



Established in 1991, UCC serves as the representative voice for state legislative advocacy for high-population counties in California. Initially composed of seven counties, the association has grown to 14 today. Over 80 percent of the state's population reside in UCC counties. Consequently, urban counties carry out critical programs and services to the state's most vulnerable populations. For more information, including details on our Board of Directors, please visit [our website](#).

December 10, 2021

Catching Up on State Budget News

There's lots to catch you up on regarding state budget activities and announcements from recent days and weeks.

Legislative Analyst's Office 2022-23 Fiscal Outlook

On November 17, the Legislative Analyst's Office (LAO) released its annual report: **The 2022-23 Budget, California's Fiscal Outlook**. For those tracking state revenues closely, the good news may come as no surprise, but the LAO is projecting another historic budget surplus for the upcoming fiscal year. The LAO finds that revenues are growing at historic rates and estimates the state will have a **\$31 billion(!)** surplus to allocate in 2022-23, given that revenues already are \$10 billion ahead of Budget Act expectations for this point in the fiscal year. Unlike prior years, the LAO also estimates the budget has capacity for new, ongoing commitments with an operating surplus that could range from \$3 billion to \$8 billion over the multiyear period. While they urge caution about assuming that the trend will continue, the LAO also finds that revenue gains have been in historically more stable revenue streams, such as sales tax and income tax withholding. However, with this good news, the LAO warns the

State Appropriations Limit will present a challenge that the Legislature should seek to address early in the budget process.

Senate and Assembly Release 2022 Budget Priorities

This week, both the full Senate and Assembly budget committees released their respective 2022 spending priorities. The plans can be found here:

Senate: *Putting California's Wealth to Work for a More Equitable Economy*

| [slides](#)

Assembly: *Delivering Prosperity & Strengthening the Future* | [slides](#)

Both plans recognize the immensity and significance of current-year investments – and that these new initiatives require focus and attention to ensure successful implementation – as well as the opportunity for considerable new resources being available in the budget year. Additionally, both houses acknowledge the necessity of addressing the Gann Limit.

State Revenues Keep Moving on Up

The Department of Finance's monthly [Finance Bulletin](#) for November indicates another strong month for state General Fund revenues. Revenues from the first four months of the 2021-22 fiscal year were \$11.195 billion above the budget forecast. When prior budget year-end cash is included, preliminary General Fund revenues are \$15.978 billion above the 2021-22 Budget Act forecast.

Personal income tax revenues to the General Fund for the first four months of the fiscal year were \$7.982 billion above budget estimates. Receipts for October were \$1.425 billion above the forecast as well. Sales and use tax cash revenues for the first four months of the fiscal year were \$1.065 billion above budget estimates, and receipts for the month were \$30 million above the

forecast. Corporation tax cash receipts for the first four months of the fiscal year were \$1.551 billion above budget estimates and receipts for the month were \$103 million above budget estimates.

Cap-and-trade Revenues Up

A recent Legislative Analyst's Office [report](#) indicates a strong likelihood for better than estimated Greenhouse Gas Reduction Fund revenues after a strong November auction. Based on the preliminary results from the cap-and-trade auction that took place on November 17, the state will receive an estimated \$1.3 billion in revenue from the auction—the highest amount for any quarterly auction in the program's history and \$732 million more than the 2021-22 budget assumes.

SCO Allocates Final 2020-21 Base Payments for 2011 Public Safety Realignment

On December 9, the State Controller's Office (SCO) issued the long-awaited final base payments for the 2020-21 realignment fiscal year. This delayed payment relates to a key component of the 2011 Public Safety Realignment fiscal structure known as "base restoration." The base restoration mechanism ensures that a down revenue year does not become the new, benchmark base for the following fiscal year. Due to the revenue impacts of the pandemic, 2019-20 was the first year in the history of 2011 Public Safety Realignment where full base funding was not reached. When revenues sufficiently recovered in 2020-21, the base restoration mechanism was utilized to provide counties with base funding that totals the sum of the 2018-19 base plus the 2018-19 growth.

Given the unprecedented circumstance, the SCO partially stopped making base payments with two months left in the 2020-21 realignment fiscal year. Funds then sat as they worked out details with the Department of Finance.

The allocation totaled approximately \$90 million statewide across all subaccounts and 2020-21 base allocation schedules were utilized to allocate these funds at a county level – meaning that counties received the same share

of these allocations that they received throughout the 2020-21 fiscal year. The 2020-21 growth payments are expected in the coming weeks.

Incompetent to Stand Trial Solutions Workgroup Issues Final Report

The California Health and Human Services Agency (CalHHS) released the Incompetent to Stand Trial (IST) Solutions Workgroup **report** on November 30, as required by AB 133 (Chapter 143, Statutes of 2021). AB 133 charged CalHHS and the Department of State Hospitals (DSH) to convene an IST Solutions Workgroup to identify actionable solutions that address the increasing number of individuals with serious mental illness who become justice-involved and are deemed IST on felony charges. The purpose of the Workgroup is to identify solutions to advance alternatives to placement in DSH restoration of competency programs as well as strategies for reducing the number of individuals found incompetent to stand trial; reducing lengths of stay for felony IST patients; providing early access to treatment prior to transfer to a DSH program; and increasing diversion opportunities and treatment options, among other solutions.

Welfare & Institutions Code Section 4147 required the Workgroup to submit recommendations to CalHHS and the Department of Finance on or before November 30, 2021, for short-term, medium-term, and long-term solutions that provide timely access to treatment for individuals found IST on felony charges. The IST Workgroup convened between August and November 2021, and the report was released prior to the statutory deadline.

The report provides the following:

1) the background of the increasing numbers of referrals of individuals committed as IST in California and across the nation, 2) an overview of the IST Workgroup and the process utilized to develop the recommended solutions, and 3) recommendations provided by the members of IST Workgroup and stakeholders to the CalHHS and Department of Finance. The recommendations represent the gathering of the collective discussion and recommendations from members of the IST Solutions Workgroup and sub-working groups and input from public participation in the meetings of these

groups. Consistent with the direction provided by statute, any recommendations that did not represent actionable short, medium, or long-term solutions are not included. The recommendations do not represent the viewpoints or opinions of any one entity or the State, nor do they represent consensus of the members of IST Solutions Workgroup.

Final recommendations are wide-ranging and include **targeted funding, various levels of training and technical assistance, and improved coordination/communication**, including:

- Supporting increased access to psychiatric care, including stabilizing medications in jail for felony ISTs while pending transfer to other IST treatment programs or when returning from IST treatment programs to jail pending court proceedings;
- Prioritizing and/or incentivizing DSH Diversion funding to support diverting eligible individuals from the DSH waitlist and augment DSH Diversion contracts to provide for interim housing and housing-related costs;
- Establishing a statewide pool of court-appointed evaluators and increase the number of qualified evaluators;
- Providing increased opportunities and dedicated funding for intensive community treatment models for individuals found IST on felony charges, including Full-Service Partnerships;
- Revising and improving the involuntary medication order statutory process; and
- Exploring and, if needed, implementing improvements to policies and practices governed by the Mental Health Services Act and Lanterman-Petris-Short Act to facilitate access to care and treatment for individuals who are experiencing severe and disabling mental health crisis.

Assembly Committee Chair Changes Follow Departure Announcements

This week, Assembly Speaker Anthony Rendon announced changes to three key committee chairs necessitated by one already actualized and two recently announced early departures from the Assembly. First, the departures:

- Former Assembly Member David Chiu (D-San Francisco) accepted a position as the City Attorney in the City and County of San Francisco; he assumed that role on November 1.
- Last week, sitting Assembly Member Ed Chau (D-Monterey Park) was appointed by Governor Gavin Newsom as a superior court judge in the County of Los Angeles. His formal separation from the Assembly is expected to take place within the next few weeks.
- Finally, Assembly Member Jim Frazier (D-Fairfield) – who previously chaired the Assembly Transportation Committee and the Assembly Governmental Organization Committee – is resigning from the Assembly by year's end to pursue employment opportunities in the transportation sector. Read the entirety of his announcement [here](#).

Of course, each of these vacancies will require a special election in the new year to fulfill the remainder of the departing member's term. The Governor just today announced the dates in 2022 for the primary (February 15) and general (April 19) special elections to fill the seat in Assembly District 49 vacated by now-City Attorney Chiu.

Assembly Speaker Rendon moved quickly to account for these vacancies in making new committee chair appointments. On Tuesday of this week, he announced that Assembly Member Quirk-Silva (D-Fullerton) is taking over as chair of the Assembly Communications and Conveyance Committee, replacing Assembly Member Miguel Santiago (D-Los Angeles) who, in turn, has been named as Assembly Governmental Organization Committee chair ... a slot previously filled by Assembly Member Frazier. Finally, filling in behind the now-departed Assembly Member Chiu as Assembly Housing and Community Development Committee Chair is Assembly Member Buffy Wicks (D-Oakland).

The game of musical chairs is likely to continue into the new year. Changes occasioned by soon-to-be-finalized redistricting will certainly necessitate or hasten more member departures – either because members are drawn out of their existing districts, or because a congressional opportunity presents itself, or for any other number of reasons. Plus, rumors abound about other sitting members who are contemplating new job opportunities that would necessitate

their early departure. Further, Assembly Members Jose Medina (D-Riverside) and Bill Quirk (D-Hayward) both announced today that they will not seek reelection in 2023-24. One thing is for certain – more movement is ahead!

Forecasting 2022 Health Issues

The Newsom Administration has several large health and behavioral health initiatives being implemented in 2022. The implementation of such large and consequential changes will be a major focus for the Newsom Administration in 2022. The following [chart](#) details the major health initiatives being launched in 2022.

In addition to the far-reaching initiatives detailed in the table above, the Administration also continues its work on the Home and Community-Based Services spending plan, re-procurement of Medi-Cal Managed Care Plans, and grant funding opportunities for behavioral health infrastructure. (On the latter, see more details in the article below.)

Further, the Governor's January Budget will include a proposal addressing state Medi-Cal telehealth policy beyond 2022. Outstanding issues remain from the 2021-22 state budget negotiations, including the framework for establishing the Office of Health Care Affordability and hospital seismic requirements. In recent remarks, Secretary Mark Ghaly highlighted the crisis in health care workforce and suggested there would be conversations about the future of the health care workforce next year.

Finally, the Healthy California for All Commission has resumed meeting and will likely release a report in 2022. The Commission is required by law to develop two reports: 1) an [analysis](#) of California's existing health care system, options for steps to transition to a unified financing system, including but not limited to single payer, and options for coverage expansions, and 2) options for designing a unified financing system, including but not limited to single payer. The options for designing a unified financing system has not been released and is expected in 2022. It is unclear whether the release of the report spurs additional conversations about single payer. [AB 1400](#), Assembly Member

Kalra's 2021 single payer measure, remains in the Assembly without a referral to policy committee.

Behavioral Health Infrastructure Funding: A Closer Look

The state has launched a [website](#) for information about both the Behavioral Health Continuum Infrastructure Program (BHCIP) and the Community Care Expansion (CCE) Program. Recall that the 2021-22 state budget included \$2.1 billion for BHCIP and \$805 million for CCE. The website includes information about applying for the grant opportunities as well as resources. The state is encouraging applicants to collaborate at the local level and apply for both the BHCIP and the CCE opportunities when developing infrastructure efforts. Counties, tribal entities, nonprofits, for-profit organizations, and private developers all are eligible to apply.

The Behavioral Health Continuum Infrastructure Program offers six rounds of funding through Requests for Applications (RFAs). The following [chart](#) provides details about the release dates and funding available via the six rounds.

The CCE program provides an opportunity for eligible applicants to request funds for the acquisition, rehabilitation, or construction of adult and senior care facilities. The goal of CCE is to expand and preserve facilities that serve people experiencing homelessness, as well as stabilize existing settings serving people at risk of homelessness or unnecessary institutionalization. Funds will be prioritized for the creation of new and expanded settings but may also be used to fund capital investment and rehabilitation costs for existing settings at risk of closure.

- RFA Release: January 2022
- Applications will be accepted on a rolling basis.

Legislative Analyst's Office Releases Medi-Cal Forecast

In a [post](#) last month, the Legislative Analyst's Office (LAO) offered a deep analytical dive on projected Medi-Cal costs in the short and long term. In the near term, the LAO is projecting \$470 million General Fund savings in 2021-22 due to 1) increased Home and Community Based Services (HCBS) funding, 2) extension of the Public Health Emergency – and increased Federal Medicaid Assistance Percentage (FMAP) – through March 2022, 3) slower than caseload growth than assumed in July.

However, the LAO is projecting a \$3.6 billion year-over-year cost increase in 2022-23 due to several factors, including:

- 1) *Expiration of Non-General Fund Funding.* The LAO assumes that three major sources of non-General Fund funding for Medi-Cal expire in 2022-23, together raising year-over-year General Fund costs by around \$2.5 billion. The major sources include the expiration of the PHE's enhanced federal share of cost at the end of March 2022, the expiration of the Managed Care Organization (MCO) tax in December 2022, and the increase in federal funding for Medi-Cal HCBS programs.
- 2) *Ramp Up of Costs for Budget Act Discretionary Augmentations.* Over \$1.8 billion of the projected increase in net General Fund costs between 2021-22 and 2022-23 is attributed to the ramp up of costs for discretionary augmentations in Medi-Cal approved in the budget act.
- 3) *Underlying Per-Enrollee Cost Growth.* The LAO projects General Fund costs to grow between 2021-22 and 2022-23 by \$1.3 billion (5 percent) due to per-enrollee cost growth.
- 4) *Savings From Significant Projected Reductions in Caseload.* Specifically, between 2021-22 and 2022-23, the LAO projects that total Medi-Cal caseload will decline by over 1 million enrollees (7.4 percent), reducing General Fund costs by \$1.3 billion.

5) *Assorted Other Adjustments Reduce Costs*. We project \$430 million in additional General Fund savings in 2022-23 compared to 2021-22, which reflect the net impact of a large number of individual adjustments, including additional funding from a fee on hospitals (which offset General Fund costs), savings related to the transition of Medi-Cal pharmacy services from managed care to fee-for-service (a change known as Medi-Cal Rx), and the expiration of certain temporary policies related to COVID-19.

In the longer term, the LAO is projecting Medi-Cal spending to grow by \$3.5 billion from 2022-23 to 2025-26, which reflects an average net annual General Fund cost growth of nearly \$1.2 billion (3 percent). The major long-term net cost drivers include: 1) full phase out of funding from certain non-General Fund sources, 2) underlying per-enrollee cost growth, and 3) expiration of funding for a variety of discretionary augmentations.

Assembly Holds Informational Hearing on Wildfires and Resiliency

On December 7, the Assembly Budget Subcommittee No. 3 on Climate Crisis, Resources, Energy, and Transportation held an informational hearing on wildfire prevention and forest resiliency. The meeting agenda can be found [here](#). The Legislative Analyst's Office ([slides](#)) presented on the state's increasingly catastrophic wildfire events over the last two decades and discussed relevant state investments made to address wildfire resiliency in recent budgets. Additional panel presenters included officials from the California Natural Resources Agency ([slides](#)), CalFIRE, the University of California, the Forestry Association, and other key stakeholders.

In related news, Chief Thom Porter, CalFIRE's director for the last three years, announced his retirement effective today. Read more on his leadership and career story [here](#). During the hearing, Chief Porter talked about his mid-life discovery that his great-grandfather was one of the first to survey and map the forested areas of California and other western states; Chief Porter's [biography](#) makes for an interesting read.

SB 1383 (Organic Waste Recycling) Informational Webinars Coming Up

We highlight below for your information two upcoming webinars that could be of assistance in implementing organic waste recycling requirements.

- *SB 619 (2021) Webinar* – CalRecycle is hosting another [webinar](#) on the requirements for jurisdictions to submit a Notification of Intent to Comply with the SB 1383 regulations to CalRecycle (also pursuant to recently enacted [SB 619](#) Laird, Chapter 508, Statutes of 2021). This webinar will help jurisdictions understand the process for submitting a notification, the requirements that must be met for a notification to be approved, and what an approved notification means for the jurisdiction. Scheduled for **Thursday, January 13, 2022 from 9 to 10 a.m.**, the informational webinar also will provide an opportunity for attendees to ask questions. For further information, CalRecycle has also developed a SB 619 resource [webpage](#).
- *Compost Use Best Management Practices* – Save the date for a CalRecycle/Caltrans webinar about compost use best management practices. With many requirements for compost use going into effect, CalRecycle and Caltrans will discuss how and when to use compost, the many benefits that compost use provides, as well as information on best management practices to ensure successful projects. Join this important informational event on January 19 and 20, 2022 from 9 a.m. to noon. Registration is available [here](#).

CDIAC Webinars

The California Debt and Investment Advisory Commission (CDIAC), along with the California Municipal Treasurers Association, are hosting a three-part educational series on the investment of surplus public funds, *Public Funds Investment Essentials*. Curriculum progresses from fundamental content, available for free online, to in-person seminars on intermediate and advanced content.

Part One: Fundamentals of Public Funds Investing (Free on-demand webinars)

Local agency officials tasked with managing a public funds investment portfolio must incorporate into their fiduciary role with fundamental investment concepts and planning to safeguard the principal and liquidity needs of their agency. This on-demand **webinar series** will provide the fundamental concepts, tools, and strategies necessary to manage and oversee public investment portfolios.

Part Two: Intermediate Public Funds Investing (January 26, 2022 – Montebello, CA)

Building on fundamental content covered in the prerequisite *Fundamentals of Public Funds Investing* webinar series, this **interactive seminar** provides intermediate concepts, tools, and strategies necessary to manage and oversee public investment portfolios. Panelists will address assessing and adjusting liquidity, understanding risk, developing a benchmark, and analyzing an investment policy.

Part Three: Advanced and Applies Public Funds Investing (January 27, 2022 – Montebello, CA)

This **interactive seminar** provides an advanced discussion of portfolio management, including the more complex concepts underlying sound public portfolio analysis and decision-making. This includes current topics, economic forecasts, advanced investment analysis concepts, and an application of portfolio decision making.

State Announces Initial List of 18 Open-Access Middle-Mile Broadband Locations

In mid-November, the California Department of Technology (CDT) released details regarding the **first 18 projects** selected as part of the statewide open-access middle-mile broadband network effort. CDT has worked closely with the California Department of Transportation (Caltrans), the California Public Utilities Commission (CPUC), and a third-party administrator (TPA) since August to solicit and review feedback from the broadband industry, local communities, and other stakeholders about the development and

implementation of the project; to take into consideration statutory requirements in planning and decision-making; and to prioritize geographic equity in an effort to build a plan and develop the statewide open-access middle-mile broadband network. CDT, Caltrans, CPUC, and the TPA will continue to meet monthly to further discuss and develop the initial 18 projects as well as identify and select additional locations the middle-mile buildout. The next Broadband Middle-Mile Advisory Committee meeting is scheduled for Wednesday, December 15th at 1:00 pm.

Call For Projects Announced – Clean California Local Grant Program

Caltrans' [Clean California Local Grant Program](#) released a call for projects on December 1 with applications due February 1, 2022. Caltrans has posted a helpful [FAQ document](#) for eligible entities which include cities, counties, regional agencies, transit agencies, and federally recognized tribes. Note that non-profit organizations can partner with eligible entities in an application. The application and other documentation as well as the recordings from past workshops can be found on the program website. When Caltrans makes award announcements in March 2022, they will allocate approximately \$296 million to local communities to beautify and improve local streets and roads, tribal lands, parks, pathways, and transit centers to clean and enhance public spaces.