



May 14, 2021

**SUBJECT:** May Revision State Budget for Fiscal Year 2021-22

This memo outlines key changes of interest to county behavioral health directors introduced in Governor Newsom's third May Revision and key proposals that remain from the introduction of the January Budget. The total State Budget amount in the May Revision is \$267.8 billion with \$196.8 billion from the General Fund (GF).

The May Revision stands in stark contrast to the budget passed one year ago. Compared to a projected budget deficit of \$54 billion a year ago, the state now has a projected \$75.7 billion surplus. Combined with over \$25 billion in federal relief, this massive amount of funding supports a \$100 billion California Comeback Plan which the Governor has dedicated to many priority areas including behavioral health, education, state stimulus checks, and business relief.

Behavioral health investments were a major focus of the Governor's May Revision, adding to the significant investments included in the January proposal. Altogether, the Administration is proposing \$2.45 billion in new bricks and mortar infrastructure investments specific to the public behavioral health continuum of services. The May Revision adds to these proposals with a \$4.4 billion package of initiatives focused on the behavioral health needs of children and youth, including behavioral health workforce development investments of over \$600 million. The Administration also added major proposals related to justice-involved and homeless populations. Included in the May Revision, the Administration proposes to rescind the January felony Incompetent to Stand Trial (IST) realignment pilot, and instead proposes to phase out the ability for counties to contract with the Department of State Hospitals (DSH) for Lanterman-Petris Short (LPS) clients altogether, as part of the state's strategy to respond to its pending lawsuit related to a growing wait list for felony ISTs. The summary below expands on these and many more proposals of interest to county behavioral health directors.

Each year, the Administration updates its revenue projections and issues a revised budget plan in May called the "May Revision." Please find a summary, below, of the new proposals from the May Revision, which also updated proposals from the January Budget. This is a compressed process wherein the Legislature and the Governor are constitutionally required to work together to pass a balanced state general fund budget by June 15<sup>th</sup>, although trailer bills with specific policy proposals may follow the passage of the actual 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. CBHDA staff will be actively working to shape and influence these proposals over the next month. Decisions will be made quickly and negotiations with the Administration will be ongoing.

## County Behavioral Health Revenues

The Governor’s budget assumes anticipated County Behavioral Health Revenues (FY 2021-22) as follows:

Behavioral Health Subaccount (2011 Realignment) – \$1.678 billion with \$122.3 million in anticipated growth. This represents an increase of approximately \$250 million from the January estimate.

Behavioral Health Subaccount (BHS) (2011 Realignment)			
Account	January Estimate	May Revise	Change
BHS Base	\$1.545	\$1.678 billion	\$133 million
BHS Growth	\$0	\$122.3 million	\$122.3 million
Total Difference			\$255.3 million

Mental Health Subaccount (1991 Realignment) -- \$1.12 billion in 2011 Mental Health Account with \$12.2 million in anticipated growth. An additional \$171.6 million from 91 Realignment above CalWORKs MOE into the Mental Health Subaccount, which is a significant increase from the \$72 million estimated in January. The 1991 Realignment total estimated increase is over \$180 million when compared to the January estimate.

Mental Health Subaccount (MHS) (1991 Realignment)			
Account	January Estimate	May Revise	Change
MHS Base	\$1.12 billion	\$1.12 billion	\$0
MHS Growth	\$0	\$12.2 million	\$12.2 million
Amount above CalWORKS MOE	\$72.8 million	\$171.6 million	\$171.6 million
Total Difference			\$183.8 million

Mental Health Services Act - The May Revise did not include an MHSA update. In January, the Administration reported \$2.6 billion estimated revenue and \$140 million redirected to pay for No Place Like Home repayments.

The 1991 and 2011 Realignment fund sources are projected to increase by 3.1 percent in 2020-21 and by 9.5 percent in 2021-22 compared to Governor’s previous Budget estimates.

### May Revision Proposals

#### Priority Behavioral Health Investments

#### **Behavioral Health Continuum Infrastructure Program (BH CIP): \$750 million**

The Administration’s revised proposed budget continues to include the \$750 million one-time allocation for competitive grants, available over three years, to qualified entities to acquire and rehabilitate real estate assets to expand the community continuum of behavioral health treatment resources, including the addition of at least 5,000 beds, units, or rooms to expand capacity. The Administration is proposing that \$300 million from the federal American Rescue Plan Act (ARPA) be used for this purpose. In discussions regarding this proposal, the

Administration linked this investment to its intention to pursue an Institutes of Mental Disease (IMD) waiver. (\$6.5 million one-time GF will be diverted from the grant program to the Department of Health Care Services state operations to implement this multi-year effort.)

The May Revision includes two additional appropriations for the BH CIP:

- \$255 million (\$220 million ARPA and \$25 million GF) in 2022-23 for increased infrastructure targeted to individuals aged 25 and younger. This proposal is tied to the Administration's momentous behavioral health investment targeting children and youth. See the section below on the Children and Youth Behavioral Health Initiative for more proposals.
- As a part of the BH CIP, the May Revision includes \$250 million one-time GF to provide competitive grants for increased infrastructure targeting justice-involved individuals with a serious mental illness who are deemed incompetent to stand trial (IST). This proposal is intended to develop community based alternatives to incarceration or unnecessary state hospitalization.

The budget indicated more infrastructure funds would be dedicated to BH CIP. According to staff at the Department of Health Care Services (DHCS), an additional \$1.2 billion would be available for the public behavioral health delivery system in out years.

### **CalAIM**

The Governor's January Budget proposed an investment of \$1.1 billion in FY 2021-22, and \$1.5 billion in FY 2023-24 for CalAIM. The May Revision continues support for CalAIM, with \$1.6 billion total funds proposed for FY 2021-22, and \$1.5 billion total funds in FY 2022-23.

- Behavioral Health Quality Improvement Program (BH QIP). This budget proposal includes \$21.8 million GF in FY2021-22 and \$32.1 million in FY2022-23 to support county behavioral health CalAIM transformation under the BH QIP. DHCS leadership indicated that an additional \$107.8 million would be added to BH QIP. According to DHCS, this program will provide support and create incentives to help county behavioral health agencies reach specific milestones in the implementation of CalAIM, including coding and medical necessity-related infrastructure changes.
- Additionally, the May Revision includes one-time \$315 million to develop a population health management services system to centralize administrative and clinical data from DHCS, health plans, counties and providers to establish a centralized data hub for case management, risk stratification, and identification of referral gaps and risk across the Medi-Cal program. The proposed "business solution," would also provide beneficiaries with a comprehensive longitudinal patient record. The Department has proposed trailer bill language as part of the May Revision related to the CalAIM initiative.
- The May Revision also includes one-time \$200 million for Medi-Cal Providing Access and Transforming Health Payments (PATH) to build capacity for effective pre-release care for justice-involved populations to enable coordination with justice agencies and Medi-Cal coverage of services 30 days prior to release.

### **Phase-Out State Hospital Lanterman-Petris-Short (LPS) Patient Contracts with Counties**

The May Revision proposes to discontinue contracts with counties over a three year period for LPS conservatees. Department of State Hospitals (DSH) would stop intake for new LPS patients beginning on July 1, 2021 and then work with counties over the next 6 months on a plan to transition patients back to the local level. DSH intends to reduce the patient population by 1/3 each year for the next three fiscal years. Currently there are 778 LPS patients in the state hospital with 285 individuals pending placement. DSH intends to convert the purpose of the State Hospital, to focus entirely on the felony IST population. The May Revision includes \$17.1 million GF backfill for lost revenues as the state will no longer be able to take new Lanterman-Petris-Short patients. Beginning in 2023-24 the ongoing cost increases to \$146 million GF.

See the Department of State Hospitals section below for additional priority issues related to state hospitals.

### **Community Care Expansion Program**

The May Revision includes \$500 million in both 2021-22 and 2022-23 for the construction, acquisition and/or rehabilitation of care facilities for seniors and adults who are homeless or at risk of becoming homeless, and will further stabilize these facilities with physical upgrades and capital improvements. This funding is doubling what the Administration proposed in January for board and care facilities.

See the section on Housing and Homelessness for more proposals addressing individuals experiencing homelessness who also have a behavioral health condition.

### **Developing the Substance Use Disorder (SUD) Workforce for Children/Youth (\$76 million)**

California continues to experience a shortage of SUD counselors and clinicians. This initiative seeks to address the recognized need to develop a SUD workforce which provides age appropriate treatment. The Office of Statewide Health Planning and Development (OSHPD) will seek to develop a culturally competent SUD workforce that expands the knowledge of existing licensed behavioral health clinicians to provide age-appropriate SUD treatment and address workforce and diversity shortages by providing financial support to individuals entering SUD careers. In FY 2021-22, OSHPD will develop a new SUD workforce framework and plan focused on youth and families. The plan will focus on several components, including but not limited to the following:

- Expand knowledge of existing licensed behavioral health clinicians through Train New Trainer models.
- Provide financial support, such as tuition assistance, stipends, etc., for high school graduates and/or community college students to obtain a Bachelor of Social Work to begin a SUD career serving youth and families.
- Develop a SUD career ladder for existing certified SUD counselors. This can include tuition assistance, stipends, etc.
- Establish and support programs to help registered SUD counselors become certified and train in age-appropriate treatment. This includes financially supporting the necessary certification training, practicum, and costs to supervise the employee.
- Develop SUD educational capacity program: sustain and grow SUD training programs, similar to programs such as Song-Brown or the Workforce Education and Training (WET) Psychiatry Education Capacity Expansion program.

Please see the workforce section below for more behavioral health workforce development investments.

### **Foster Youth**

The May Revision includes \$39.2 million GF to assist counties with serving foster youth with complex needs and behavioral health conditions, within California, as well as youth that return from an out-of-state congregate placement. Approximately 130 youth in foster care returned to California from out-of-state placements in January 2021. These returning youth have a higher level of need and require more intensive specialty mental health services than the typical youth in foster care. The May Revision includes \$5 million total funds (\$2 million GF) in FY 2020-21 and \$18 million total funds (\$9 million GF) in FY 2021-22 to provide specialty mental health services to foster youth returning from out of state and other youth with similar level of needs that otherwise would have been placed out of state.

### **Student Mental Health**

The budget continues to include one-time \$400 million (\$200 million GF), available over multiple years, for DHCS to implement an incentive program through Medi-Cal managed care plans, in coordination with county behavioral health departments and schools. Funds seek to build infrastructure, partnerships, and capacity statewide to increase the number of students receiving prevention and early intervention behavioral health services. This funding allocation will be dispersed to Medi-Cal Managed Care plans to draw down a federal match so long as specific milestones are met including the creation of 3-way contracts or partnerships between Medi-Cal Managed Care plans, county behavioral health departments and schools. In addition to this proposal, the May Revision augments this investment with \$550 million in grants (described below) which will be available to CBOs and counties to support additional school-based capacity infrastructure investments.

### **Mental Health Services Act (MHSA)**

In January, the Administration included extensions of several MHSA flexibilities secured in the prior fiscal year. The Administration continues to include some extensions of the temporary changes for one more fiscal year in its May Revise. One flexibility that was not included continues to be the temporary change in Welfare and Institutions Code section 5892(i). This flexibility extended to July 1, 2021 the reversion date for unspent funds originally subject to reversion on July 1, 2019 and July 1, 2020. CBHDA and a coalition of stakeholders continue to advocate for the safeguarding from reversion for one more fiscal year of Innovation funds and funds encumbered in a contract but unspent because of COVID-19.

### **Mental Health School Services Act Grants**

The January proposed budget included \$25 million one-time Mental Health Services Fund (MHSA Administrative Funds) available over five years, for the Mental Health Services Oversight and Accountability Commission to augment the Mental Health Student Services Act (MHSSA) Partnership Grant Program, which funds partnerships between county mental health plans and school districts. A coalition of organizations lead by Children Now and including CBHDA is requesting that this amount be increased to \$80 million in order to fund all previously unsuccessful MHSSA grants. The May Revise has increased the one-time funding to \$30 million.

## **Children and Youth Behavioral Health Initiative**

The California Health and Human Services Agency is proposing a \$4.4 billion dollar investment, over five years, to transform the behavioral health system for all Californians ages 25 and younger. This proposal will expand evidenced-based programs, train new behavioral health

workers, and create a statewide portal that can connect young people with telehealth visits, and other interactive tools.

Services will address a broad and complex range of issues affecting mental and emotional well-being, including alcohol and other substance use, stress, trauma, grief, anxiety, and psychological disorders. Services will be delivered by schools, community-based organizations, counties, managed care plans, and a set of new, regional vendors. Components of this initiative include:

- **Behavioral Health Services and Support Virtual Platform:** Creates a behavioral health service virtual platform to be integrated with screening, clinic-based care and app-based support services. This school-linked virtual platform would support regular automated assessments/screenings and self-monitoring tools and would develop tools to help families navigate how to access help regardless of payer source across elementary through higher education. The Initiative will identify children who need help early, provide services where and when needed, and connect children and youth with coaches to help make referrals and connections to appropriate systems of care, including county behavioral health for specialty behavioral health services. This virtual platform will also include an e-consult component for primary care and family physicians for behavioral health referrals. Supports will be provided for young people facing challenges at home or who are having difficulty forging positive and supportive adult relationships. The budget includes \$402.7 million GF, \$120 million Coronavirus Fiscal Recovery Fund (CFRF), and \$112 federal financial participation (FFP) over 5 years for the platform.
- **School-Linked Behavioral Health Partnerships and Capacity:** The budget includes \$100 million CFRF for FY 2021-22 and \$450 million CFRF for FY 2022-23 to fund grants for Medi-Cal behavioral health systems, tribal entities, health care service plans, Medi-Cal managed care plans, community-based organizations, and behavioral health providers to support implementation of evidence-based behavioral health treatment services for children and youth. Grants for Medi-Cal county behavioral health systems would be administered through the BH QIP.
- **Develop and Expand Age-Appropriate Evidence-Based Behavioral Health Programs:** Support statewide development and expansion of evidence-based interventions proven to improve outcomes for children and youth with or at high risk for mental health conditions, with a particular focus on young people experiencing their first break or first episode of psychosis, and/or developing substance use disorders (SUDs). The budget includes \$429 million in FY 2022-23 for this effort.
- **Comprehensive and Culturally and Linguistically Proficient Public Education and Change Campaign:** Raise the behavioral health literacy of all Californians to normalize and support the prevention and early intervention of mental health and substance use challenges. Teach Californians how to recognize the early signs and symptoms of distress and where to turn to ask for help. Empower children and youth to take charge of their mental health and wellness. Tackle disparities and inequities by empowering diverse communities to develop their own culturally and linguistically appropriate tools to break down the stigma associated with behavioral health conditions and increase help seeking behavior. The budget allocates \$5 million CFRF in FY 2021-22, \$50 million GF in FY 2022-23, and \$45 million GF over 5 years. This initiative will be implemented by the Department of Public Health Office of Health Equity.

- **Public Awareness Campaign on ACEs and Toxic Stress (\$24 million one-time):** The Office of the California Surgeon General (OSG) will engage leading experts and consultants to develop content and messaging for a public awareness campaign on ACEs and toxic stress, which will include the latest evidence on trauma-informed and trauma-sensitive responses. The budget allocates \$25 million CFRF in FY 2021-22.
- **Trauma-Informed Training for Educators (\$1 million one-time):** The OSG will engage leading experts and consultants to develop a curriculum of trauma-informed training specific to the education sector. The training developed will include the standardized language, guidelines, and current scientific evidence to focus on mitigating the long-term harms of COVID-19, ACEs, and toxic stress.

## Behavioral Health Workforce

### Office of Statewide Health Planning and Development (OSHPD) Workforce Initiative

This initiative is part of the Children and Youth Behavioral Health Initiative and will be overseen by OSHPD. This initiative includes \$76 million to develop the SUD workforce described under Priority BH Investments. Other investments in behavioral health workforce development include:

- **Expand Peer Personnel Training and Placement Programs (\$28.5 million) - OSHPD** currently administers a successful Peer Personnel Training and Placement Program that trains and places peer personnel in positions throughout the public mental health system. OSHPD seeks to expand this program by training up to 2,000 peer personnel, building a diverse workforce that supports improved health outcomes and promotes recovery and self-sufficiency. OSHPD also seeks to train up to 1,250 peer personnel who focus on transition-age youth.
- **Augment Existing OSHPD Loan Repayment, Scholarship, and Stipend Programs to Support Behavioral Health Disciplines (\$199.5 million) - OSHPD's** loan repayment, stipend, and scholarship programs award providers who provide behavioral health services in underserved communities, with the goal of long-term service in those communities. OSHPD prioritizes providers who can serve across diverse California Communities in awarding processes and can produce quantitative and qualitative outcomes which measure the success of these programs. OSHPD is seeking to expand loan repayment, stipend, and scholarship programs for behavioral health disciplines.
- **Increasing the Behavioral Health Workforce Expand Training Capacity for Psychiatry, and Social Workers (\$71.5 million) - Research** shows that the biggest behavioral health workforce needs are in psychiatry, especially child and adolescent psychiatry, public mental health nurse practitioners, and social workers. The proposal would provide funding to support and grow residency and training programs that develop this needed workforce. It would build on existing programs such as Psychiatric Education Capacity Expansion program and add programs that train non-prescribing clinicians, and Child and Adolescent Social Workers and Child Welfare Workers.
- **Create a School Behavioral Health Coach and Counselor Workforce (\$427 million) -** These counselors and coaches will focus on improving behavioral health outcomes by enhancing the ability of educators to improve educational outcomes. Behavioral health coaches and counselors are part of the Administration's community schools model,

where schools offer a wide array of supports and services for students and families -- from health and mental health to family supports, from feeding programs and substance abuse prevention to crisis intervention and counseling. During the initial year in 2021-22, OSHPD, in partnership with subject matter experts including education and behavioral health, will develop a multi-year plan to launch and implement the school behavioral health coach and counselor system. OSHPD will seek to have coaches and counselors reflect the diversity of the communities they serve.

- **Build the Behavioral Health Workforce Pipeline (\$24 million)** – This proposal will build on existing programs, such as OSHPD’s Mini-Grants program, to support career exploration. It will also sustain and build pipeline programs that provide mentorship, and academic, career, and psycho-social support to prepare students from underrepresented and low-income backgrounds for behavioral health careers.
- **Build “Earn and Learn” Apprenticeship Models (\$9.5 million)** - These models provide tuition support and on-the-job training at a behavioral health provider organization while one attends school (post-secondary) or completes training. The employer would provide a position for the graduate and there would be a period of service obligation. The program would provide financial support to the employer to supervise and mentor the student. OSHPD would leverage this model to build the workforce for SUD counselors, including for unlicensed but trained professionals. Areas of focus can include community health workers and Psychosocial Rehabilitation specialists that serve children, youth, and families.
- **Enhancing Training to Serve Justice and System-Involved Youth (\$9.5 million)** - This proposal would develop and implement enhanced training to existing and new staff across a variety of sectors including child welfare, education, and probation on effective behavioral health strategies with justice and system-involved youth and preventing such involvement among high-risk vulnerable youth and their families.
- **Expand Behavioral Health Training for Primary Care Providers (\$9.5 million)** - OSHPD is asking for an increase in funding to support the Train New Trainers Psychiatry Fellowship Scholarship. The current program would be expanded to include pediatricians and other child/young adult providers. This program provides training to existing primary care staff to directly serve, rather than refer, for moderate behavioral health conditions.

### **Proposition 56 Payments**

The May Revision proposes to permanently remove all suspensions of Proposition 56 payments and optional benefits currently in law. Prior budgets had proposed suspending Proposition 56 provider payments and instead to divert the funds for other purposes. This proposal has been withdrawn.

### **Community Health Workers (CHWs)**

DHCS proposes to add CHWs to the class of skilled and trained individuals who are able to provide clinically appropriate Medi-Cal covered benefits and services through Medi-Cal managed care. CHWs can bridge gaps in communication and reduce health and mental health disparities experienced by vulnerable communities in California. The budget includes costs of \$16.3 million total funds (\$6.2 million GF) in FY 2021-22 for CHWs, implementing January 1, 2022.



The Department of State Hospitals has decided to pull their Community Care Demonstration Project for Felony ISTs (IST Realignment) and has instead decided to focus on several alternative proposals to address the IST crisis including to discontinue contracts with counties over a three year period for LPS conservatees, discussed under Priority Behavioral Health Investments above. As of May 2021, the state hospital IST waitlist stood at nearly 1,600 individuals-- nearly double the amount pre-pandemic.

**Community-Based Restoration Program Expansion**

The May Revision includes \$28.3 million GF to provide competency restoration service for IST patients in community mental health treatment settings. Beginning in 2024-25 ongoing costs increase to \$49.8 million GF. This includes an expansion of beds in Los Angeles County and other counties.

**Jail-Based Competency Treatment Program Existing/New Program Updates**

The May Revision includes \$13.3 million GF to contract with counties to provide competency restoration services for IST patients residing in county jail facilities. This would allow DSH to partner with 11 more county sheriff departments for more than 100 beds. Beginning in 2022-23 ongoing costs increase to \$22.5 million GF.

**Reevaluation Services for Felony ISTs**

The May Revision includes \$12.7 million GF to partner with local county jails to re-evaluate individuals deemed IST on a felony charge waiting in jail 60 days or more pending placement to a DSH treatment program. DSH noted that with their existing Virtual Hospital program that 35% of individuals awaiting placement in DSH are actually restored to competency during their time in jail while on the waitlist.

**Existing Diversion Program Expansion**

DSH proposes trailer bill language to modify the existing mental health diversion program. For expansions of the population treated in existing counties, there will not be a required match from counties and DSH will propose to focus on those who have been found IST and not the likely to be found IST population. For new counties wishing to participate in the IST Diversion program, the existing program rules stand.

**Pretrial Pilot Programs**

The May Revision includes \$140 million GF in 2021-22 and \$70 million ongoing to expand a pretrial pilot program funded with one-time resources in the 2019 Budget Act. Specifically, this funding will provide all 58 courts and county supervision agencies with the resources necessary to support judicial officers in making pretrial release decisions that impose the least restrictive conditions while maintaining public safety and assisting individuals in returning to court and implementing appropriate monitoring practices and the provision of services for released individuals.

**Prison Closures**

The adult prison population has steadily declined over many years, presenting opportunities for

California Department of Corrections and Rehabilitation (CDCR) to eliminate its reliance on contract prison capacity. CDCR terminated its final remaining contract to house incarcerated persons out of state in June 2019. In addition, CDCR terminated six of seven in-state contracts by October 2020, and the Governor's Budget reflected closing the final in-state contract correctional facility by May 2021. Consistent with the 2020 Budget Act, the Department plans to close Deuel Vocational Institution in Tracy by September 2021, achieving savings of \$119 million GF in 2021-22, and \$150.3 million GF annually beginning in 2022-23.

The Department also plans to close the California Correctional Center in Susanville, by June 30, 2022. The closure of this facility is estimated to save the state \$122 million GF in 2022-23 and ongoing.

### **Enhanced CDCR Mental Health**

To further enhance Psychiatric Inpatient Program (PIP) operations and better address CDCR's unique operational needs, the May Revision includes \$37.7 million GF in 2021-22, and \$35.9 million ongoing, and 264.1 positions to standardize staffing models across the five CDCR-operated PIPs and support targeted staffing increases to perform operationally critical functions. This includes resources to add clinicians, nurses, custody staff, and administrative staff to provide the comprehensive suite of services necessary to best serve PIP patients.

### **Office of Youth and Community Restoration**

The May Revision includes \$7.6 million GF in 2021-22 and \$7.2 million ongoing GF for 33 positions to stand up the Office of Youth and Community Restoration and perform the core functions laid out in SB 823 (Chapter 337, Statutes of 2020), including: (1) review of county's juvenile justice plans, (2) reporting on youth outcomes and identifying best practices, (3) providing technical assistance to counties, and (4) performing the ombudsperson duties.

### **Division of Juvenile Justice**

The May Revision reflects an estimated average daily population of 732 wards in 2020-21 and 613 wards in 2021-22, which represents a decrease of 68 and 116 wards in 2020-21 and 2021-22, respectively, as compared to the Governor's Budget estimates. Taken with the Governor's Budget estimates, this will result in estimated savings of \$10.1 million GF in 2021-22.

To facilitate the realignment of youth offenders from the state to counties, the Board of State and Community Corrections is in the process of distributing \$9.6 million in one-time funds in 2020-21 for the Regional Youth Programs and Facilities Grant Program as authorized by SB 823. In addition, SB 823 established the Juvenile Justice Realignment Block Grant Program, which will result in annual appropriations to be allocated to counties to serve realigned youth, including \$45.7 million in 2021-22 growing to \$211.9 million in 2024-25 and annually thereafter. Recent pending legislation, Senate Bill 92, makes critical changes to support SB 823 implementation and enable counties to provide appropriate rehabilitative and supervision services to realigned youth starting July 1, 2021. This includes establishing a framework for county secure youth treatment facilities, consistent with intent language included in SB 823. SB 92 also specifies a closure date for DJJ of June 30, 2023 and requires DJJ to develop a plan by January 1, 2022 for the transfer of remaining DJJ youth.

## **Social Services/Child Welfare**

### **Supporting Vulnerable and Homeless Families**

The May Revision makes investments in California’s safety net programs that have been designed to collectively work to lift families out of poverty with cash assistance and targeted food and health benefits. The May Revision proposes investments in the following programs:

- **Regional Center Mobile Crisis Teams.** The May Revision includes \$8 million GF in FY 2021-22, increasing to \$11 million GF ongoing in 2022-23, for Systemic, Therapeutic, Assessment, Resources and Treatment (START) teams. The teams provide 24-hour crisis prevention and response services to individuals with intellectual or developmental disabilities.
- **Family First Prevention Services Act Part I.** The May Revision includes \$122.4 GF one-time in FY 2021-22 to be expended over three years to assist counties with new prevention services implementation efforts allowable under the new federal Family First Prevention Services Act. These one-time resources will assist counties to build locally driven services and supports for children, youth and families at risk of entering foster care.
- **Child and Adolescent Needs and Strengths Assessment Tool Workload—**The May Revision includes \$3.4 million GF ongoing for increased county social worker workload associated the Child and Adolescent Needs and Strengths assessment tool.
- **Continuum of Care Reform Reconciliation—**The May Revision includes \$7.1 million GF to reflect Continuum of Care Reform true-up related to county Child and Family Teams actual expenditures for fiscal year 2018-19.
- **Treatment and Prevention of Adverse Childhood Experiences.** Housed within the Office of Planning and Research, the California Initiative to Advance Precision Medicine supports collaborative research and partnerships between the state, researchers, patients, communities, and industry to advance a holistic perspective of physical and mental wellbeing. The May Revision includes \$12.4 million one-time GF for seven demonstration projects focused on advancing research on, and building scalable approaches to, treating and preventing Adverse Childhood Experiences (ACEs). Funding will further the Administration’s efforts to better understand and treat ACEs by strengthening workforce training efforts, building a statewide stress surveillance network, and broadening the network of clinicians and providers that are equipped to treat and prevent toxic stress resulting from ACEs.

## Housing and Homelessness

The Governor announced that in the upcoming year the state plans to invest over \$12 billion towards addressing housing and homelessness. This captures existing investments such as No Place Like Home and the affordable housing tax credits in addition to several new funding proposals detailed below. In announcing this initiative, the Governor emphasized the importance of targeting those with behavioral health needs and did include the BH CIP and the commitments to Board and Care, discussed above, as part of the announcement. The state is also proposing a plan to end family homelessness within the next five years. The programs noted below are significant expansions upon what was proposed in January or existing investments:

### Homekey Family Housing

\$2.75 billion one-time funds over two years for the additional acquisition and rehabilitation of facilities through the Homekey program. Of this amount, \$1 billion is targeted for families experiencing homelessness or at risk for being homeless. This is in addition to the \$750 million from the January Budget.

**Challenge Grants & Technical Assistance**

\$40 million one-time GF available over 5 years, for the Homeless Coordinating Financing Council (HCFC) to provide grants and technical assistance to local jurisdictions to develop action plans that will address family homelessness. Grants will be used to accelerate local jurisdictions' rehousing efforts that can demonstrate cross-system collaboration, multi-funder initiatives, and efforts that coordinate across funding streams and systems.

**CDSS Homelessness Supports**

The May Revision includes \$475 million GF in both 2021-22 and 2022-23 to expand the existing CalWORKs Housing Support program. This program assists CalWORKs families experiencing homelessness to secure and maintain permanent housing; services include financial assistance and housing related wrap-around supportive services. In addition, the May Revision also includes \$280 million GF in both 2021-22 and 2022-23 to expand the existing Bringing Families Home program. This program provides housing-related supports to eligible families experiencing homelessness in the child welfare system.

**Home Safe**

\$100 million GF annually through 2022-23 for the Home Safe program to provide access to health, safety, and housing supports for individuals involved in or at risk of involvement in Adult Protective Services.

**Health Equity**

**Language Access**

The May Revision includes \$20 million one-time GF to improve and deliver language access services across the spectrum of Health and Human Services programs. This proposal would build on a 2021 Governor's Budget proposal for the Health and Human Services Agency to develop and implement an HHS-wide policy framework to improve language access standards across programs and services.

**Expand Medi-Cal Coverage for Older (60+) Undocumented Adults**

DHCS proposes to expand full scope Medi-Cal coverage for adults 60 years and over regardless of immigration status, in order to improve health outcomes for immigrants. The budget includes costs of \$68 million total funds (\$50 million GF) and the Department has proposed trailer bill language as part of the May Revision.

**Other Medi-Cal Investments**

**Local Educational Agencies (LEA) Medi-Cal Billing Option Program (BOP) Expansion**

DHCS requests permanent positions and expenditure authority for the expansion and improvement of school-based health care. Due to the CMS approval of State Plan Amendment (SPA) 15-021 retroactively to July 1, 2015 expanding the LEA BOP to all Medi-Cal enrolled children and significantly expands the services and practitioners allowable, DHCS has been

asked by the LEAs for increased support. The requested resources will provide additional technical assistance, trainings and more guidance concerning the successful administration of the program.

### **Telehealth: Audio Only Visits**

DHCS will establish rates for audio-only telehealth that is set as 65 percent of the Medi-Cal rate for the service rendered in fee-for-service, and a comparable alternative to prospective payment system (PPS) rates to incentivize in-person care. Only providers located in California or border communities and able to provide in-person services to each client served by audio-only telehealth can claim Medi-Cal reimbursement for the service. DHCS will consult with subject matter experts to establish utilization management protocols for all telehealth services prior to implementation of post-pandemic telehealth services. The Department has proposed trailer bill language as part of the May Revision modified telehealth policy.

### **Medi-Cal Rx**

In January 2021, Centene Corporation announced that it plans to acquire Magellan Health, the state's contracted vendor to transition pharmacy from managed care to fee-for-service. DHCS stated that this proposed acquisition was unexpected and requires additional time for exploration of acceptable conflict avoidance protocols to ensure there will be acceptable firewalls between corporate entities to protect the pharmacy claims data of all Medi-Cal beneficiaries and other proprietary information. A revised timeline for the pharmacy benefit transition has not yet been determined. In light of this uncertainty, the May Revision assumes that the transition will take place January 1, 2022, *for budgeting purposes only*. Under these placeholder estimates, Medi-Cal Rx is expected to result in ongoing annual savings of \$859 million total funds (\$309 million GF). Due to the various timing impacts, the May Revision assumes temporary costs of \$32 million total funds (\$14 million GF) in FY 2020-21 and \$363 million total funds (\$134 million GF) in FY 2021-22.

### **Drug Rebate Fund Reserve**

The May Revision allocates \$222 million in 2020-21 to the Medi-Cal Drug Rebate Fund to maintain a reserve. The reserve is intended to alleviate the GF impact related to drug rebate volatility.

### **Medication Therapy Management**

The May Revision includes \$12.6 million (\$4.4 million GF) to reimburse specialty pharmacies for services provided to beneficiaries with complex drug therapies in the fee-for-service delivery system, effective July 1, 2021.

### **Health Information Exchange Leadership**

The May Revision includes \$2.5 million one-time GF for Health and Human Services Agency to lead efforts and stakeholder engagement in building out information exchange for health and social services programs.

### **Health Information Exchange (HIE) Interoperability**

DHCS plans to request federal approval for enhanced federal funds to use the unspent GF monies from the Cal-HOP program to support other interoperability and data exchange efforts for Medi-Cal beneficiaries. The budget includes costs of \$4 million total funds (\$0.5 million GF) in FY 2020-21 and \$47 million total funds (\$5 million GF) in FY 2021-22.

### **Interoperability Federal Final Rule Compliance**

The May Revision includes \$2.9 million (\$0.8 million GF) to address critical planning workload associated with compliance with the CMS/ONC Interoperability Rule, and Patient Access Rule (CMS-9115-F).

### **County Administration Funding for Post-Public Health Emergency Redeterminations**

The May Revision includes one-time funding of \$73 million (\$36.5 million GF) in each of 2021-22 and 2022-23 to resume annual Medi-Cal redeterminations upon conclusion of the federal public health emergency and continuous coverage requirement.

## **Pandemic Response**

### **Increased SAMHSA Block Grant Funding**

DHCS expects to receive ARPA funding through SAMHSA for behavioral health prevention, treatment, and recovery service expenditures due to the impacts of COVID-19. At the time of this publication, DHCS has not received notification of an allocation, but the Department expects that the funding will be available for at least two years.

### **Addressing Public Health Impacts**

Approximately \$4.9 billion is appropriated to support state and local emergency response to COVID-19 and the state's public health infrastructure strained by efforts to respond to COVID-19 including public hospitals, health systems, and residential care facilities. These funds will also address the emotional and behavioral health impacts on California's children and youth stemming from quarantine requirements and distance learning. To support this effort, investments will build capacity through workforce and facility infrastructure, including training and certification of psychologists, psychiatrists, counselors, and social workers.

### **Supporting the Early Learning and Care Workforce**

The May Revision includes a second pandemic relief package of \$579 million in one-time Coronavirus Response and Relief Supplemental Appropriations (CRRSA) funds. The pandemic relief package includes \$10.6 million one-time CRRSA funds available through September 30, 2023 for early childhood mental health consultation. This investment will expand the California Inclusion and Behavior Consultation project which offers support to childcare programs and providers on such topics as children's social emotional development, trauma-informed practices and health and safety for the wellbeing of children and families impacted by the pandemic and beyond.

## **Other Investments**

### **Updated Allocation of The Cannabis Tax Fund**

Proposition 64 specified the allocation of resources in the Cannabis Tax Fund, which are continuously appropriated. The May Revision estimates \$629.1 million will be available for these purposes in FY 2021-22. \$377.5 million will go towards education, prevention, and treatment of youth substance use. The Administration proposes to make the largest expansion of its kind in childcare access by adding 100,000 subsidized childcare slots. Updated Proposition 64 cannabis tax revenues will provide an additional \$83 million for childcare slots in 2021-22. It is likely that \$83M taken out of the \$377.5M allocations to expand childcare slots.

### **Comprehensive Student Supports**

The May Revision includes total funding of \$121.7 billion (\$70 billion GF and \$51.7 billion other funds) for all K-12 education programs, the highest level of funding in California's history. Per-pupil funding is also at the highest levels ever, totaling \$13,977 per pupil in Proposition 98 GF and \$21,152 per pupil when accounting for all funding sources. The May Revision includes a substantial commitment to developing mental health services in schools through the community schools model.

- In order to build up the capacity of schools to become stable hubs for a wider spectrum of basic student needs, the May Revision augments the \$264.9 million Proposition 98 GF proposed in the Governor's January Budget to provide \$3 billion one-time Proposition 98 GF, available over several years, to further expand the implementation and use of the community school model. This proposed funding would support grants for up to 1,400 local educational agencies (more than 60 percent of local educational agencies statewide) to convert school campuses into full-service community schools. Under this model, community schools blend various funding sources to provide integrated health, mental health, and social services alongside high-quality, supportive instruction.
- Additionally, to increase the number of adults providing direct services to students on school campuses, the May Revision includes an ongoing increase to the LCFF concentration grant of \$1.1 billion Proposition 98 GF. Local educational agencies that are recipients of these funds will be required to demonstrate in their local control and accountability plans how these funds are used to increase the number of certificated and classified staff on their campuses, including school counselors, nurses, teachers, paraprofessionals, and other student support providers.