URBAN COUNTIES
OF CALIFORNIA

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.

June 23, 2023

Administration's Behavioral Health Modernization Proposal in Print
The Administration's behavioral health modernization proposal, which the Governor unveiled conceptually in March, appeared in print for the first time this week. **SB 326** (Eggman) contains the Mental Health Services Act (MHSA) changes, and **AB 531** (Irwin) is the housing bond. As of publication, neither bill has been set for hearing. While theoretically the bills must be heard by July 14, the Legislature has options for delaying bill hearings until August to allow more time for review and input. The Department of Health Care Services hosted a webinar (**slides**) yesterday to provide additional detail.

While the general concepts remain the same, the following highlights notable changes from earlier descriptions:

- Both the housing bond and MHSA changes will appear on the March – instead of November – 2024 ballot.
- The bond and MHSA changes are joined so that they only go into effect if both measures are approved by the voters in March 2024. For example, if the bond fails and the MHSA changes pass, neither will go into effect.
- The housing bond has been proposed at $4.7 billion (the Administration had not settled on a number, but previously discussed a range of between $3 and $5 billion).
    - Funding will be included in the bond for approximately 1,800 units for veterans.
- Distribution to local categorical funding bucket has been updated:

- 92% - instead of 95% - of the funding will be disbursed to counties.
- 30% for housing intervention

Counties will manage and direct funds toward local priorities that meet designated purposes, including but not limited to, rental subsidies, operating subsidies, capital investments, and nonfederal share for transitional rent.

- 35% for Full Service Partnerships
- 30% for Behavioral Health Services and Supports, which includes early intervention, capital facilities and technology needs, workforce education and training, innovative pilots and the prudent reserve.

-50% of Behavioral Health Services and Supports must be spent on early intervention

- 5% for population-based prevention
- Distribution of funding changes will be effective July 1, 2026

- **SB 326** includes details about what constitutes a Full Service Partnership (FSP), including mental health and substance use disorder services, Assertive Community Treatment and Forensic Community Treatment, housing interventions, and supportive services. It also establishes an FSP standard of care with levels based on an individual's acuity and criteria for step-down.
- 3% of all revenues will be allocated to the California Health and Human Services Agency for statewide behavioral health workforce initiatives.
- Requirement included that counties make a good faith effort to contract with commercial health plans.
- Authorization for up to 2% for administrative resources to assist with improving plan operations, quality outcomes, reporting fiscal and programmatic data and monitoring subcontractor compliance.
- A new Integrated Plan for Behavioral Health Services and Outcomes is established, which contemplates a very detailed and involved process for counties to plan. It will require detailed reporting to the state and an extensive local planning process with stakeholders.
    - Requires counties to work with Medi-Cal managed care plans in the development of their population needs assessment and with local health jurisdictions in the development of their community health improvement plans and to ensure strategic alignment
    - Specifies that counties collaborate with cities, managed care plans, and CoCs to outline responsibilities and coordination of services related to Housing Interventions

    - Requires plans be approved by boards of supervisors by June 30 prior to the year of implementation.

- Also establishes the County Behavioral Health Outcomes, Accountability and Transparency Report, which includes detailed reporting of BHSA revenues, realignment revenues, federal funds, block grants and other fund sources, as well as outcome reporting.
- New requirements on county mental health plans and Drug Medi-Cal Organized Delivery Systems to conform to the same requirements as Medi-Cal managed care plan contract requirements.
    - Examples include organization and administration of the plan, including key administrative staffing requirements, financial information, information systems, provider compensation arrangements, and provider oversight and monitoring.
- Includes a very broad penalty structure that allows DHCS to withhold funds from counties.

The Newsom Administration indicates that they will be working with the Legislature, "system and implementation partners, and a broad set of stakeholders to set these reforms into motion." They are holding additional forums to provide information about the proposals next week. The Behavioral Health Task Force will have a zoom webinar on June 27 from 2 to 4 p.m. with task force members (**registration link**) and a workshop dedicated to members of public on June 29 from 4 to 6 p.m. (**registration link**). Stakeholder questions and input can be submitted via **email**.

Clock is Ticking on Finalizing the 2023-24 State Budget
We're nearing the start of a new fiscal year and behind-the-scenes budget negotiations have been rumored to be nearing an end. (Note that we didn't say "the" end, as we anticipate budget discussions occurring through the summer until the adjournment of the legislative session in September.) Once the Legislature approved its two-house budget plan on June 15, the bill was presented to the Governor that morning, starting the 12-day clock for gubernatorial action. The Governor must act on the original bill – **SB 101** – the morning of Tuesday, June 27; the three-day "in print" requirement means that we will likely see accompanying bills that will reflect the Legislature's agreement with the Administration late today or early this weekend in order to be eligible for legislative consideration before Tuesday morning.

Of course, there are a number of outstanding issues for the Administration and Legislature to address: the Managed Care Organization (MCO) tax, the Governor's 10-bill infrastructure package, homelessness accountability, among others. We will keep you apprised as budget news emerges, as early as Monday, when both the Assembly Budget and Senate Budget and Fiscal Review Committees are scheduled to meet to discuss the 2023-24 budget package.

May Revenues (Mostly) Hit Budget Estimates

The Department of Finance monthly **Finance Bulletin** is out with May revenues meeting budget targets, for the most part. General Fund revenues for the first 11 months of the 2022-23 fiscal year were $195 million below the 2023-24 May Revision forecast of $147.497 billion and matched the forecast in May. However, it is worth noting these numbers exclude $173 million in May personal income withholding that will be reflected in June cash receipts due to a processing delay. Adjusting for the $173 million shift in withholding, General Fund agency cash receipts would have been $22 million below forecast fiscal year-to-date, and $173 million above forecast for May. Personal income tax withholding, adjusting for the $173 million shift, increased by 3 percent year-over-year, its highest growth since May 2022. The May Revision monthly cashflow reflects the expected impact of delayed payment and filing deadlines for Californians in most counties to October 16.

Personal income tax receipts for the first 11 months of the fiscal year were $371 million below the forecast of $85.622 billion and $177 million below forecast in May. May withholding through May 30 was $127 million above forecast. Additionally, $173 million in withholding revenue was shifted from May 31 to June due to a payment processing delay resulting from a bank merger. Adjusting for the $173 million shift, May personal income tax receipts would have been $4 million below forecast.

Corporation tax revenues for the first 11 months of the fiscal year were $153 million below the forecast of $23.67 billion and were $153 million below forecast in May. Pass-Through Entity (PTE) Elective Tax payments were $100 million above projections in May. Excluding PTE payments, net corporation tax revenues were cumulatively down $252 million relative to forecast for the fiscal year-to-date.

Sales and use tax revenues for the first 11 months of the fiscal year were $56 million below forecast and were $56 million below forecast in May.

UCSF Releases Comprehensive Homelessness Study

This week, the UC San Francisco Benioff Homelessness and Housing (BHH) Initiative released the largest representative study of homelessness in the United States since the mid-1990s, providing a comprehensive look at the causes and consequences of homelessness in California and recommending policy changes to shape programs in response.

California Statewide Study of People Experiencing Homelessness used surveys and in-depth interviews to develop a clear portrait of homelessness in California. The study found that for most of the participants, the cost of housing had simply become unsustainable. Participants reported a median monthly household income of $960 in the six months prior to their homelessness, and most believed that either rental subsidies or one-time financial help would have prevented their homelessness.

The study found that the state's homeless population is aging, with 47% of all adults aged 50 or older, and that Black and Native Americans are dramatically overrepresented. Most were Californians: 90% of participants lost their last housing in California and 75% of participants live in the same county as where they were last housed. Nine out of 10 spent time unsheltered since they became homeless. The median length of homelessness was 22 months.

One in five participants entered homelessness from an institution. Of those who hadn't been in an institution, 60% came from situations where they weren't leaseholders, such as doubling up with family or friends. Participants were disconnected from the job market and services, but almost half were looking for work.

Based on the findings, BHHI offers six key policy recommendations:

1. Increase access to housing affordable to extremely low-income households making less than 30% of the Area Median Income:
    - produce more housing affordable to the lowest-income renters
    - expand rental subsidies (e.g., Housing Choice Vouchers)
    - ease use of subsidies (e.g., increase housing navigation services, create and enforce anti-discrimination laws).

2. Expand targeted homelessness prevention, such as financial supports and legal assistance at:
    - places where people receive other services, including social service agencies, healthcare settings, domestic violence services, and community organizations
    - institutional exits (jails, prisons, drug treatment). Expand and strengthen eviction protections.

3. Provide robust supports to match the behavioral health needs of the population, by:
    - increasing access to low barrier mental health, substance use, and harm reduction services during episodes of homelessness

- staffing permanent supportive housing with evidence-based models, such as pathways to housing, assertive community treatment, and intensive case management.

4. Increase household incomes through evidence-based employment supports such as training, support for job search and transportation, and provide outreach to help those experiencing homelessness sign up for eligible benefits.

5. Increase outreach and service delivery to people experiencing unsheltered homelessness.

6. Embed a racial equity approach in all aspects of homeless system service delivery.

CARE Act Clean-Up Measure Taking Shape
SB 35, by Senator Tom Umberg, is a technical clean-up measure for last year's Community Assistance, Recovery, and Empowerment (CARE) Act (SB 1338), which the Senator also authored. The bill is now awaiting a hearing in the Assembly Judiciary Committee. While conversations with CARE Act stakeholders continue, SB 35 now contains language to do all of the following:

- Clarifies the Department of Health Care Services (DHCS) deadline to approve requests for implementation delay.
- Clarifies the relationship between a tribal petitioner and the respondent.
- Specifies that CARE proceedings can be conducted by subordinate judicial officers.
- Specifies that there are no civil filing fees associated with CARE Act filings or service processing.
- Clarifies that petitioners have the right to an interpreter.
- Amends the appeals process.
- Removes the appointment process for supporters.
- Clarifies the timing of the evaluation.
- Provides additional clarifying, technical clean up, including updating and/or correcting statutory cross-references.

Note that substantial progress is being made to finalize language on information sharing provisions, which are expected to be amended into the bill at one of its next iterations.