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To: CBHDA Members

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Subject: May Revision State Budget for Fiscal Year 2018-19

This memo outlines key changes of interest to county behavioral health directors introduced in the Governor's May Revision and key proposals that remain from the introduction of the January budget. CBHDA state budget advocacy memos are also posted on this web page: <http://www.cbhda.org/key-policy-areas/state-budget/>. As always, please do not hesitate to contact any member of the CBHDA staff for additional information or with any questions you may have.

Only eleven days into the country recognizing the month of May as "Mental Health Month," Governor Edmund G. Brown, Jr. is making mental health history in California. In his May Revision of the State Budget for 2018-19 released earlier today, Governor Brown has proposed millions in new state funding investments for community mental health care. While the Governor approached California's economic situation very cautiously, he proposed to use some the state's surplus in three key areas: infrastructure needs, homelessness and mental health.

State Finances Remain Healthy. According to the Governor, the budgets of the past several years have significantly increased spending while California has recovered from the recession. However, he indicates that we are likely nearing the end of one of the longest economic expansions in California's history. The total spending in the Governor's May Revision is \$200 billion in F 2018-19, including \$138 billion state General Fund (GF) and \$107 billion in federal funding. The Rainy Day Fund established by voters in 2014 will total \$9.4 billion, or 77% of the Constitutional target.

Children’s Mental Health Mandate Repayment. The May Revision includes \$254 million GF plus interest to repay counties for expenditures related to a repealed state mandate, AB 3632, relating to mental health services for children with serious emotional disturbances in special education. These costs were incurred by counties between 2004 and 2011. The Administration expects counties to use the repayment funding for prevention and early intervention mental health services for youth.

Governor Proposes Investments to Address Homelessness and Mental Health

The May Revision includes several proposals that are intended to address California’s rising homeless population via investments in significant one-time spending and smaller proposals that will be ongoing. These proposals are designed to bridge the gap until other new revenues dedicated to addressing the rising cost of housing come into effect. These pending sources of funding include the \$2 billion No Place Like Home bond and a fee on real estate transactions established by SB 2 (Atkins), Chapter 362, Statutes of 2017, which is expected to generate more than \$250 million annually.

The May Revision includes a \$358.8 million GF package to address homelessness. The following table summarizes these various proposals.

Homelessness Response Proposal
(Dollars in Millions)

Department	Program	2018-19	Ongoing
Homeless Coordinating and Financing Council ^{1/}	Emergency Homeless Aid Block Grants	\$250.0	-
	Council Administration	0.5	0.5
Department of Social Services	CalWORKs Housing Support Program	24.2	48.3
	CalWORKs Homeless Assistance Program	8.1	15.3
	Senior Home Safe Program	15.0	-
Office of Emergency Services	Domestic Violence Shelters and Services	10.0	-
	Homeless Youth and Exploitation Program	1.0	-
Department of Health Care Services	Homeless and Mental Illness Program	50.0	-
Total		\$358.8	\$64.1

^{1/} Housed within the Business, Consumer Services, and Housing Agency.

Homeless Mentally Ill Outreach and Treatment. The May Revision proposes one-time funding of \$50 million GF for the Department of Health Care Services (DHCS) to support county outreach, intervention and treatment for homeless individuals with mental health issues. The Governor expects this intervention to result in earlier

diagnosis of mental health needs, thereby preventing criminal justice involvement and improving the coordination of care.

No Place Like Home on November Ballot. The May Revision proposes placing No Place Like Home on the November 2018 ballot rather than waiting for the court process to come to resolution. In expectation of this passing, the May Revision includes \$1.2 million GF for the Department of Housing and Community Development to issue a Notice of Funding Availability before November 2018 and make awards before the end of the year.

Homeless Coordinating and Financial Council and Emergency Aid Block Grant Funds. The Council will be elevated to the Agency level under the Business, Consumer Services and Housing Agency. It is currently housed in the Department of Housing and Community Development. Additionally, \$250 million GF in Emergency Homeless Aid Block Grants are proposed to be administered by the Council. Grants may be used for emergency housing vouchers, rapid rehousing, emergency shelter construction and temporary shelters.

Preventing Homelessness. The Governor proposes \$47 million GF one-time and \$64 million on-going funding to support the Department of Social Services (DSS) safety net programs to prevent Californians from becoming homeless. These include a Senior Homelessness Prevention Pilot Program of \$15 million GF in one-time funding over three years. This program provides supports through temporary rental or utility assistance, housing repairs, landlord mediation, and case management.

In addition, the CalWORKs Housing Support Program is proposed for an increase of \$24 million GF. By 2019-20, this assistance will reach \$95 million GF a year. The CalWORKs Homelessness Assistance is proposed to be increased by \$8 million to raise the payment from \$65 per day to \$85 per day to provide up to 16 days of temporary shelter.

Office of Emergency Services. The May Revision includes increased funding of \$10 million for domestic violence service providers for projects that include emergency safe homes or shelters for victims and their families. There also is one-time funding of \$1 million to augment the Homeless Youth and Exploitation Program for shelters that serve unaccompanied minors.

Earned Income Tax Credit. The May Revision includes a proposal to expand the Earned Income Tax Credit to working individuals who are aged 18 to 24 or over 65. The expansion of the credit is expected to cost about \$60 million a year and to benefit over

700,000 households. The income range is proposed to be expanded so that more employees working up to full-time at the minimum wage in 2019 would qualify for the credit.

Criminal Justice

Incompetent to Stand Trial Treatment and Diversion. The May Revision retains the budget proposals introduced in January to address the growing waitlist of individuals found incompetent to stand trial (IST) awaiting placement at the Department of State Hospitals (DSH). The budget includes \$100 million GF for county diversion programs to reduce the number of individuals found IST on felony charges. These funds target 15 counties with the highest volume of IST referrals to DSH. The budget also includes \$15 million for Los Angeles County for community-based competency restoration. In addition, the May Revision maintains the \$5 million in Mental Health Services Act funding over two years for the Mental Health Services Oversight and Accountability Commission to assist counties with developing Innovation plans that address the IST population.

Drug Interdiction and Medication-Assisted Treatment Pilot. The May Revision includes \$9.1 million SGF to pilot a Drug Interdiction program and Medication-Assisted Treatment (MAT) program at the California Department of Corrections and Rehabilitation (CDCR) Substance Abuse Treatment Facility. At this time we are uncertain how much of this funding will go toward drug interdiction at the facility, and how much will be devoted to MAT for substance use disorder treatment. The budget language notes that the MAT program will complement the interdiction efforts and will include access to naltrexone and acamprosate for the treatment of alcohol and opiate use disorders.

Correctional Counselor Ratios. The May Revision proposes \$13.5 million GF to reduce the current inmate to Correctional Counselor I ratio at CDCR from 150:1 to 135:1. This results in the hiring of 89 new counselors to focus on the core needs of the population.

Mental Health Psychiatry Registry. The May Revision includes \$18.1 million GF to contract CDCR psychiatry services to meet a federal court order to fill at least 90% of the state prison system's psychiatry positions.

Workforce

Mental Health Graduate Medical Education Funding. The May Revision includes an increase of \$55 million GF to support psychiatric education programs in rural parts of

the state, including those regions designated as Health Professional Shortage Areas or Medically Underserved Areas.

Proposition 64 Cannabis Tax Revenues

The May Revision reiterates that cannabis tax revenues for the Youth Education, Prevention, Early Intervention and Treatment Fund will not be available until 2019-20 at the earliest. As of May 2, 2018, the state had collected \$33.6 million in cannabis revenues, an amount lower than anticipated. Cannabis taxes are forecast to generate \$185 million in 2017-18 and \$630 million in 2018-19, but these projections remain highly uncertain. Of the programs to which Proposition 64 specifically allocated funding, only certain priority set-asides are expected to be funded during 2018-19. These programs include \$10 million for Community Reinvestment grants administered through the Governor's Office of Business and Economic Development. The grants will be awarded on a competitive basis to local health departments and qualified community-based non-profit organizations to support SUD treatment, as well as services like job placement, legal assistance, and other cannabis use-related programs.

Department of Health Care Services and Medi-Cal

The May Revision includes several Medi-Cal related budget items of relevance to county mental health and substance use disorder programs. These include repayment for the federal Office of Inspector General (OIG) Medi-Cal Specialty Mental Health Services (SMHS) audit, funding for additional staff within the Mental Health and Substance Use Disorders Division of DHCS, and state funding to support county behavioral health program administration and services. State GF for counties includes investment in the Drug Medi-Cal Organized Delivery System waiver pilot program, and funding for new mental health plan (MHP) mandates eligible for state funding pursuant to Proposition 30. Most Medi-Cal budget items saw no significant change from the Governor's January budget, and the updates below reflect the updated estimates for 2018-19 as outlined in the May Revision. CBHDA supports the inclusion of GF for these various new requirements and continues to work closely with DHCS to ensure counties obtain the guidance necessary to access these funds.

Medi-Cal Specialty Mental Health Services Federal Audit Repayment. The May Revision includes \$180.7 GF for repayment to the Centers on Medicare & Medicaid Services resulting from the anticipated final findings of the federal OIG's audit of Medi-Cal SMHS. The budget notes that while the state will repay the federal administration the total amount in 2018-19, repayment by counties for the \$180.7 million will occur over

a four-year period. CBHDA will work with CSAC and the County Counsels Association to analyze and respond to this proposal.

Oversight and Planning. The May Revision includes \$6.7 million for 48 staff at DHCS to support oversight of county mental health programs and review of MHSA expenditures, as well as planning efforts for system and data improvements to support the evaluation of county mental health programs.

Drug Medi-Cal Organized Delivery System (DMC-ODS) Waiver. The May Revision continues to include a state general fund contribution for specific ODS waiver services (intensive outpatient and non-perinatal residential). The revised estimate of \$148.31 million GF reflects updated timelines for county implementation of the DMC-ODS waiver, updated county-specific interim rates, and the addition of a buprenorphine-naloxone combination drug product that will be offered under the ODS beginning in January 2019. There will also be a small adjustment (\$307,000) to the 2018-19 general fund contribution due to an error that led to GF payments for services that should have been covered by county funds. DHCS is working with counties to recoup dollars for claims that were improperly paid and expects that process to be complete in 2018-19. Total DMC-ODS spending in 2018-19 is expected to be \$917.49 million, more than twice the amount expended in 2017-18. CBHDA continues to advocate for increased flexibility for ODS counties to use available GF funding for additional service types.

Slight increase in funding for MHP Continuum of Care Reform costs. The Medi-Cal budget estimate for MHP Continuum of Care Reform (CCR) implementation is slightly increased from January based on updated DSS Child and Family Team (CFT) caseload estimates and 2018-19 CFT rates. The new total estimate for 2018-19 is \$19.89 million TF, including \$10.72 million GF. The estimate includes funding for the following MHP costs: participating in CFTs, providing assessments for youth prior to placement in Short Term Residential Therapeutic Programs (STRTPs), and training for mental health staff.

Managed Care Regulations implementation costs for MHPs. The Medi-Cal budget estimate retains funding for county MHP implementation of the federal Medicaid Managed Care Regulations. The May Revision makes technical adjustments to the estimated costs for implementation. The new total estimate for 2018-19 is \$22.1 million total funds, including \$7.5 million GF.

Performance Outcomes Systems. The Medi-Cal budget estimate continues to include funding for county implementation of the Performance Outcomes Systems functional assessment tools to be administered to all EPSDT beneficiaries. The selected tools are the Child and Adolescent Needs and Strengths (CANS) and the Pediatric Symptom

Checklist (PSC 35). The May Revision includes updated numbers for implementation in 2018-19, totaling \$14.32 million, including \$6.41 million GF.

Federal Parity Rule implementation costs for MHPs. The Medi-Cal budget estimate includes funding for MHP implementation of policy changes related to the federal Parity Rule, including shortened timeframes for authorization of treatment plans for outpatient and inpatient services, and requirements for counties to conduct concurrent inpatient reviews. The May Revision updates numbers for implementation in 2018-19, totaling \$20.8 million, which includes \$2.97 million GF.