

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](#).

April 5, 2024

Governor, Legislative Leaders Agree to Early Action Budget Package

Governor Gavin Newsom, Assembly Speaker Robert Rivas, and Senate President pro Tem Mike McGuire [announced](#) this week that they had reached agreement on an early action budget package. Legislative floor votes on [AB 106](#) or [SB 106](#) (a “budget bill jr.”) are expected on or about Thursday, April 11 with budget committee hearings prior to that. Expect these measures to be amended by Monday, April 8 to meet the 72-hour “in print” rule.

The agreement [framework](#) includes about \$17.3 billion in budget savings, as follows:

REDUCTIONS - \$3.6 billion
<ul style="list-style-type: none">▪ Salary Savings Sweep from Vacant Positions - \$762.5 million▪ Withdraw Elimination of Two-week Fee-For-Service Checkwrite Hold - \$532.5 million▪ School Facility Aid Program - \$500 million▪ CalWORKs Single Allocation Partial Reversion - \$336.6 million▪ UCLA Institute of Immunology and Immunotherapy Project - \$300 million▪ Watershed Climate Resilience - \$206.5 million▪ Broadband - Loan Loss Reserve - \$150 million▪ Climate Innovation Program - \$100 million▪ Foreclosure Intervention Housing Preservation Program - \$85 million
DELAYS - \$3.1 billion
<ul style="list-style-type: none">▪ Formula Transit and Intercity Rail Capital Program - \$1 billion▪ Preschool, TK and Full-Day Kindergarten Facilities Grant Program - \$550 million▪ Behavioral Health Bridge Housing - \$235 million▪ CA Jobs First - \$183.3 million▪ Vulnerable Community Toxic Clean-Up - \$175 million▪ Behavioral Health Continuum Infrastructure Program - \$140.4 million▪ Diablo Canyon Land Conservation and Economic Development - \$110 million

- Broadband Last Mile - \$100 million
- Ports and Freight Infrastructure - \$100 million
- Clean Energy Reliable Investment Plan - \$100 million
- Oroville Pump Storage - \$90 million
- Health and Human Services Innovator - \$74 million

REVENUE and BORROWING - \$5.2 billion

- Managed Care Organization Tax - \$3.8 billion
- AIDS Drug Assistance Program Rebate Fund Loan - \$500 million (with commitment to enhance program in the future)
- Other special fund loans – balance

FUND SHIFTS - \$3.4 billion

- Greenhouse Gas Reduction Fund - \$1.8 billion
- Retirement Contribution Reductions Using Prop 2 - \$1.3 billion
- Medi-Cal Drug Rebate Special Fund Reserve - \$162.7 million
- Employment Training Fund for UI Interest Payment - \$100 million

DEFERRALS - \$2.1 billion

- Statewide Payroll Deferral - \$1.6 billion
- UC and CSU Deferrals - \$499.1 million

Finally, the agreement includes budget language authorizing the Administration to freeze additional one-time funding that was included in the 2021, 2022, or 2023 Budget Acts. At this time, it is unclear exactly what one-time funding will be frozen or how much savings will be generated from this action. According to the [Assembly Budget Summary](#), this was a key Assembly priority to preserve at least a few billion dollars more of budget balancing options for June. (The Senate Budget Summary is available [here](#).)

Legislature Considers Contracting Bills

Local agencies should be aware of a pair of bills that would significantly limit their capacity to use contractors to provide local services. [AB 2557](#) (Ortega) and [AB 2489](#) (Ward) are similar measures that would place a number of requirements on counties, cities, and special districts and their contractors:

AB 2557 (Ortega) requires:

1. At least 10 months prior to a procurement process to contract for special services that are currently or in the past 10 years provided by a member of an employee organization, the governing body must notify the employee organization affected by the contract of its determination to begin a procurement process.
2. Each person who enters into a contract with the governing body to perform functions that are currently, or were in the prior 10 years, performed by employees of the local agency represented by an employee organization shall

submit quarterly performance reports, every 90 days, to the governing body and the exclusive representative of the employee organization.

3. The quarterly performance reports shall include all of the following: (1) A list of contract objectives; (2) A description of all deliverables the contractor has provided as a result of the contract; (3) A description of the contractor's progress towards contract objectives; (4) A list of all financial expenditures incurred for services provided, including personnel costs, direct expenses, and indirect expenses, and their corresponding deliverables; (5) The number of each contractor and subcontractor's employees, organized by job category, sex, race, and ethnicity, and the number of each contractor and subcontractor's independent contractors by job category, sex, race, and ethnicity; (6) The names of any subcontractors providing services under the contract and the names of the employees of the contractor and any subcontractors providing services pursuant to the contract; the hourly rates, total compensation, and pay scales for the individuals, including applicable hourly pay, overtime pay, benefits, and retirement, organized by job classification; the names of any workers providing services pursuant to the contract as independent contractors; the hourly rates, total compensation, and pay scales for the individuals, including, but not limited to, applicable hourly pay, overtime pay, benefits, and retirement, organized by job classification; (7) performance standard metrics for individual contractor and subcontractor employees performing work pursuant to the contract.
4. The governing body must monitor quarterly performance reports to evaluate the quality of services and must withhold payment to the contractor under any of the following circumstances, which constitute a breach of contract: (1) Three or more consecutive quarterly performance reports are deemed as underperforming by a representative of the governing body or a representative of the exclusive bargaining unit; (2) The contractor fails to provide the quarterly reports required by this section or provides a report that is incomplete. The governing body shall withhold further payments until all complete reports are provided. The governing body shall immediately resume making payments to the contractor, including all previously withheld payments unless, within a reasonable time, the governing body, the employee organization, or assigned representatives reject the reports as incomplete and explain the reasons for the rejection.
5. Contract terms exceeding two years must undergo a performance audit by an independent auditor approved by the governing body to determine whether the performance standards are being met. Audits must be conducted at least one year before the contract expires or qualifies for renewal or extension. The independent auditor shall present the findings of the audit report during a public session of the governing body. The governing body shall not renew or extend a contract before receiving and evaluating the audit report in conference with a representative of the exclusive bargaining unit. The contractor shall reimburse

the governing body for the cost of the audit. A contractor shall not factor the costs of the audit into the contract costs with the governing body.

6. All provisions also apply to temporary workers, as well.

AB 2489 (Ward) requires:

1. At least 10 months prior to a procurement process to contract for special services that are currently or in the past 10 years provided by a member of an employee organization, the governing body must notify the employee organization affected by the contract of its determination to begin a procurement process.
2. Persons with whom the governing body enter into a contract for special services to perform functions that are currently, or were in the previous 10 years, performed by employees of the local agency must use employees who meet or exceed the minimum qualifications and standards required of bargaining unit civil service employees who perform or performed the same job functions, which may include, but are not limited to, the following qualifications and standards, as applicable: (A) Criminal history and background checks before beginning employment; (B) Academic attainment; (C) Licensure; (D) Years of experience; (E) Child and elder abuse reporting; (F) Physical requirements; (G) Assessment exams; (H) Performance standards.
3. Persons with whom the governing body enters into a contract for special services must provide information to the local agency sufficient to show that their employees meet the minimum qualifications and standards described and must retain this information for at least two years.
4. All provisions also apply to temporary workers, as well.

Both AB 2489 and AB 2557 will be heard during a special order of the Assembly Public Employment and Retirement Committee on Wednesday, April 17.

Legislature Takes Another Look at the Levine Act

Local agencies would also be well-served to pay close attention to two measures that seek to amend the Levine Act, a provision of the Political Reform Act of 1974, that – among other things – places limits on campaign contributions for local elected officials as a result of [SB 1439](#) (Glazer, 2022). SB 1439 extended what was a prohibition that applied to state and local agency officials to local elected officials, like county boards of supervisors or city councils. Local elected officials are now barred from accepting, soliciting, or directing a contribution of more than \$250 from any party, participant, or a party or participant’s agent, while a proceeding involving a license, permit, or other entitlement for use is pending before the agency. In addition, this prohibition was extended from three months before and after a decision was rendered to twelve months.

Operationalizing SB 1439 at the local level has posed significant challenges to local agencies attempting to comply with the measure. Local agencies did not have an infrastructure in place to manage the review process, particularly in those local agencies where dozens of agreements are considered on a weekly basis, resulting in a considerable burden on staff and elected officials alike.

Two measures seek to address the concerns posed by SB 1439. The first, [SB 1243](#) (Dodd), modifies the Levine Act to raise the threshold of contribution to \$1000 and to change the prohibition period from twelve months before and after a decision is rendered to nine months. [AB 2911](#) (McKinnor) is the second measure; it restores the Levine Act to what it was prior to the SB 1439 changes.

AB 2911 is scheduled to be heard in the Assembly Elections Committee on April 24. SB 1243 is awaiting hearing in the Senate Elections Committee.

CalAIM Updates

The Department of Health Care Services (DHCS) released a [quarterly update](#) this week on the latest [Enhanced Care Management \(ECM\)](#) and [Community Supports](#) data. The data show an uptick in both the availability and use of Community Supports, showing significant growth in the number of counties offering these services.

The number of Californians on Medi-Cal served by ECM each quarter is up; in Q3 2023, approximately 86,000 members received ECM, up 28 percent from Q4 2022. The Q3 2023 total includes 6,300 members under age 21, many of whom were newly eligible for ECM in July 2023. Altogether, more than 160,000 Medi-Cal members across the state received ECM in the first 21 months of the benefit.

As of January 2024, 23 counties offered all 14 Community Supports, and all counties offered at least seven Community Supports. This marks a significant increase from the end of 2022, when only three counties offered all 14 Community Supports. Overall, approximately 103,000 Californians (via Medi-Cal) used Community Supports in the first 21 months of the program, with more than 186,000 total services delivered. There is significant quarter-over-quarter growth in utilization; approximately 62,000 Californians (via Medi-Cal) utilized Community Supports in Q3 2023 alone, up 170 percent from Q4 2022.

Senate Budget and Fiscal Review Subcommittee No. 3 had a panel discussion of CalAIM at their April 4 hearing. DHCS presented the highlights noted above. Additionally, they noted that the most used community supports are 1) housing supports, 2) housing tenancy, and 3) medically tailored meals. The least commonly used community supports are nursing home transitions and home modifications.

The panel also included a federally qualified health center, El Proyecto Barrio, in Senator Menjivar's district, the Local Health Plans of California, and the Western Center on Law and Poverty. El Proyecto Barrio recounted their difficulty in contracting with the health plans in Los Angeles County for CalAIM. To date, none of the plans they have submitted letters of interest to have resulted in contracts.

The Local Health Plans of California noted that in the last quarter they have seen a significant increase in unique members served by ECM and community supports. Most local plans offer 10 of the 14 community supports; many offer all 14. They did note challenges that impact ECM and community supports, including workforce shortages, geographic constraints in rural areas, and attracting and enrolling new providers who have never contracted with Medi-Cal before.

Western Center on Law and Poverty noted that their legal aid advocates report challenges accessing both ECM and community supports. Although numbers are steadily increasing, only 1% (160,000) of Medi-Cal beneficiaries have received ECM and 100,000 have received community supports. Western Center's specific concerns include:

- ECM authorization timelines can take longer than five days.
- They also have quality of care concerns, asserting that some ECM providers are not trained to provide the intended services.
- Issues with community supports, including requiring clients who request housing deposits being told they must receive housing navigation services first. By the time the consumer went through the navigation process, the housing was no longer available.
- Rates are inadequate and don't cover cost of care.
- Limited English proficient Medi-Cal beneficiaries are disproportionately underutilizing both ECM and community supports. Western Center recommended that data be updated in a more timely manner and that the data be disaggregated by race and ethnicity.

Senators Menjivar, Eggman, and Roth engaged with the panel on several questions in follow-up to their testimony. The CalAIM budget was held open.

Keeping Up: Notable Staffing Changes

Families USA – a national health care advocacy organization – named Anthony Wright as its new executive director yesterday. Wright has served as the executive director of Health Access California for more than 20 years. Health Access California advocates for quality, affordable, equitable health care for all Californians. Under Wright's leadership, the organization has been involved in the Affordable Care Act, full expansion of Medi-Cal to all income-eligible Californians regardless of immigration status, strategies to lower

prescription drug prices, the creation of the Office of Health Care Affordability, new and higher standards for quality and equity in health places, reducing cost sharing and zeroing out of deductibles for over 650,000 in Covered California, and the elimination of surprise medical bills for ambulances. Wright will start at Families USA in July 2024. Health Access California will be doing a national search for Wright's replacement.

SEIU California announced this week that Jessica Bartholow joined their team as the Director of Government Relations. Most recently, Bartholow was chief of staff to Senator Nancy Skinner and was heavily involved in budget issues. Prior to her time in the Capitol, she was a lobbyist for the Western Center on Law and Poverty.