emergency Preparedness and Response

- **Community Power Resiliency:** The proposed budget contains \$50 million for preparedness measures that bolster community resiliency by supporting critical services vulnerable to outage events such as county election offices. Monterey County Elections along with the Office of Emergency Services has begun exploring leveraging any funding received to further ensure continuity of election services for voters.

Health and Human Services

- **Medi-Cal Healthier California for All (formerly CalAIM):** The proposed budget includes \$695 million to transform Medi-Cal preventative care into a more consistent and seamless system providing better connections with individuals including those experiencing homelessness, in foster care, individuals with substance use disorder and those in the justice system. The investment provides enhanced care management, infrastructure to expand whole person care, and build on dental initiatives statewide.

Targeted Case Management (TCM) and Nurse Family Partnership (NFP) will be impacted as federal funding ends December 31, 2020, but it could possibly lead to care management in lieu services to be provided by the counties to the same population. Expansion of the whole person care approach statewide will positively impact the County but to what extent is yet to be determined. This situation is being carefully monitored as the Health Department works with Central California Alliance to fund care management services and reassign staff from impacted programs to care management.

- **Medi-Cal Expansion:** The budget includes \$80.5 million for Medi-Cal expansion of full scope services to all persons aged 65 and older regardless of immigration status. Natividad foresees an increase service volume.
- **Medi-Cal Administration:** Statewide funding for Medi-Cal Administration is estimated to increase by \$67.7 million as caseloads are expected to increase by 0.4% next year. This will result in a \$670,700 increase for Monterey County.
- **California Public Option:** The Governor is interested in expanding the role of Medi-Cal and Covered California as California's public option. More information is needed, to

assess the impact, but these types of programs may further reduce Medi-Cal reimbursement rates.

- **Medicaid Fiscal Accountability Regulation (MFAR):** The MFAR proposed by the federal government in November 2019 may threaten many of the Governor's initiatives and affect funding to the state and public health systems in California.
- **Behavioral Health Quality Improvement Program:** The budget includes \$45.1 million for county-operated community mental health and substance abuse disorder systems to incentivize system changes and process improvements in preparation of opportunities through Medi-Cal Healthier California for All. Impact to County is unknown.
- **Parity Enforcement:** The Health and Human Services Agency and Department of Managed Health Care will be working together to enforce behavioral health parity requirements by issuing fines to counties. Additional analysis is needed for specific impacts to Monterey County.
- **Behavioral Health Task Force:** The task force will bring various stakeholders including state departments, counties, health plans, and providers together to review existing policies and programs, 1991 Realignment and to coordinate mental health and substance abuse services. The impact to Monterey County is to be determined.
- **Proposition 63-Mental Health Services Act (MHSA) Reform:** In spring 2020, MHSA may require tracking of resource utilization metrics and the focus of the population served may shift to include mentally ill individuals experiencing homelessness, involved in the justice system, and early intervention for youth. The impact to Monterey County is to be determined.
- **Mental Health:** The proposed budget includes \$50 million for mental health practitioner training and \$25 million for youth at risk or experiencing psychosis. Impacts to the County to be determined.
- **Office of Health Care Affordability:** The creation of the Office of Health Care Affordability is being proposed in Spring 2020. It would be charged with increasing price and quality transparency, developing specific strategies for cost targets with incentives/penalties, and addressing surprise billings which occur when patients receive services from an out of the network provider.

Natividad would be required to reveal confidential managed care rates and trade secrets which in turn may encourage health plans to cancel payment agreements in order to reduce government mandated rates.

- **Prescription drugs:** Three proposals are included in the budget to reduce drug cost. They consist of increasing the state's Purchasing Program, Medi-Cal Best Price, and Rebates for Non-Medi-Cal Drug Purchases. In addition, two initiatives are also being proposed, the Golden State Drug Pricing Schedule and the Generic Contracting Program. The impact to the County cannot be determined at this time.
- **Youth Vaping Epidemic:** The vaping tax beginning January 1, 2021 is expected to generate \$32 million in FY 2020-21. Revenues will be used for administration, enforcement, youth prevention, and health care workforce programs. The impact to Monterey County is not yet determined.
- **Tobacco Control Program:** Due to reductions in Proposition 56 and 99, there is a statewide reduction of \$72.8 million to the Tobacco Control Program over two years. Local impact is not determined at this time.
- **In-Home Supportive Services Program (IHSS):** The proposed budget includes \$14.9 billion for IHSS with an estimated 4.5% increase in caseload. Included is a 4.21% increase for IHSS administration while the IHSS MOE continues at \$1.59 million. There is 3.7 million designated for ongoing support of additional training for county social workers and managers who are conducting needs assessments to promote consistency across all counties. The impact is to be determined.
- **CalWORKS:** As caseloads continue to decrease, due the economic growth in the state, CalWORKs funding for single allocation faces a proposed reduction of \$38 million. Reductions are in eligibility, employment services and CalLearn. The budget does include a 3.1% increase to CalWORKs grants funded by the child Poverty and Family Supplemental Support Subaccount.
- **Child Welfare/Foster Care:** The proposed budget includes \$598.9 million for child welfare and foster care programs. Included is funding for the implementation of Continuum of Care Reform (CCR) but no funding for CCR true-up. Discussions are pending to determine the methodology for identifying the costs and cost-savings related to the implementation.

The remaining funding for Resource Family Approval (RFA) is eliminated resulting in a decrease of \$26 million. Locally \$6.7 million in RFA funding is proposed to sunset in June causing a decrease of \$120,986 for Monterey County.

Funding for Foster Parent Recruitment, Retention (FPRRS) is also being eliminated. An additional estimated loss of \$307,949 for Monterey County.

- **Child Support Services:** The budget includes \$56 million for Local Child Support Agency administrative costs. The County expects to receive additional funding of \$223,931.

- **1991 Realignment:** 1991 Realignment revenue is expected to increase, including estimated growth of 3.4 % in 1991 sales tax and 3% Vehicle License Fees (VLF) pending the Governor's May Revision. After meeting the IHSS Maintenance of Effort (MOE), the growth which had previously stopped will increase funding for social services, health and mental health. The impact will be determined when the May Revision is released.
- **2011 Realignment:** 2011 Realignment sales tax is estimated to grow by 4.1%. Additional funding for mental health, public safety, protective services may be available. The impact will be determined when the May Revision is released.

Statewide Issues and Various Departments

- **Grants for Animal Shelters:** The proposed contains \$50 million one-time funding for UC Davis Koret Shelter Medicine Program to develop a grant program for animal shelters. The program is to include: interactive group training to 100 selected shelters; California and regional best practices summits; and an online resource library. This will provide local assistance to help communities achieve the state's policy goal that no adoptable or treatable dog or cat is euthanized. This could bring local funds, but more details are needed to determine Impact.

This report briefly reviews the major potential impacts of the Governor's proposed budget to Monterey County and is not intended to serve as an exhaustive analysis. A more thorough explanation may be found in the attached California State Association of Counties (CSAC) report. Departments are also available for details specific to their corresponding programmatic areas.