

*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](#).*

**May 17, 2024**

**May Revision Part Deux Update: More Details Emerge This Week; LAO Issues Its First Look**

Following last Friday's release of the Governor's somewhat unorthodox May Revision, the Department of Finance issued additional details on Tuesday of this week. This new information comes in many forms – revised expenditure [details](#), various [Finance Letters](#) that amend the January budget proposal to reflect May Revision adjustments, and new or revised [trailer bill language](#). Additionally, various budget subcommittees met this week where members had their first opportunity to share public comments on the Governor's approach. While members certainly acknowledged the reality of the state's grim fiscal picture, they were nevertheless considerably troubled by the depth of various budget reductions – particularly in the health and human services area. Remember, of course, that very few Senators and Assembly Members now in office have experience making the rather tough decisions contemplated in the Governor's spending plan. A series of difficult choices awaits the Legislature and Administration. Budget subcommittee hearings continue into next week; deliberations will likely shift very soon to more private modes of conversation among legislative leadership and the Governor.

Please note that an updated version of HBE's summary of last Friday's analysis can be found [here](#); we have fixed a few hyperlinks and included charts detailing updated 1991 and 2011 Realignment revenue estimates. There is much work to be done over the next month in putting a budget agreement together, and we will keep you apprised!

Below we highlight several items of interest that emerged in our review this week of the additional May Revisions.

► ***Additional Details on Health/Behavioral Health Budget Items***

- **Health Enrollment Navigators** – Funding reduced in 2024-25 by \$18 million.
- **Health Enrollment Navigators for Clinics** – Funding reduced in 2024-25 by \$8 million.
- **Eliminate Acupuncture Medi-Cal Benefit** – Funding eliminated in 2024-25 and thereafter in the amount of \$5.4 million.
- **Imposition of a Fee on Public Hospitals for the Enhanced Payment Program and Quality Incentive Program** – Addition of an administrative fee on public hospitals' intergovernmental transfers for the Enhanced Payment Program (EPP) and Quality Incentive Program (QIP) of \$37 million in 2024-25 and \$74 million in 2025-26.
- **CARE Act** – Significant reductions to the Community Assistance, Recovery and Empowerment (CARE) Act caseload assumptions, resulting in lower estimated annual state costs for county behavioral health services, legal defense, and the Judicial Branch.

► ***Additional Details: Human Services Budget items***

Across the human services programs that counties administer, the Administration has proposed a total of over \$1.3 billion in budget cuts, with approximately \$850 million of that being ongoing.

The CalWORKs program – which mostly serves children in deep poverty – bears the brunt of these cuts, totaling \$759 million (\$487 million ongoing). These reductions include the elimination of the Family Stabilization and Expanded Subsidized Employment programs, and now cuts to the Home Visiting Program and behavioral health funding for CalWORKs clients, and a \$355 million reduction to the Single Allocation.

If the cuts to CalWORKs, Child Welfare, and Adult Protective Services (APS) are carried out, 2,100 workers statewide will be impacted:

- If counties cover the CalWORKs Single Allocation proposed cut of \$355 million with employment services staff layoffs, it will impact 1,730 staff.
- The Caregiver Approval proposed cut of \$50 million directly funds social workers, representing a loss of funding for about 203 social workers statewide.
- The proposed APS Expansion cut of \$40 million represents a loss of funding for about 166 social workers statewide.

### ► *LAO Releases Initial Assessment of May Revision*

In the meantime, the Legislative Analyst's Office (LAO) released its initial [assessment](#) of the Governor's May Revision proposal this week, indicating that the Administration's revised plan puts the state on a better fiscal footing than the initial 2024-25 budget proposed in January. While the LAO's estimated deficit is different than that of the Administration, the LAO suggests that the difference lies in the Administration's approach to addressing current law spending requirements, particularly for K-12 schools and community colleges pursuant to the Proposition 98 guarantee. The LAO recommends that the Legislature focus on how best to address prior-year school funding for schools and community colleges, as well as spending reduction proposals and how they impact vulnerable groups over the longer term. Finally, the LAO suggests that the Legislature consider whether some of the Governor's proposals (notably the suspension of net operating loss (NOL) deductions) raise serious concerns.

### **The Results Are In: Appropriations Committees Hold Nearly One-Third of Bills on Suspense Files**

The long-awaited suspense hearings in the Senate and Assembly were held simultaneously yesterday. In these vote-only hearings, the respective committee chair announces which bills with fiscal impacts that exceed a certain cost threshold will live to see another day; decisions on the fate of these bills are made behind closed doors. There are two possible outcomes for each fiscal measure on the suspense file: (1) the bill passes out of the committee – either as is or with amendments typically to reduce cost implications – and moves to the floor of the house for consideration by the entire body or (2) the bill is held in committee, meaning it will not move forward to the floor for further consideration (i.e., dead). Just over 1,000 bills were considered yesterday – 341 in the Senate and 668 in the Assembly. The Senate committee held 87 (25.5%), while the Assembly held 321 (35%) – for a total “hold” rate of 31.8%. Next week, members are scheduled for five full days of floor session, given that all bills introduced in 2024 must pass their house of origin by Friday, May 24. When the Legislature returns after the Memorial Day weekend, policy committees will begin the deliberative process anew with second-house bills; another suspense file hearing will be held in August for those bills.

Below we offer a non-exhaustive list of outcomes on bills of interest and consequence. Should you wish to check the status of any measure not mentioned below that was taken up yesterday, each committee has posted results ([Assembly](#) | [Senate](#)). Some of these measures have been amended in the last 24 hours, but

many more will undergo amendments in the days ahead. Stay tuned for more information.

*Passed (As is or with amendments; now moves on to a floor vote)*

- **AB 1975 (Bonta)** – Would make medically supportive food and nutrition interventions, if determined to be medically necessary by a health care provider or health plan, a covered benefit under the Medi-Cal fee-for-service and managed care delivery systems.
- **AB 2051 (Bonta)** – Would codify the Psychology Interjurisdictional Compact (Compact) if a majority of the Board of Psychology (Board) votes to join the Compact. The Compact facilitates the practice of telepsychology and the temporary in-person, face-to-face practice of psychology across state lines for authorized licensees.
- **AB 2104 (Soria)** – Would require the Chancellor of the California Community Colleges to develop a Baccalaureate Degree in Nursing (BSN) Pilot Program that authorizes 15 community college districts to offer a BSN degree.
- **AB 2290 (Friedman)** – Would establish within Caltrans the Bikeway Quick-Build Project Pilot Program, require documentation when planned bicycle and pedestrian facilities are not completed as part of maintenance projects, and limit the types of bikeways that can be funded with state Active Transportation Program grants.
- **AB 2423 (Mathis)** – Would, beginning July 1, 2025, and every other year thereafter, require the Department of Development Services to review, and update “rate models,” as defined, per the cost inputs available at the time of the review and to post the updated rate models on its website no later than January 1 of the following year. The bill specifies an adjustment to a provider rate pursuant to the updated rate models is contingent upon the appropriation of funds by the Legislature and approval of federal funding.
- **AB 2557 (Ortega)** – Would require a contractor to fulfill certain requirements if the contractor enters a contract with a local government to perform functions that currently are or were performed by public employees represented by an employee organization, including submitting quarterly performance reports to the local governing body and the exclusive representative of the employee organization. The Assembly Appropriations Committee approved the bill with amendments that are not yet publicly available.
- **AB 2561 (McKinnor)** – Would require a local public agency to take certain actions relating to vacant positions. Specifically, each local public agency that has bargaining unit vacancy rates exceeding 10% for more than 90 days within the past 180 days must promptly meet and confer with the recognized

employee organization representative to produce and implement a plan to fill all vacant positions within 180 days.

- **AB 2882 (McCarty)** – Would amend the composition of the local Community Corrections Partnership (CCP) and the CCP Executive Committee as well as recast the community corrections plan development and processing requirements and mandate new CCP data collection and reporting requirements. Amendments now in print taken in the Assembly Appropriations Committee strike increased local reporting requirements and state data dashboard requirements.
- **AB 3129 (Wood)** – In this latest **health care system consolidation** legislation, the bill would require a private equity group or hedge fund to provide written notice to, and obtain the written consent of, the Attorney General (AG) prior to taking control of or acquiring a health care facility or provider group. The bill authorizes the AG to ensure that the transaction is in the public interest and consent to, give conditional consent to, or not consent to the transaction.
- **AB 3291 (Committee on Human Services)** – Would include “risk of homelessness” as a reason a Regional Center may provide housing payment assistance to a regional center consumer in a supported living situation.
- **SB 895 (Roth)** – Would require the California Community College Chancellor’s Office to establish a Community College Baccalaureate Degree in Nursing Pilot Program that would authorize 15 community college districts to offer a Bachelor of Science in nursing degree.
- **SB 960 (Wiener)** – Would require the Caltrans to adopt a transit priority policy to guide the implementation of transit priority facilities on the state highway system. The bill would also require any project in Caltrans’ State Highway Operations and Protection Program (SHOPP) to include bicycle, pedestrian, and transit priority facilities. The bill was passed with amendments to narrow the requirements for inclusion of these components within SHOPP projects.
- **SB 1032 (Padilla)** - Would authorize the Department of Housing and Community Development (HCD) to approve the forgiveness of loans for specified affordable housing programs, if a borrower demonstrates that the loan is impeding the ability to maintain and operate the project for affordable housing or senior housing. Amendments will be forthcoming.
- **SB 1057 (Menjivar)** – Would make various changes to the composition of Juvenile Justice Coordinating Councils (JJCCs). Amendments in print today delete significant sections of the bill, effectively leaving only the JJCC composition changes that would require incorporation of community representatives.

- **SB 1197 (Alvarado-Gil)** – Would add children who are recipients of Aid to Families with Dependent Children-Foster Care and regional center services who reside in foster care resource families or tribal placements, as specified, to the list of children who cannot be prohibited from receiving in-home respite services through regional centers.
- **SB 1396 (Alvarado-Gil)** – Would make changes to the CalWORKs Home Visiting Program.
- **SB 1397 (Eggman)** – Would require a health care service plan contract or health insurance policy issued, amended, renewed, or delivered on or after July 1, 2025, that covers medically necessary mental health and substance use disorder services to comply with rate and timely reimbursement requirements for services delivered by a county behavioral health agency.
- **SB 1432 (Caballero)** – Would provide for extensions of the January 1, 2030, deadline by which hospitals are required to be capable of continued operations following a major earthquake, as specified. The bill was amended coming out of Appropriations Committee to require HCAI to evaluate the impact on specific types of health care services when considering a seismic extension request, delete provisions related to rural hospitals and critical access hospitals, require HCAI to determine if a hospital lacks financial capacity, require HCAI to provide an annual report to the Legislature on seismic extensions, and add language to improve transparency.
- **SB 1443 (Jones)** – Would make changes to the membership of the California Interagency Council on Homelessness by adding a representative from the State Council on Developmental Disabilities to the council.
- **SB 1116 (Portantino)** – Would authorize workers involved in a trade dispute to collect unemployment insurance (UI) benefits, after a two-week wait period, while they are on strike.

***Held in Committee (Dead)***

- **AB 1956 (Reyes)** – Would have required – if grant funding provided to the state under the federal Victims of Crime Act (VOCA) is 10% or more lower than the amount awarded the prior year – the California Office of Emergency Services (CalOES) to – if funds were provided through the state budget process for this purpose – allocate funds to fill in the funding gap.
- **AB 2141 (Gipson)** – Would have required an application for a cash assistance program to include information regarding the applicant’s option to choose to have their funds directly deposited or be issued on an electronic benefits (EBT) card.
- **AB 2200 (Kalra)** – Would have created CalCare, a state-run single-payer insurance system for all residents without premiums, deductibles, or copays.

- [AB 2265](#) (**McCarty**) – Would have declared it the policy of the state that no animal be euthanized by a public animal control agency, shelter, or a private entity that contracts with a public animal control agency or shelter for animal care and control services.
- [AB 2404](#) (**Lee**) – Would have established and protected the right of public employees, except specified peace officers and emergency responders, to engage in sympathy strikes.
- [AB 2489](#) (**Ward**) – Would have required a local government that wants to contract for certain services already performed by union employees to notify the union of its intent at least 10 months before beginning the process of procuring the contract and requires a contractor to show that their employees meet or exceed the minimum qualifications and standards the local government requires of union employees.
- [AB 2535](#) (**Bonta**) – Would have, among other things, required the California Transportation Commission (CTC) to establish and increase targets to allocate higher percentages of Trade Corridor Enhancement Program funds to investments in zero-emission freight infrastructure.
- [AB 2591](#) (**Quirk-Silva**) – Would have required a county or city to establish a youth commission in response to a petition from youth residing in the county’s or city’s jurisdiction.
- [AB 2625](#) (**Bryan**) – Would have required counties to establish a statewide court reminder system that would notify individuals via text message about scheduled court appearances.
- [AB 2881](#) (**Lee**) – Would establish the California Housing Authority for the purposes of developing mixed-income social housing.
- [SB 1107](#) (**Durazo**) – Would have required that county human services agencies that administer public benefits to develop and implement a program to ensure that homeless residents without a permanent mailing address can receive and pick up all government-related mail.
- [SB 1245](#) (**Ochoa Bogh**) – Would have revised the definition of “licensed health care professional” for purposes of authorizing services, as specified, in the In-Home Supportive Services (IHSS) program.
- [SB 1362](#) (**Newman**) – Would require the California Achieving a Better Life Experience (CalABLE) program to deposit at least \$250 into new CalABLE accounts that meet specific requirements.

### **Newsom Administration Releases Prop 1 Implementation Guidance**

At a press conference in San Mateo County this week, Governor Gavin Newsom [announced](#) that his Administration would be accelerating the release of the initial round of bond funding for behavioral health infrastructure projects under

Proposition 1. Shortly after, the Department of Health Care Services (DHCS) released its bond guidance for allocation of the first round of funds. Recall that DHCS is utilizing the Behavioral Health Continuum Infrastructure Program (BHCIP) for the allocation of the share of Proposition 1 funds dedicated to behavioral health facilities.

In addition, the Governor announced a new website ([MentalHealth.ca.gov](https://www.MentalHealth.ca.gov)), which will serve as a one-stop source for people in need of mental health support and includes information about the state's behavioral health transformation.