



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. Nearly 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](#).

April 22, 2022

CARE Court Hearings Scheduled for Next Week

In what will be the Legislature's first public discussions of the Administration's CARE Court proposal, the twin measures containing statutory language to implement the Governor's plan are both scheduled for hearing next week. (We also have **listed** other committees to which the bills have been referred but for which hearings have yet to be scheduled.)

During CSAC's Legislative Conference held this week in Sacramento, Governor Newsom was a featured speaker at the Wednesday morning opening session. He expressed appreciation for the role that counties play and the leadership they have shown during his time in office. He also acknowledged the sometimes-challenging relationship between counties and their cities, especially around addressing the needs of our unsheltered neighbors. In the context of CARE Court – a new approach to trying to reach those who are most in need of mental health treatment and other supports – it is clear that the Governor is fully committed to this proposal. He acknowledged concerns that have been raised by counties and other stakeholders but asked that counties in particular approach the proposal with an open mind.

The critical areas of needed engagement on refining and reshaping the initial proposal appear to be at a minimum the following:

Timeline and scope

- Sufficiency of resources across all newly contemplated county processes
- Limitations on court-ordered services
- Sanctions
- Protections

Next week, we will summarize the tone and tenor of the Legislative conversations.

LAO's Early Take on April Revenues

The state's budget bonanza keeps on going... and April isn't even over yet! The Legislative Analyst's Office (LAO) posted an early **revenue update** in which it suggests that it is "virtually certain" that the state's General Fund revenues will significantly exceed the Governor's Budget assumptions from January. The LAO's current estimate is that there will be between **\$33 billion and \$39 billion** in unanticipated revenue come the May Revision. Of course, as we've previously reported, the LAO notes that the implications of these unanticipated revenues for the state budget are not straightforward given the various constitutional constraints of Proposition 98 (K-14 school funding), Proposition 2 (Rainy Day Fund), and the State Appropriations Limit.

The Administration will have more information to share when it releases its May Revision next month.

Upcoming Deadline for Reporting County Revenue Losses Associated with First Round of Criminal Justice Administrative Fees

Over the last several years, the Legislature has taken a number of steps to eliminate various criminal justice administrative fees, which tend to have a disproportionate impact on low-income and minority communities. The first round of fee eliminations were carried out in **AB 1869 (2020)**, which was accompanied by five-year limited-term appropriation of \$65 million intended to address counties' revenue losses. The State Controller's Office issued the first of five annual payments to counties late last year; allocation details can be found **here**. Given the need to continue advocacy efforts for funding beyond the five-year time horizon, counties will want to carefully consider the expenditure and reporting requirements included in subsequent legislation (AB 143 (2020) and **Government Code section 29553**).

Counties have broad authority on the expenditure of these funds with the legislation identifying that the Board of Supervisors shall have the authority to determine how the funds will be spent. However each January, commencing with 2023, counties will need to submit a report detailing how funds were

spent, including: (1) the total annual budget of the county department or departments that receive the allocation, the share of the backfill allocation received, and an accounting of the expenditures of the allocation by county department that receive a share of this allocation and (2) a description of the programs, services, strategies, and enhancements supported by or made with the allocation by county department.

Be sure to note that ***on or before May 1, 2022, counties must submit a report estimating the actual revenue lost from each individual fee repealed in AB 1869*** for the three most recent years that the county collected on the fee. These collective reporting requirements will be an opportunity for counties to demonstrate the adequacy of the backfill and the important programs and services funded with the backfill.

Assembly Health Hears Kaiser Medi-Cal Contract Bill

On April 19, the Assembly Health Committee heard AB 2724, Assembly Member Arambula's measure to implement the single statewide contract with Kaiser for Medi-Cal. Specifically, the bill permits the Department of Health Care Services (DHCS) to enter into one or more comprehensive risk contracts with an Alternate Health Care Service Plan (AHCSP) – which is defined to refer exclusively to Kaiser – to serve as a primary Medi-Cal Managed Care (MCMC) plan for specified eligible beneficiaries in geographic regions designated by DHCS. Assembly Health Committee passed AB 2724 on a 10-2 vote with three members not voting. The measure will be heard next in the Assembly Appropriations Committee.

The measure is supported by Kaiser and DHCS. Michelle Baass, Director of DHCS, and a representative from Kaiser were the two main witnesses testifying in support. Consumer advocacy groups such as Health Access and the California Pan-Ethnic Health Network were supportive of the measure but are seeking amendments to secure additional consumer protections.

The opposition includes the Local Health Plans of California, the California State Association of Counties, several individual counties, individual federally qualified health centers, and the National Union of Health Care Workers. While plan, county, and FQHCs concerns focused on local impacts to health systems and health plans, NUHW expressed strong concerns with Kaiser's track record of providing behavioral health services. NUHW is seeking amendments that would require all of the following of the Department of Managed Health Care before any additional Medi-Cal enrollees are assigned to Kaiser's care: a) complete its planned audit of the plan's behavioral health services; b) identify all shortcomings in the plan's delivery of these services; c) set forth appropriate remedies, including requirements for the expansion of Kaiser's behavioral

health provider networks as necessary to meet the needs of its anticipated enrollment expansion; and, d) secure the plan's binding agreement to implement and maintain those measures, as well as to maintain ongoing compliance with all applicable state and federal laws.

The committee spent approximately 90 minutes hearing the bill and engaging in discussion, with several committee members posing questions. Assembly Member Wood, the committee chair, noted additional amendments to AB 2724, including capping enrollment by county, applying all the Medi-Cal managed care terms to Kaiser, prohibiting Kaiser from denying an individual from a prior coverage sources. Chair Wood encouraged LHPC to propose amendments to protect beneficiaries and not the business model. Later in the hearing, Assembly Member Wood – after hearing the response on Kaiser's expected increase in enrollees – observed the relatively modest increase in Medi-Cal enrollees in Kaiser is “not as radical as the opposition claims.”

Assembly Member Arambula later noted that he had met with the Local Health Plans of California last week and plans to meet with them again; he shared his view is that the LHPC proposed amendments are overly limiting or get rid of crucial elements of the proposal. Additionally, Assembly Member McCarty remarked that the policy committee process for this topic is preferable to the budget process, given that policy committee hearings allow for more discussion and deeper assessment. Both Assembly Members Wood and Arambula noted at various points in the hearing, the benefits of a single statewide contract: eliminates the need for subcontracting arrangements and reduces costs.

The following is a **summary** of the lines of inquiry and, where a direct response was provided, a summary of same.

While there is no policy bill on the Senate side, the Senate Health Committee and the Senate Budget and Fiscal Review Subcommittee No. 3 on Health and Human Services will be holding a joint informational hearing on the proposed Medi-Cal direct contract with Kaiser on Wednesday, May 4 at 1 p.m. More to come!

Federal COVID-19 Updates Last week, Health and Human Services Secretary Xavier Becerra extended the COVID-19 public health emergency another 90 days. The order would have expired April 15 without the action. The renewal means expanded telehealth services, state support (including the enhanced Federal Medical Assistance Percentage) and Medicaid coverage protections will continue at least through July.

The move by HHS was largely expected as administration officials had pledged to notify states and hospital systems two months before ending the emergency, which would have been February 15. An HHS spokesperson confirmed the renewal, adding: “Consistent with our commitment since the beginning of this Administration, HHS will provide states with at least 60 days’ notice prior to any possible termination or expiration in the future.”

In other federal news, a federal judge in Florida on Monday overturned the Center for Disease Control’s (CDC) requirement that masks be worn on public transportation, planes, and trains; the ruling found that the agency overstepped its statutory authority. Last week, the CDC extended the mask mandate for planes, trains, and other forms of public transportation until May 3. The TSA said after the ruling that they will not enforce the mask mandate for travel. The Biden Administration is appealing the ruling.

News on State Vaccination Policies and Proposals

Senator Pan announced last week that he is holding **SB 871** for the year. The measure would have required all California K-12 students to be vaccinated against COVID-19 starting in 2023. He said that the state first needs to focus on increasing vaccination rates. Only about a third of Californians ages 5 to 11 have been fully vaccinated.

“Until children’s access to COVID vaccination is greatly improved, I believe that a state-wide policy to require COVID vaccination in schools is not the immediate priority, although it is an appropriate safety policy for many school districts in communities with good vaccine access,” Pan said in a **statement**.

The Newsom Administration also announced last week that it will delay COVID-19 vaccine requirements for schools until the 2023-2024 school year, citing a lag in the full federal approval of the shot for students ages 5 to 15 years old. Governor Newsom last fall became the first governor to issue a statewide order mandating student vaccinations. However, the order – which allows for religious and personal belief exemptions – can’t go into effect until the Food and Drug Administration gives the final approval for the vaccine for younger children.

In related news, the California Department of Public Health on Friday announced a \$10 million grant program for clinics and medical providers participating in the Vaccine for Children program. Health providers enrolled in the program could receive up to \$25,000 per site to expand their operating hours in an effort to boost California’s lagging COVID-19 vaccination rates in kids, particularly those aged 5 to 11.

Healthy California for All Commission Releases Final Report on Unified Financing

As discussed in our March 25 update, the Healthy California for All Commission previously released a draft report, *Key Design Considerations for a Unified Financing System in California*. On April 19, the Commission released the **final report**. The report explains that the concept of unified financing describes a statewide system to arrange, pay for, and assure health care in which:

- All Californians will be entitled to receive a standard package of health care services;
- Entitlement will not vary by age, employment status, disability status, income, immigration status, or other characteristics; and
- Distinctions among Medicare, Medi-Cal, employer-sponsored insurance, and individual market coverage will be eliminated within the system of unified financing.

Ultimately, the Commission's report offers:

- An endorsement of and the rationale for a system of unified financing that is accessible, affordable, equitable, high-quality and universal;
- A description of key decision points required to craft such a system for California; and
- Observations about next steps underway and planned that would move California toward the envisioned unified financing system.

The Commission's **final meeting** on Monday, April 25, will be solely dedicated to reviewing and discussing the report.

CDBG Notice of Funding Availability

The California Department of Housing and Community Development (HCD) announced the release of the Community Development Block Grant (CDBG) program **Notice of Funding Availability (NOFA)** for approximately \$30 million and the release of **CDBG amended guidelines**. HCD is conforming the guidelines to be consistent with other HCD programs on the requirement for Housing Element compliance.

The 2022 CDBG NOFA provides funding for the following activities:

- Housing assistance
- Housing rehabilitation

- Public services
- Facility and infrastructure improvements related to economic development
- Planning and technical assistance
- Economic development

The NOFA applies to state CDBG non-entitlement cities and counties applying for funding under Community Development activities, Special Allocations for Economic Development, Colonia, and Native American Communities.

Application due dates are as follows:

- Community Development Activities - June 20, 2022 by 3:00 p.m.
- Economic Development Activities - July 18, 2022 by 3:00 p.m.
- Non-federally recognized tribes - August 19, 2022 by 3:00 p.m.

The [application portal](#) is now open to accept applications.