



*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. Just 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](#).*

**March 3, 2023**

### **California Conforms Deferred Tax Deadlines with IRS**

This week, Governor Gavin Newsom announced that Californians and California businesses affected by recent storms will benefit from an additional extension of various income tax deadlines until October 16. The deadline extension applies to counties that include almost all of the state's population, including Los Angeles, San Diego, Orange, Riverside, San Bernardino, Santa Clara, Alameda, San Francisco, and Sacramento Counties. All told, residents and businesses in 45 of California's 58 counties are eligible for the deferral.

State officials aligned California's deadlines with those set by the Internal Revenue Services (IRS); the IRS had announced a four-month delay in January and extended those deadlines by an additional five months to October last week.

State tax collections slowed dramatically following the IRS's January announcement, and it is likely that many high-income taxpayers and large corporations will continue to defer payments until the end of the tax deadline

extension in October. That means that tens of billions of dollars originally anticipated at the end of the current fiscal year will be delayed until next fall. While the state is well-positioned for a cash flow interruption, there will likely be significant effects on the state's budgeting process. Since May Revision data will not be complete, the likelihood of revenue projection errors for 2022-23 and 2023-24 will be much greater than usual, potentially requiring large corrections in 2024.

### **Senate Announces, "Protect Our Progress" Budget Plan**

Senate President pro Tempore Toni Atkins announced the Senate's "**Protect Our Progress**" Budget Plan this week, outlining the key values the Senate plans to prioritize during negotiations on the 2023-24 state budget. The document highlights investments that Senate Democrats have championed over the years, including sustaining investments in health care workforce, behavioral health infrastructure, homelessness reduction, and climate resilience.

### **Assembly Holds Informational Hearing on Behavioral Health Issues**

The Assembly Health Committee and Assembly Budget Subcommittee No. 1 held a joint hearing on Tuesday to receive a status update on mental health initiatives. The hearing was structured around three panels: (1) an overview of California mental health; (2) administration officials from the California Health and Human Services Agency, the Department of Health Care Services, and the Mental Health Services Oversight and Accountability Commission discussing recent initiatives; and (3) stakeholders, including counties and the Alliance for Child and Family Services. The agenda, background, and presentation materials can be found [here](#). Given the nearly \$9 billion in investments in mental health initiatives, the Legislature was very interested in hearing status updates on the services and programs.

Stephanie Welch from the California Health and Human Services Agency opened her remarks by reminding the Legislature that behavioral health is a priority for the state and that the Administration shares the Legislature's commitment to advance system improvements. She noted that every part of the behavioral health system needs investments. Lessons learned from

implementation of the initiatives so far: (1) communities of color and LGBTQ communities are experiencing a different behavioral health system, and (2) we need to radically reimagine how people get behavioral health care. She conceded that the Administration may be doing “too much with too little too fast.”

The Administration is very aware of capacity challenges. Ms. Welch also provided a list of successes with the investments thus far: (1) 30,00 contacts to 9-8-8 in January with a close to 92% answer rate; (2) 88 new outpatient facilities with 200,000 slots; (3) 6,500 new residential treatment beds; (4) distribution of 2 million naloxone kits; (5) 900 additional social worker slots; (6) 45 new psychiatrist slots; (7) three new bachelor of social work programs; (8) four new master of social work programs; and (9) four new psychiatric residency programs.

Assembly Members engaged the panelists with a variety of questions. Assembly Member Wood (D-Healdsburg), Chair of Health Committee, asked Administration officials about how success and results would be measured. He noted that prevalence rates remain unchanged in the regions with the highest rates of mental health needs since 2009. Assembly Member Jackson (D-Moreno Valley) asked the panelists whether the state has a mental health crisis. He noted that as social worker the first thing he was taught is to get people out of crisis and stabilize them; he doesn't see the same energy on the mental health crisis as on the homelessness crisis. Assembly Member Villapudua (D-Stockton) raised concerns with the one-time nature of the funding and clear ongoing needs, as well as concerns with Medi-Cal rates.

Assembly Member Weber (D-San Diego) noted that every part of the continuum of care – inpatient facilities, urgent care – are in crisis. She inquired with the first and second panels as to how many behavioral health providers do not take insurance. The Administration indicated they do not have data on those points but recognize the issue and have conducted listening sessions with providers. Providers raised issue with the paperwork and documentation requirement, as well as the rates. Assembly Member Weber urged the Administration to do a robust survey to examine how pervasive the issue is of providers not taking insurance. Assembly Member Arambula (D-Fresno), Chair of Budget Subcommittee No. 1, asked about what happens when an individual transitions from mild to moderate to serious mental illness (from the

Medi-Cal managed care plan to the county mental health plan). He also asked evidence-based practices to expend Mental Health Services Act (MHSA) funds.

County panelists – including Supervisor Zach Friend, Santa Cruz County; Scott De Moss, CAO, Glenn County; and Michelle Cabrera, Executive Director, County Behavioral Health Directors Association – raised issues such as high staff vacancy rates, contractors’ requests for rate increases, unrealistic timelines from the state, behavioral health workforce shortages, as well as lack of infrastructure – including housing – for clients and staff in rural counties. They suggested streamlining applications and reporting processes, offering flexibility, examining the ongoing commitments required by one-time funding applications, establishing a workgroup on solutions to meet the gaps in service delivery and workforce in rural California, and creating rural set asides to ensure minimum levels of funding funds.

A variety of organizations testified during public comment including the Steinberg Institute, the California Teachers Association, the Urban Counties of California (UCC), Solano and Sacramento Counties.

### **Senate Budget Discusses Health Workforce Delays**

Senate Budget and Fiscal Review Subcommittee No. 3 kicked off their 2023 budget hearings yesterday, covering a variety of topics related to the Department of Health Care Access and Information (HCAI), Department of Managed Care, Covered California, and California Health and Human Services Agency ([agenda](#)). The subcommittee discussed the Administration’s proposal to delay \$397.4 million in expenditure authority for several health care workforce development programs. Senator Roth expressed interest in finding a way to continue training programs because of required lead time, explaining that he is concerned that if the Legislature doesn’t invest now, the needs will grow and require triple the investment in the future. He also noted that (1) behavioral health workforce seems like the lynchpin to several initiatives, such as DJJ Realignment, the CARE Act, and homelessness and (2) workforce programs don’t produce results overnight. Several organizations expressed concerns with the workforce delays during public comment

including the California Hospital Association, the California Association of Public Hospitals and Health Systems, UCC and SEIU State Council.

### **Assembly Budget Subcommittee No. 5 Hears Justice Items of Note**

On February 27, the Assembly Budget Subcommittee No. 5 on Public Safety held its first hearing of the year. The **agenda** included a discussion of the Judicial Branch, Board of State and Community Corrections, and Division of Juvenile Justice. The committee expressed significant concerns with the Governor's January budget proposal to eliminate funding for "legislative priorities" added through prior budget agreements.

Among those legislative priorities was the third, and final, year of the Public Defense Pilot program. The program, initially approved as part of the 2021-22 budget, provides \$50 million per year to support public defender, alternate defender, and other indigent defense offices statewide for specified workload. The Urban Counties of California, the California State Association of Counties, and individual counties/public defender offices expressed concern with the elimination of funding.

The committee also received an update from the Division of Juvenile Justice (DJJ) on the recent DJJ Realignment and planned closure of state-level facilities by June 30, 2023. There are approximately 350 youth currently in DJJ facilities. Over 200 of those youth will not discharge prior to the planned closure and will need to be transitioned to county custody and care. Assembly Member Jones-Sawyer questioned whether counties were ready for the state to push the remaining DJJ population down to the local level and indicated a need to make sure the state does everything it can to give probation the resources necessary to be successful with this new responsibility. Assembly Member Lackey directly questioned the Department of Finance on whether the state has provided county probation departments with resources for the youth remaining at DJJ that will transition to the counties. While the Department of Finance, and Chair Assembly Member Bonta, referenced adjacent investments in the local juvenile continuum, it was clear that counties have not received resources for this population.

While the subcommittee took no action on any of the items before them, there is significant legislative focus on these issues, and we expect conversations to continue throughout the spring.

### **Senate Holds Joint Health and Public Safety Hearing on Fentanyl**

Given the increased presence of fentanyl in the community, the Senate Health and Senate Public Safety Committees held a joint [hearing](#) on February 27 entitled *Fentanyl and the Ongoing Opioid Crisis – Public Safety and Public Health Perspectives*. The committee's background paper can be found [here](#). Additional materials related to the hearing include [slides](#) from the first panel as well as [information](#) on the Department of Health Care Services' (DCHS) response to the state's opioid crisis. The hearing featured three panels focused on these topics: (1) Overview of the Opioid Crisis and Evaluation of State Programs; (2) Criminal Law Perspectives; and (3) State Programs and Plans for Sustaining Services.

The first panel of researchers highlighted key trends and statistics about the fentanyl overdose crisis. Regrettably, California had the highest number of overdose deaths in 2021 (more than 11,000) and has witnessed a nearly 130% increase in overdose deaths for the five-year period between 2017 and 2021, more than any other state. Additionally, Black and Indigenous Californians are the most affected with overdose death rates 44 percent and 51 percent higher, respectively, as compared to Whites, which calls for consideration of ways to address start racial inequalities. Presenters discussed, among other issues, the potency and lethality of fentanyl and its analogs, the use of Fentanyl Test Strips (FTS), particular risks to teens, the fact that counterfeit pills – one of the main drivers of overdoses – are virtually indistinguishable from legitimate prescriptions drugs, and factors that lead to drug use and abuse. The presenters made clear that drug usage rates are not necessarily higher today than in other times in our history but rather that the drugs themselves are exponentially more dangerous.

The second panel discussed the relative benefits and efficacy of a public health vs. enforcement approach to address the fentanyl crisis. Questions

regarding coerced treatment and the appropriate agencies to make referrals to involuntary treatment were discussed. Several of the panelists offered the perspective that greater reliance on treatment, prevention, and harm reduction should be made over further investments in criminalizing drug use and possession. The final panel of state and local officials discussed recent investments and service delivery to address substance use disorders.

Dozens of bills have been introduced in the 2023 legislative year that seek to address various aspects of the fentanyl and broader opioid crisis; click [here](#) to review these measures.

### **Office of Health Care Affordability Board Appointed**

Earlier this week, the Newsom Administration announced the appointment of the remaining Office of Health Care Affordability Board members. The Board is charged with setting statewide and sector-specific spending targets, appointing a Health Care Affordability Advisory Committee, and approving key benchmarks, such as alternative payment model adoption and the share of spending dedicated to primary care and behavioral health. Board members may not receive compensation from health care entities.

With the eight-member Board appointed, they will meet for the first time on March 21. Board members include:

- Dr. David Carlisle, President and CEO of Charles R. Drew University of Medicine and Science
- Dr. Mark Ghaly, Secretary of the California Health and Human Services Agency
- Dr. Sandra Hernandez, President, and CEO of the California Health Care Foundation
- Dr. Richard Kronick, Professor in the Herbert Wertheim School of Public Health, University of California, San Diego
- Elizabeth Mitchell, President, and CEO of the Purchaser Business Group on Health

- Don Moulds, Chief Health Director of the California Public Employee Retirement System (non-voting member)
- Ian Lewis, Political and Research Director of the National Union of Health Care Workers
- Dr. Richard Pan, pediatrician, and former state Senator

An early activity of the Board will be appointing the Health Care Affordability Advisory Committee. This committee will provide input to the Board on topics ranging from spending targets to benchmarks for adoption of alternative payment models. For additional information about the Advisory Committee's role, eligibility criteria, and the process for expressing interest in membership, please view the [Advisory Committee Submission of Interest Form](#).