



Legislative Update ■ February 10, 2020

Tune in for Next Week's State of-the-State

Governor Gavin Newsom has announced that he will present his second State of the State address on Wednesday, February 19 at 10:30 a.m.

Feds Reject California's MCO Tax Proposal

California received word a long week ago that the Centers for Medicare and Medicaid Services (CMS) rejected the state's initial Managed Care Organization (MCO) tax submission. Early indications are that the Department of Health Care Services is taking the feedback and plans to submit a revised proposal to address concerns from CMS.

While the Governor's budget does not reflect the inclusion of any MCO tax funding in 2020-21, it does assume MCO tax revenues of \$1.2 billion in 2021-22 and \$1.9 billion in 2022-23; the latter figure reflects a full year of funding. The budget also extends the sunsets on several programs enacted in 2019-20 by 18 months – from December 31, 2021 to July 1, 2023 – and makes the extensions contingent on the additional MCO tax revenue. UCC will be monitoring this situation closely.

More Language Emerges on the Governor's Budget Proposals

As part of the annual state budget process, the Department of Finance is required by February 1 to make publicly available proposed statutory language to implement provisions of the budget (known as "trailer bill language," usually shortened to TBL). Starting January 30, the Department of Finance has begun [posting](#) 2020-21 TBL, highlights of which are summarized below. Note that this [chart](#) keeps a running tab on the proposals for which TBL is needed; updates to the chart since the previous version are highlighted in yellow.

Homelessness – The highly anticipated TBL to implement the \$750 million in additional one-time support for homelessness and affordable housing programs through the Department of Social Services (DSS) and establishment of new "regional administrators" was [released](#) earlier this week. Despite the release of language to enact the California Access to Housing and Services Act, it provides little additional detail than the proposal as described by the Governor and detailed in the budget. Chiefly, it remains unclear whether local governments would be eligible to act as a regional administrator, how the new proposal would fit in with the existing investments the Governor and Legislature made in homelessness and housing last year, and whether or how any further recommendations from the Governor's Council of Regional Homeless Advisors could impact this

newly proposed approach. We understand that the Governor is anxious to get the \$750 million disbursed as quickly as possible, so we anticipate work to begin in earnest on this proposal shortly. The Assembly Subcommittee No. 6 is scheduled to meet Thursday, February 13 in San Francisco to review existing state homelessness funding and Governor's proposed California Access to Housing and Services Act; the following week a joint budget subcommittee hearing will take place to review the Governor's budget proposal. More to come ...

Health and Human Services – Of note in the HHS policy area, trailer bill has been posted for the following budget elements:

- Medi-Cal expansion for undocumented individuals age 65 and over
- Conforming inmate Medi-Cal eligibility to federal law
- Drug Medi-Cal reimbursement of Medication Assisted Treatment
- Aligning Medi-Cal managed care plan rate review with the access monitoring review
- Mandatory IHSS social worker training
- CalWORKs program monitoring visits
- Removing Stage 1 Child Care from the CalWORKs single allocation
- Expanded Subsidized Employment
- Increase child support disregard payments
- Child support uncollectible debt

Thus far, no trailer bill language has been posted on several other important budget proposals, including Medi-Cal Healthier California for All, cost containment, Mental Health Services Act changes, and prescription drug manufacturing. It is likely that language on those proposals will not be released until later this spring.

Public Safety/Corrections – On the public safety side, language on three proposals of primary interest is available:

- Changes to adult probation, including stabilization of SB 678 funding
- Statewide expansion of current court-based pilot program of online tool to seek reductions in court-ordered debt, including ability-to-pay considerations
- Expanded role of the Office of the State Public Defender to provide assistance to local public defender offices

Board of State and Community Corrections Meets Thursday

The Board of State and Community Corrections (BSCC) [meets](#) on February 13 to take up a number of grant-related items as well as proposed changes to the local jail inspection process. On the latter item, BSCC, consistent with Governor Newsom's articulated intent in his January budget proposal to "more actively engage counties regarding deficiencies identified as part of its inspections through its public board meeting process and by more frequent follow-up inspections," is proposing a number of refinements to its existing inspection process. The changes would establish proactive steps to engage with counties in addressing issues of noncompliance identified

as part of the inspection process as well as a formal timeframe to correct any deficiencies. For more details on the recommended jail inspection process changes, see the BSCC staff report [here](#).