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.

February 17, 2023

CARE Act Update: Statewide Workgroup Meeting and LAO's Assessment of Court Funding

As we previously reported, pursuant to last year's Community Assistance, Recovery and Empowerment (CARE) Act (**SB 1338**, Umberg and Eggman), the California Health and Human Services Agency (CalHHS) is required to convene a statewide working group to "provide coordination and on-going engagement with, and support collaboration among, relevant state and local partners and other stakeholders throughout the phases of county implementation to support the successful implementation of the CARE Act." The 26-member statewide working group – representing state and local agencies, service providers, and various advocacy groups – met for the first time on Tuesday, February 14.

The state outlines the responsibility and operations of the working group in this **overview** document, making clear that the group has no oversight role or voting authority. Instead, the goals of the group are to (1) generate ideas and solutions that promote the successful implementation of the CARE Act and (2) facilitate the dissemination of clear and accurate information about the program. Pursuant to SB 1338, the working group is expected to meet quarterly through 2026; tentative meeting dates for the remainder of this year are May 10, August 9, and November 8. (See the CARE Act Working Group **page** for more information, agendas, and the list of participants.)

CalHHS staff underscored their interest in and focus on receiving feedback through the working group in five specific areas:

- Development of the statutorily required annual report and evaluation plan, including data collection and reporting;
- Technical assistance and training for counties, volunteer supporters, legal counsel, judges, and others;

- County implementation progress;
- Housing access; and
- Other emerging issues.

Staff indicated that smaller subgroups may be created to dive more deeply into specific issues.

State officials from the Department of Health Care Services (DHCS) and the Judicial Council then discussed implementation efforts to date. DHCS discussed its data reporting as well as training/technical assistance responsibilities along with the requirement to develop guidance for counties who may wish – when certain circumstances exist, as specified in SB 1338 – seek delayed implementation beyond the Cohort 2 December 2024 kick-off date.

For its part, the Judicial Council discussed the judicial branch's authorities and responsibilities under the CARE Act. Importantly, Council staff shared that following the January 27 closure of the public comment period on the CARE Act rules and forms, the Judicial Council's Rules Committee will meet April 5 to review public comment received as well as the proposed revisions to the rules and forms; if approved, the rules and forms will be presented in May to the full Council for approval.

The Working Group then engaged in a focused conversation on housing before taking public comment.

In related news, the Legislative Analyst's Office (LAO) released an **assessment** of two specific judicial branch budget issues: court funding for the CARE Act and the ongoing shortfalls in the State Court Facilities Construction Fund. As it relates to the CARE Act funding provided in the Governor's 2023-24 budget to the courts, the LAO concludes that the funding levels for the budget year are reasonable but suggests that the Legislature should fund only one year to allow for monthly data collection from the Cohort 1 courts and counties to help inform out-year funding for statewide CARE Act operations. Additionally, the LAO report gives more detailed insights than have been previously released on the state's estimates of the number of petitions that would be received at full implementation. The Governor's January CARE Act cost estimates assume that 18,000 petitions will be received, which will result in 12,000 participants.

Bill Introduction Deadline Today ... Universe of 2023 Policy Proposals Coming into Focus

The 2023 bill introduction deadline is today. Many hundreds of new bill proposals have shown up just in the last few days, and today's set of introductions (not yet available) will surely top all previous days. Your HBE team is working its way through the bills but wanted to share some initial perspectives. More to come for sure!

Housing – Legislators have introduced bills extending and expanding ministerial review for housing projects, as well as creating new requirements for housing elements and local impact fee programs.

Senator Wiener's **SB 423** would expand and extend 2017's **SB 35**, which allows developers to opt for a ministerial approval process when their project includes specified amounts of affordable housing and development in a jurisdiction has lagged behind RHNA targets. In addition to striking SB 35's current 2026 sunset date, SB 423 expands the SB 35 ministerial approval process to subdivisions, eliminates the "skilled and trained workforce" requirement for builders in favor of the prevailing wage and benefit standards from last year's **AB 2011**, allows the Department of General Services to opt into the streamlined review process for housing on state-owned properties, and applies the SB 35 process to jurisdictions without a compliant housing element.

Other new housing bills of interest to counties include **SB 405** by Senator Cortese, which would prevent counties from including properties in their housing element site inventory unless the property owner indicates their intent to develop housing, and **AB 516** by Assemblymember Ramos, which would require refunds of Mitigation Fee Act fees for improvements if funds are not spent in a "reasonable" amount of time.

Major Health Care Worker Wage Bill of Note – This week, Senator Maria Elena Durazo introduced **SB 525**, an SEIU State Council-sponsored measure to impose a statewide $25 per hour minimum wage on the health care sector effective January 1, 2024. The bill would require employees and contractors at public and private hospitals, clinics, dialysis centers, local public health departments, county mental health, county correctional facilities – among others – to be paid $25 hourly. The measure includes an inflator of the greater of 3.5 percent or Consumer Price Index for Urban Wage Earners and Clerical Workers. The measure is anticipated to garner significant opposition from the health care sector.

Stakeholder Process Kicks-Off to Inform Assembly Member Friedman's AB 6 and AB 7

Assembly Member Laura Friedman convened a group of 30 stakeholders last week to kick-off what is intended to be a collaborative process to evaluate the transportation-climate change challenge and help inform legislation (Assembly Member Friedman has introduced two intent bills as markers – **AB 6** and **AB 7**). Sacramento Mayor Darrell Steinberg joined the meeting as a facilitator and advisor given his role in the negotiation and passage of his pioneering legislation in 2008 (**SB 375**) that formally tied together planning at the regional level for transportation, housing, and land use to reduce greenhouse gas (GHG) emissions from the transportation sector.

Recall that Assembly Member Friedman authored two of the more controversial transportation measures in 2022 (**AB 2237** and **AB 2438**), which were ultimately unsuccessful. AB 2237 endeavored to prohibit highway capacity projects and limit local sales tax measure flexibility to support projects that increased vehicle miles traveled (VMT). Opponents, including local government, pushed back on the measure's blunt approach to prohibiting often necessary transportation project solutions as well as state intervention into locally developed and authorized tax measures. While AB 6 and AB 7 include intent language suggesting a similar approach this year, many stakeholders at last week's gathering expressed broader viewpoints of the transportation-climate change problem, as well as the solutions required to more aggressively and successfully reduce GHGs. Some of those larger viewpoints included (not an inclusive list):

- SB 375 has remained an unfunded planning mandate since 2008 – the intent language acknowledged that regions will not be successful without new resources. SB 1 wasn't passed until 2017, and an overwhelming majority of that funding is for the maintenance of the existing system, not transportation capital projects, infrastructure funding, or funding to support the development of housing.
- A lack of housing affordable at all income levels, but particularly affordable housing for lower income individuals and families, forces people to live in less VMT/GHG efficient areas. To more swiftly build VMT/GHG efficient housing, the state needs to invest in upgrading supportive infrastructure (water, sewer, power, communications, etc.) to unlock infill opportunities. Without state assistance, the cost of the infrastructure is passed on from the developer to the homeowner/renter, which decreases affordability.
- The state lacks empirical data on how existing transportation funding is being invested into the multimodal statewide transportation system; only anecdotal information exists about "negative" capacity enhancing transportation projects at the state, regional, and local level. It is unclear the extent to which transportation projects that increase capacity contribute to the transportation-climate challenge, and the state must recognize that the transportation system still serves many necessary goals like goods movement, economic development, job-creation, etc.
- The state has not taken the necessary steps to support regions in SB 375 implementation – the **SB 150 Report** included 56 recommendations, 52 of which require state action.
- The state has not sufficiently invested in alternative modes, and transit systems are facing a multitude of operational issues that are key components of the state's climate strategy. The state should focus more on these needs.

Despite the broader viewpoints above, several other stakeholders continue to focus on transportation projects as the ultimate problem. Some stakeholders suggested that existing transportation dollars (such as the gas tax) should be redirected to support other modes such as transit operations (which would reduce funding for local and state road maintenance, rehabilitation, and safety projects). While the meeting was a good start at sharing perspectives and brainstorming solutions, the viewpoints are diverse, and consensus is a long way off. Assembly Member Friedman intends to create smaller groups of stakeholders to tackle key questions. The specific issues and groups of stakeholders have not been identified, and the next meeting date has not been set. Stay tuned for updates in the coming weeks. Finally, we provide below the Problem Statement that Assembly Member Friedman presented at the meeting as a place to start the conversations.

Assembly Member Friedman's Transportation-Climate Change Problem Statement

1. Current passenger vehicle miles travelled/greenhouse gas emissions are not declining quickly enough to meet state climate goals and empirical evidence and current forecasts show significant progress must be made fast.
2. Challenges within the state's transportation system include lack of good, clean mobility options such as public transit, walking and biking, while concurrently there is continued investment in VMT increasing road capacity.
3. Challenges within land use system include a severe shortage of housing, especially for working class and lower income segments, while concurrently there are vacant office and commercial space in central city and infill areas, and continued sprawl pressure on edges of some regions. Transportation projects can lead to increased sprawl over efficient infill development.
4. Challenges within governance system include Metropolitan Planning Organizations without direct land use and funding authority, while concurrently weakened monitoring and enforcement of state laws such as SB 375 and SB 743.
5. Challenges within governance system include state agencies who too often have uncoordinated or conflicting priorities, while concurrently federal, state and local transportation funding are too often uncoordinated or conflicting without standardized data and quantitative models.
6. Health impacts to our current transportation system include high traffic fatalities, increased noxious gases for communities closest to the system, and inherent cost of car ownership to travel.
7. California's transportation system is inherently publicly funded, and therefore each dollar spent should produce the most good for the most people.
8. Investments in transportation infrastructure have the ability to connect or divide communities. Historically, investments have divided communities based on race, ethnicity, religion, and income level.

January State Revenues Miss the Mark and Uncertainty Abounds as April Approaches
As anticipated, state revenues for January were well below budget estimates, according to the most recent monthly **Finance Bulletin**. The Department of Finance reports that revenues missed budget targets by about $2 billion; year-to-date, the state is facing a $3.3 billion shortfall. DOF suggests that the shortfalls are mainly due to lower personal income tax revenues, as well as corporate tax receipts that exclude Pass-Through Entity (PTE) Elective Tax payments. The shortfalls in personal income tax withholding and corporate estimated payments indicate genuine weakness relative to the forecast. In contrast, the higher-than-expected personal income tax refunds and shortfall in December personal income estimated payments were likely due to timing issues associated with the impact of higher PTE Elective Tax credit usage for tax year 2021, higher PTE Elective Tax payments in December and January, and an early start of the IRS filing season that resulted in accelerated processing of refunds in January. In addition, the Governor’s Budget monthly cashflow reflects the expected impact of delayed payment and filing deadlines for Californians in 41 counties to May 15 due to recent winter storms and flooding. This impacted 2022 fourth quarter personal income tax estimated payments that were initially due in January, adding significant uncertainty to interpreting January estimated payments cash results. Deadlines for various March and April payments for personal income tax and corporation tax were also shifted to May 15. Put simply, the state will be entering the May Revision period with less-than-ideal information about its revenue picture.

Personal income tax cash receipts for the first seven months of the fiscal year were $3.437 billion below the budget forecast. December and January withholding receipts, which are significant due to large bonuses and stock-based compensation occurring within those months, were $1.311 billion below forecast cumulatively. Much of the withholding weakness was related to 2022, including lower-than-expected bonus payments through the first week of January. Due to the delayed payment deadline for fourth quarter estimated payments, it is unknown to what extent taxpayer behavior that differed from what was assumed in the Governor’s Budget cashflow affected the variance for estimated payments in January.

Corporation tax cash receipts for the first seven months of the fiscal year were $203 million above the forecast, due entirely to higher PTE Elective Tax payments, which were $1.276 billion above forecast. Corporation tax receipts that exclude PTE Elective Tax payments were $1.073 billion below forecast fiscal year-to-date, including a $545-million shortfall in January.
Sales and use tax cash receipts for the first seven months of the fiscal year were $128 million below the forecast of $18.934 billion and were $270 million above forecast in January.

Medi-Cal Stakeholder Advisory Committee Kicks Off 2023 Meetings

The Medi-Cal Stakeholder Advisory Committee (SAC) met yesterday and heard updates from DHCS on the state budget, the public health unwinding, the justice involved initiative (inmate exclusion waiver), Medi-Cal for kids and teens (Early Periodic Screening Diagnosis and Treatment (EPSDT) rebranding), and transition of duals to Medi-Cal managed care plans.
The Committee spent significant time discussing the public health unwinding – mostly focused on the resumption of Medi-Cal eligibility redeterminations. Normal business operations are resuming shortly due to federal law changes. DHCS's detailed public health unwinding **plan** was updated in January.

Counties will begin renewals on April 1, 2023, for members with a June 2023 renewal date. The first Medi-Cal discontinuances will occur on July 1, 2023. DHCS is estimating that two to three million current Medi-Cal beneficiaries will become ineligible due to income changes, employer coverage or for failing to return the renewal materials. DHCS has invested significant resources into their public education campaign and planning for resumption of redeterminations.

Counties are required to submit readiness plans to resume Medi-Cal determinations to DHCS by February 21, 2023. The County Welfare Directors Association highlighted the workforce issues counties are having and noted that many county staff are new and have not done a Medi-Cal redetermination due to continuous coverage rules during the public health emergency. County human services agencies have been planning for the unwinding since continuous coverage rule went into effect. However, the sheer volume is unprecedented.

The other meaty discussion topic was an overview of the CalAIM justice-involved initiative, specifically focusing on the recent federal approval of California's waiver to provide 90 days of services to individuals in carceral settings prior to release.

DHCS is working on additional guidance and a policy guide with more details on pre-release services that will eligible for federal match. The following services were approved in the waiver:

- Reentry case management services;
- Physical and behavioral health clinical consultation services provided through telehealth or in-person, as needed, to diagnose health conditions, provide treatment, as appropriate, and support prerelease case managers' development of a post planning
- Laboratory and radiology services;
- Medications and medication administration;
- Medication Assisted Treatment (MAT), for all Food and Drug Administration including coverage for counseling; and
- Services provided by community health workers with lived experience.

- In addition to the pre-release services, qualifying members will also receive outpatient prescribed medications and over-the-counter drugs (a minimum 30-day supply as clinically appropriate, consistent with the approved Medicaid State Plan) and durable medical equipment (DME) upon release.

DHCS will be conducting a readiness assessment – identifying minimum requirements – for each correctional facility. The facility must meet minimum requirements across several domains before going live with the pre-release services.

The Centers for Medicare and Medicaid Services (CMS) included provisions in the special terms and conditions (STCs) of the waiver that requires California to develop a reinvestment plan by late May. The plan is focused on (1) identifying which services are new and which are existing and (2) requiring the state and counties to reinvest the savings from existing services into a list of allowable reentry investments. “New services” had not previously been provided by carceral settings prior to the demonstration. “Existing services” would be newly Medicaid-matched under the demonstration but would have been provided by carceral settings prior to the demonstration. The STCs detail the allowable type of reentry reinvestments, including: (1) new services covered under the reentry demonstration initiative; (2) improved access to behavioral and physical community care services and capacity; and (3) improved access to and/or quality of carceral health care services. There will be a formula, which DHCS is developing, to identify new resource levels and how the state and counties are reinvesting them.

Assembly Convenes Joint Hearing on Homelessness
This week, the Assembly Committees on Housing and Community Development, Accountability and Administrative Review, and Health and Human Services hosted an informational hearing to discuss the state’s recent investments in efforts to address homelessness across state departments and agencies. While the hearing covered relatively well-discussed topics, key discussions focused on the results of a state assessment of state resources for homelessness – how many individuals were assisted and what happened to them?

Some key takeaways from the hearing:

- Between 2018 and 2021, the state has spent nearly $10 billion to address homelessness, resulting in 58,714 affordable housing units and 17,000 new shelter beds.
- During this three-year period, more than half a million Californians made use of at least one of the services funded by the state; of that, more than 40 percent ended up in some kind of housing. The bad news is that the majority did not (or the state lost track of them).

- Based on the most recent point-in-time count, the data show stark racial and ethnic disparities among the unhoused population. Black people made up about 30 percent of those counted; Latino Californians are experiencing increased homelessness over time and represent the fastest growing ethnic or racial group entering homelessness.
- Only one in five people who enrolled in state-funded homelessness programs were considered “chronically homeless,” meaning that they were unsheltered for at least a year while living with a complicating health issue. More than three times as many were individuals who hadn’t been in the system for at least two years prior, if ever. These are individuals who may have found themselves with a financial crisis, were staying temporarily with family or friends, or otherwise lost their housing.

Check out the **agenda** for the hearing, **background paper**, **LAO report**, and **Statewide Homelessness Assessment** prepared by Cal-ICH.