

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 31, 2024

Legislative Leaders Announce and Act on Joint State Budget Plan

On Wednesday, the Legislative leaders jointly [announced](#) a two-party deal on the 2024-25 budget. Yesterday, the full Assembly budget committees and the Senate’s individual budget subcommittees met concurrently to adopt a largely [unified approach](#) to the budget architecture; it is our understanding that differences between the approach in the two houses must be reconciled only on a limited number of items. As detailed at the links below, the houses adopted hundreds and hundreds of specific actions to effectuate their proposed new approach – some consistent with the Governor’s January and/or May budget proposals, some that revise or reject the Administration’s approach, and yet others that reflect new legislative spending. In the full Assembly budget hearing, the Department of Finance offered overarching comments regarding its initial review of the Legislature’s proposed spending plan, which were largely positive. The Administration indicated that while they were still reviewing the details of the Legislature’s approach, they were encouraged by the several aspects – including maintaining future reserves, supporting changes to the Rainy Day Fund and the concept of establishing a temporary holding account for projected surpluses, and ensuring fiscal integrity of the state’s position over the long-term.

Below are links to reports detailing the very specific line-item actions that the houses have taken jointly to achieve their largely consistent two-party budget agreement.

Assembly Budget Committee actions (summary)	Senate budget subcommittee actions
<ul style="list-style-type: none">No. 1 – HealthNo. 2 – Human ServicesNo. 3 – Education FinanceNo. 4 – Climate Crisis, Resources, Energy & Transportation	<ul style="list-style-type: none">No. 1 – K-12 Higher educationNo. 2 – Resources Energy ClimateNo. 3 – Health & Human ServicesNo. 4 – State Administration & General Government

- No. 5 – [State Administration](#)
- No. 6 – [Public Safety](#)

- No. 5 – [Public Safety](#) | [Labor, Public Employee/Retirement & Workforce Development](#) | [Transportation](#)

With these actions, legislative leaders have endorsed a shared budget framework and can now begin negotiations on areas in which their spending plan differs from that of the Governor’s May Revision. From here, private negotiations between the Newsom Administration and leaders in both houses will take place over the next long week. The 72-hour in print rule means that the budget and any trailer bills on which the Legislature must act need to be in print three days before any votes are cast. Although the June 15 budget deadline is immutable, the fact that the deadline lands on a Saturday (and the Legislature generally prefers being back in their districts on Fridays), it’s possible that they aim to wrap up budget action on Thursday, June 13. If that’s the case, the language will need to be finalized and in print by Monday, June 10. We will keep you all posted on timing in the week ahead. As has been typical over the last several years, we expect that additional trailer bills and possibly additional rounds of “budget bill juniors” (measures to make appropriations beyond the main budget bill that will have to be passed by June 15) through the end of the legislative session.

As we await more details that will emerge from negotiations in the days ahead, we note select actions – grouped by policy area – from the Legislature’s budget package.

Health and Human Services	
Public Health	<ul style="list-style-type: none"> ▪ Rejects the \$52.5 million reduction of the Future of Public Health funding in the current year and the \$300 million elimination of the Future of Public Health funding in the budget year and ongoing.
CalWORKs	<ul style="list-style-type: none"> ▪ Rejects the one-time reduction of \$272 million to the Employment Services Component of the CalWORKs Single Allocation for 2024-25. ▪ Rejects the \$40.8 million reduction in 2023-24 and ongoing to the Single Allocation Eligibility Administration augmentation. ▪ Rejects the elimination of the CalWORKs Family Stabilization program (\$55 million in 2023-24 and \$71 million ongoing). ▪ Modifies the elimination of the CalWORKs Expanded Subsidized Employment by reducing funding by \$30 million in 2023-24 and \$37 million in 2024-25 to hold funding to approximate 2022-23 spending level.

	<p>Additionally, adopts placeholder trailer bill to require reporting on subsidized employers and employment outcomes in participating counties.</p> <ul style="list-style-type: none"> ▪ Modifies the proposal to reduce funding for CalWORKs Home Visiting by \$47 million ongoing and instead reduce funding by \$30 million in 2023-24, and temporarily reduces funding by \$25 million in 2024-24 and 2025-26. ▪ Modifies the Administration’s proposal to eliminate all funding for CalWORKs Mental Health and Substance Use Disorder services by \$126 million in 2024-25 and ongoing; instead modified the proposal to reduce funding by \$30 million in 2023-24, \$37 million in 2024-25, and \$26 million in 2025-26.
Child Welfare Services	<ul style="list-style-type: none"> ▪ Rejects the elimination of the Family Urgent Response System (FURS) program, which provides immediate mobile response for children in foster care (\$30 million General Fund ongoing). ▪ Rejects the elimination of \$50 million in 2024-25 and ongoing for county child welfare agencies to complete caregiver approvals for foster caregivers, primarily relative caregivers. ▪ Eliminates \$195,000 General Fund in 2024-25 and \$18.8 million General Fund in 2025-26 and ongoing to provide a housing supplement for youth in Supervised Independent Living Placements (SILPs).
Adult Protective Services	<ul style="list-style-type: none"> ▪ Rejects the Administration’s proposal to reduce funding for the Adult Protective Services Expansion by \$40 million in 2024-25 and ongoing. ▪ Rejects the Administration’s proposal to eliminate \$4.8 million in total ongoing funding for Adult Protective Services training.
Child Care	<ul style="list-style-type: none"> ▪ Rejects the Administration’s proposal to indefinitely pause child care slot expansion and instead enacts a two-year pause, with trailer bill specifying the plan to reach over 200,000 new subsidized slots by 2028, and continues to fund 11,038 CCTR slots for which award letters were issued in Spring 2024.
Behavioral Health	<ul style="list-style-type: none"> ▪ Approves \$85 million (\$50 million General Fund and \$35 million federal funds) in 2024-25 to support counties’

	implementation of changes to behavioral health programs pursuant to the Behavioral Health Services Act.
Managed Care Organization (MCO) Tax	<ul style="list-style-type: none"> ▪ Medi-Cal Targeted Provider Rate Increases and Investments related to the MCO tax: <ul style="list-style-type: none"> ○ Approves rate increases and investments, beginning January 1, 2026, that include the same categories as the Administration's original proposal, as well as additional legislative investments. A small group of these investments will begin on January 1, 2025. The changes to these investments result in net savings of \$75 million in 2023-24, \$689.9 million in 2024-25, \$1.3 billion in 2025-26, and \$956 million in 2026-27. ○ Approves the Administration's proposal to maintain the targeted rate increases for primary care, non-specialty mental health services, and obstetric care for 2024. ○ Rejects the proposed directed payment program for children's hospitals. ○ Adopts modified placeholder trailer bill language, consistent with the Legislature's proposal. ▪ Adopts the Administration's May Revision proposal to increase the MCO tax rate by including Medicare lines of business in the revenue calculation, which results in General Fund savings of \$689.9 million in 2024-25, \$950 million in 2025-26, and \$1.3 billion in 2026-27.
Public Hospitals	<ul style="list-style-type: none"> ▪ Adopts the Administration's May Revision proposal to implement a fee on intergovernmental transfers that draw down additional federal funding for Medi-Cal in the Enhanced Payment Program and Quality Incentive Pool, which provides \$37 million in 2024-25 and \$74 million annually thereafter.
HHS Workforce	<ul style="list-style-type: none"> ▪ <i>Nursing Initiative</i>. Approves the elimination of funding through 2025-26 that currently supports workforce development programs for nursing-related professionals. ▪ <i>Social Work Initiative</i>. Approves the elimination of funding to support workforce development initiatives to expand the number of social workers in California.

- *Master's in Social Worker (MSW) Slots*. Approves the elimination of funding to support an expansion of slots for MSWs in California colleges and universities.
- *Community Health Workers*. Adopts a reduction of General Fund expenditure authority of \$188.9 million (\$6.6 million state operations and \$182.3 million local assistance) in 2024-25, and \$57.5 million in 2025-26 that currently supports workforce development programs for community health workers. These actions leave \$15 million for community health workers programs.
- *Psychiatry Loan Repayment (Local)*. The Administration proposed reversion of \$7 million General Fund, approved in the 2021 Budget Act, that currently supports a psychiatry loan repayment program for psychiatrists who agree to a term of service providing care for a local behavioral health department. The Legislature modifies the proposal by: 1) rejecting \$7 million reversion of General Fund resources to maintain current award commitments, and 2) approving the delay of \$7 million Mental Health Services Fund from 2023-24 until 2025-26.
- *Addiction Psychiatry/Medicine Fellowships*. Approves reduction from the Mental Health Services Fund of \$48.5 million in 2025-26 that currently supports addiction psychiatry and addiction medicine fellowships.
- *University & College Training for Behavioral Health Professionals*. Approves elimination of funding to support expansion of grants for behavioral health professionals.
- *Health Professions Careers Opportunity Program*. The Administration had proposed a \$16 million reduction; the Legislature's version of the budget restores \$13.5 million of General Fund resources in 2024-25 to maintain current award commitments to the Health Professions Careers Opportunity Program.
- *Song-Brown Nursing*. The Administration had proposed a \$15 million General Fund reduction in 2024-25 that currently supports nurse training in the Song-Brown Healthcare Workforce Training Program. The Legislature restores \$16.8 million of General Fund resources in 2024-25 to maintain current award commitments.
- *Song-Brown Residencies*. The Administration proposed a \$10 million General Fund reduction in 2024-25 that

	currently supports residency programs in the Song-Brown Healthcare Workforce Training Program. The Legislature approves \$74.1 million General Fund in 2024-25 to maintain current award commitments.
Developmental Services	<ul style="list-style-type: none"> Rejects the Administration's proposal to delay by one year the final phase of developmental services rate reform, set to take effect July 1, 2024.
Homelessness, Housing, and Transportation	
Homelessness	<ul style="list-style-type: none"> <i>Homeless Housing, Assistance and Prevention (HHAP):</i> Adds \$1 billion in 2024-25 for Round 6 of HHAP with draft trailer bill language to strengthen accountability and direct a portion of the resources to prevention. The Legislative budget package also approves the proposed reduction of \$260 million in repurposed HHAP funds from Rounds 3 and 4. <i>Behavioral Health Bridge Housing:</i> Approves the proposed reduction of \$340 million. <i>Behavioral Health Continuum Infrastructure Program:</i> Restores the Administration's proposed reduction of \$450.7 million in the out-years after Proposition 1 bond funds have been expended. <i>Housing and Disability Advocacy Program:</i> Approves the proposed reduction of \$50 million to HDAP. <i>Bringing Families Home:</i> Rejects the proposed reduction of \$80 million and splits the funding into \$40 million in 2025-26 and \$40 million in 2026-27. <i>Home Safe:</i> Rejects the proposed reduction of \$65 million. <i>Veterans Housing and Homelessness Prevention:</i> Approves the proposed reduction of \$76.3 million. <i>Foreclosure Intervention Housing Preservation Program:</i> Approves the proposed reduction of \$484 million. <i>Supervised Independent Living Placements:</i> Approves the proposed ongoing reduction of \$18.8 million. <i>Encampment Resolution Grant Program:</i> As a new legislative proposal, eliminates \$100 million in unspent/unawarded grant funds.
Housing	<ul style="list-style-type: none"> <i>Housing Navigation and Maintenance Program:</i> Rejects the proposed reduction of \$13.7 million.

	<ul style="list-style-type: none"> ▪ <i>Regional Early Action Planning Grants Program of 2021 (REAP) 2.0</i>: Reduces the Governor’s January budget proposal to cut REAP 2.0 by \$300 million to \$50 million General Fund. ▪ <i>Multifamily Housing Program</i>: Rejects the Governor’s January and May Revision proposals to cut \$325 million from the Multifamily Housing Program. ▪ <i>Low Income Housing Tax Credit</i>: Approves \$500 million for Low Income Housing Tax Credit program. ▪ <i>Infill Infrastructure Program</i>: Approves \$235 million in cuts. ▪ <i>Adaptive Reuse Program</i>: Approves the reversion of \$127.5 million from the Adaptive Reuse Program from 2022 and 2023.
Transportation	<ul style="list-style-type: none"> ▪ Rejects the proposed \$600 million cut to the Active Transportation Program and adopts a fund shift of \$600 million to the State Highway Account (SHA). ▪ Rejects the proposed cut of \$148 million to the Competitive Transit and Intercity Rail Capital Program. ▪ Approves the Governor’s May Revision proposal to cut \$350 million for high-priority grade separations, thereby eliminating the program, and adopts proposed placeholder trailer bill language that requires Caltrans and CalSTA to prioritize awarded projects and provides Department of Finance authority to fund awarded projects with General Fund and/or SHA. ▪ Approves the Governor’s General Fund reduction and reduce the GGRF fund shift from \$75 million to \$50 million for the Highways to Boulevards Program.
Local Public Safety, Judiciary, and State Corrections	
CARE Act	Adopts downward adjustments proposed in the May Revision to CARE Act implementation funding levels to reflect lower-than-anticipated referrals.
Victims’ services	Appropriates \$103 million ongoing to augment federal funding for victim services provided through the Victims of Crime Act.
Public Defender Funding	Funds \$40 million in 2023-24 for the third and final year of the Public Defense Pilot Program.
Community Corrections Performance Incentive Program (SB 678 Funding)	Approves placeholder trailer bill language to establish a workgroup to review the SB 678 formula and ensure its meeting its goals.

Transfer of Juvenile Justice Administrative Grant Functions	Approves, with modifications, the Administration’s trailer bill language to effectuate the transfer of administration functions over three specified juvenile justice grants from the Board of State and Community Corrections to the Office of Youth and Community Restoration.
Post Release Community Supervision	Adopts May Revision proposal to eliminate one-time PRCS funding (\$4.4 million) for county probation departments for the temporary increase in the number of offenders released from prison pursuant to Proposition 57.
Secure Youth Treatment Facility (SYTF) Data Reporting	Makes permanent and expands counties’ required collection and reporting of SYTF data. Note that the budget proposal provides no additional resources for these expanded and extended data responsibilities.
Medication-Assisted Treatment (MAT) Grants	Reverts \$10.5 million in 2023-24 for the MAT grant funds available to counties on a competitive basis to support initiatives for the justice-involved population.
State Corrections	Includes, among various other adjustments, a minimum additional baseline reduction of \$500 million ongoing beginning in 2024-25 to the California Department of Corrections and Rehabilitation (CDCR), including provisional language that specifies certain exemptions and requires CDCR to develop a plan for outyear reductions.
State Administration and General Government	
Excess ERAF/Charter Schools	Rejects the Administration’s proposal to “clarify” that charter schools are eligible for ERAF.
Insufficient ERAF	Provides funding for the three counties (Alpine, Mono, and San Mateo) that experience insufficient ERAF.

Legislature Passes Bill to Delay Health Care Minimum Wage by One Month; Governor Expected to Sign Shortly

Yesterday, the Legislature approved and presented to Governor Newsom [SB 828](#), by Senator Maria Elena Durazo. As reported previously, this bill delays the implementation date of SB 525 – the 2023 measure that established a minimum wage for health care workers – from June 1 to July 1, 2024. SB 828 contains an urgency clause and will take effect immediately. Although he has not done so at the time of this writing, the Governor is expected to sign the measure in short order to effectuate the one-month delay.

As we reported last week, SB 828 does not include any other technical clean up or the trigger mechanism that the Governor has been discussing since January. It is our understanding that a second bill – likely a budget trailer bill – will contain those

additional provisions, although it remains unclear when this language to further amend SB 525 will be publicly available.

Medi-Cal SAC/BH-SAC Discusses Wide Range of Topics, Including BH-CONNECT Waiver Amendment

The joint Medi-Cal Stakeholder Advisory Committee (SAC) and Behavioral Health Stakeholder Advisory Committee (BH-SAC) met on May 29 ([agenda](#), [materials 1](#), [materials 2](#)). The Department of Health Care Services (DHCS) provided updates on a wide range of topics, including: a state budget update, a Medi-Cal Redetermination update, a presentation on Data Sharing & the Data Exchange Framework, a Children and Youth Behavioral Health Initiative (CYBHI) Update, a Health Equity Roadmap Initiative update, an update on Behavioral Health Transformation/Proposition 1, and an update on the BH-CONNECT waiver. Below we summarize highlights of both committee discussions; more comprehensive notes of the proceedings can be found [here](#).

► State Budget Update

Stakeholders had several questions and comments regarding the May Revision. Several members commented on the Managed Care Organization (MCO) tax proposal. When asked about the implications for provider rate cuts if the MCO ballot proposition passes, the Director said she was not prepared to talk about it. A couple members raised concerns with the proposal to eliminate In-Home Supportive Services (IHSS) for undocumented immigrants; DHCS could not provide answers to questions because the IHSS item is in the Department of Social Services budget. DHCS did not make corresponding budget adjustments to reflect increased utilization of skilled nursing facilities. Other budget items raised included the cuts to enrollment navigator grants, the Equity and Practice Transformation Payment Reductions, and a request for DHCS to submit the multi-year continuous coverage for children waiver to CMS while the Biden Administration is still in office.

► Behavioral Health Transformation/Proposition 1 Update

DHCS provided a similar presentation to the one previously provided to the Legislature in a budget committee outlining what they have dubbed Behavioral Health (BH) Transformation/Proposition 1. The following timeline outlines DHCS's Initial BH Transformation Milestones.

- Spring 2024: Stakeholder Engagement
- Starting Summer 2024: Bond BHCIP: Round 1 Launch Ready, RFA released for up to \$3.3 billion in funding.

- Starting Early 2025: Integrated Plan Guidance and Policy – policy and guidance will be released in phases beginning with policy and guidance for integrated plans
- Starting Summer 2025: County Integration Plans Go-live. New integrated plans, fiscal transparency, and data reporting requirement go-live in July 2026 (for next three-year cycle).

Of note, the Administration outlined the areas of engagement with local government, including:

Accountability	<ul style="list-style-type: none"> – County Integrated Plan for BH Services and Outcomes; to support a data informed global BH funding inclusive of all funding streams – County BH Outcomes, Accountability and Transparency; establish metrics to evaluate the quality and efficacy of the BH services and programs
Quality	<ul style="list-style-type: none"> – Establish a biennial list of evidence-based practices and community defined evidence practices. – Full Service Partnerships
Flexibility	<ul style="list-style-type: none"> – Processes for requesting an exemption of statutory funding percentages throughout
Funding	<ul style="list-style-type: none"> – New costs to implement law that exceed existing county obligations... for inclusion in the Governor’s 2024–25 May Revision; BHSA Revenue Stability Workgroup. – Transition from MHSA to BHSA, Maximizing FFP, and Billing for Services

DHCS continues to offer monthly listening sessions, including one on May 30, focused on the County Integrated Plan for Behavioral Health Services and Outcomes. A recording will be posted [here](#). Each public listening session will focus on 1) specific topic(s) based on statutory requirements or other feedback received and 2) gathering responses to prompts in the chat. DHCS will prioritize listening to feedback during these sessions rather than presenting materials or proposing solutions.

Additionally, on June 3, from 2 to 3:30 p.m., the California Health and Human Services Agency will host a [BHT all-comer webinar](#) (advance registration required) for the public. The Departments of Housing and Community Development and Veterans Affairs will participate in the June 3 webinar. Finally, a centralized mailbox has been established for all BHT-related inquiries: BHTinfo@dhcs.ca.gov.

► **BH-CONNECT Update**

DHCS announced that they are proposing to submit a formal amendment to the BH-CONNECT waiver to add two new optional services – community transition in-reach services and room and board. Through ongoing work with stakeholders, DHCS identified additional gaps in the care continuum for Medi-Cal members with significant behavioral health conditions who have long-term stays in institutions or need enhanced recovery-oriented care. DHCS is planning to submit the BH-CONNECT amendment to CMS in August 2024. The goal is to secure CMS approval before December 31, 2024.

Community transition in-reach services would support individuals with significant behavioral health conditions residing in long-term stays in institutions in returning to the community. Room and board would be provided in qualifying residential settings for up to six months for individuals with significant behavioral health conditions and specified risk factors.

Both new options are available only for Medi-Cal members with the most complex and significant mental health and/or SUD conditions who are: 1) transitioning from extended stays in inpatient, subacute, and residential facilities, including Institutions for Mental Diseases (IMDs); 2) justice-involved and require additional supports to successfully transition to the community; or 3) homeless or at risk of homelessness.

The following is DHCS’s estimated timeline for the proposed amendment:

- June 14: Finalize Application and post for public comment
- May 31 – August 1: 60-Day Tribal Consultation
- June 14 – July 14: 30-Day State Public Comment
- August 1: Respond to Public Comment & Submit to CMS
- August 1-15: 15-Day Completeness Check
- August 16 – September 16: 30-Day Federal Public Comment