



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](#).

August 25, 2023

Assembly Takes Deep Dive on Behavioral Health Modernization Proposal

The Assembly Health Committee and Assembly Housing Committee held a joint informational hearing this week to discuss in detail the Governor's behavioral health modernization proposal. The informational hearing allowed for a much more robust discussion than a regular bill hearing. The joint body spent five hours hearing from panelists and the public as well as engaging presenters in discussion. Immediately following the informational hearing, the Assembly Health Committee convened as a single body to vote on **SB 326** (Eggman). The Committee voted 11-0 to pass the measure, which next will be heard on August 28 in the Assembly Housing Committee. Another set of amendments went into print on August 23; a summary of the changes can be found starting on page 80 in the Assembly Health Committee [analysis](#).

Key takeaways from the hearing include the following:

- The Administration and author acknowledge that the bill is a work in progress and that additional amendments will be necessary. Secretary Ghaly referenced multiple times the need to address revenue volatility. Assembly Members asked for justification for lowering the county reserve cap.
- Assembly Members understood and expressed concerns with the fact that the proposal will result in less funding for mental health

outpatient services, crisis services, and other behavioral health services due to the re-prioritization of funding for housing. The Administration continues to assert that counties just need to braid and blend funds better and that there will not be a reduction of overall funding for services.

- Assembly Members also raised concerns about the long-term implications of shifting funding away from prevention and services that keep people stable.
- Related to the bond measure, Assembly Members asked about where funding necessary to operate and provide services within the facilities would come from.
- Assembly Members are concerned that the proposal weakens the authority of the Mental Health Services Oversight and Accountability Commission.
- The Legislature asked questions about the relationship between the bond and behavioral health modernization proposal and whether modernization can occur as envisioned if the bond were to fail.
- There is widespread and strong support – among legislators, the Administration, and stakeholders – for more accountability and reporting of behavioral health expenditures and outcomes.
- While the children’s advocates were pleased that recent amendments specify that half of prevention and early intervention funds must be spent on children, they don’t think the amendments go far enough. Questions were raised about adding minimums for the housing and Full Service Partnership (FSP) categories.
- A vocal group of organized advocates with lived experience attended the hearing to oppose the measure and express serious reservations about the unintended consequences for LGBTQ and BIPOC communities.
- Several large organizations support the measure, including SEIU State Council, the California Professional Firefighters, the California Hospital Association and the California Retailers Association.

State Announces Distressed Hospital Awards

Yesterday, the Department of Health Care Access and Information (HCAI) announced they are awarding \$300 million to 17 hospitals that applied for the Distressed Hospital Loan Fund; a total of 30 applications were received. Hospitals that (1) demonstrated the greatest levels of financial distress – at risk of closing in the near term – and (2) had a well-founded plan to remain open and provide services and care were prioritized to receive loans through this program. Hospitals that did not receive a distressed hospital award were those that demonstrated less financial distress when compared to other hospitals that applied.

The Distressed Hospital Loan Fund program, established through [AB 112](#), offers interest-free, working capital loans to nonprofit and publicly operated financially distressed hospitals, including facilities that belong to integrated healthcare systems with fewer than three separately licensed hospital facilities. Loans will be at zero-percent interest and are repayable over 72 months, with an initial 18-month grace period at the beginning of the loan term. The program will sunset on December 31, 2031.

[Click here to review the chart on Facilities Receiving Distressed Hospital Awards.](#)

Finance Bulletin Reveals August Revenue Comes in Below Estimates

The Department of Finance has released its August [Revenue Bulletin](#), reporting General Fund cash for July 2023 at \$1.268 billion below the 2023-24 Budget Act forecast of \$9.748 billion. Of course, the Budget Act monthly cashflow reflects the expected impact of delayed payment and filing deadlines for Californians in most counties to October 16. The delay affects personal and corporate income tax categories other than withholding.

Personal income tax revenues were \$466 million below the forecast of \$6.734 billion in July. July withholding was \$404 million below forecast, offsetting nearly half of the \$929 million that withholding was above forecast in fiscal year 2022-23. The Department of Finance also notes that, in May through July, withholding grew four percent year-over-year, indicating solid growth despite July's results which were negatively impacted by timing issues.

Corporation tax revenues were \$412 million below the forecast of \$884 million in July. July refunds were \$232 million higher than projected. July Pass-Through Entity Elective Tax (PTE) payments were \$104 million above forecast. Excluding PTE payments, net corporation tax revenues were down \$516 million in July.

Sales and use tax revenues were \$453 million below the forecast of \$1.826 billion in July. This shortfall is related to the timing of collections as higher-than-expected cash receipts shifted from July to August.

Constitutional Amendment on Voting Thresholds Moves Forward

Last week, Assembly Member Chris Ward amended [ACA 13](#) with language that would require any constitutional amendment proposed by initiative that increases a voter approval threshold for future measures be approved by the same proportion of votes cast as the measure would require. ACA 13 is a response to a [ballot measure](#), sponsored by the California Business Roundtable and eligible for the statewide ballot in November 2024, that would make broad changes to the approval of new taxes at the state and local government levels,

including increasing the vote threshold to 2/3 for a variety of taxes that currently only require a majority vote.

ACA 13 was heard and approved in the Assembly Elections Committee this week and will next move to the Assembly Appropriations Committee for consideration. (Note that constitutional amendments are not subject to the same legislative deadlines as routine policy bills.)