



County of Orange

County Executive Office-Legislative Affairs

Highlights of Governor's Proposed 2020-2021 State Budget Orange County Criminal Justice Coordinating Council January 17, 2020

HOMELESSNESS

The budget includes proposals previously shared earlier this week during his announcement of a new Executive Order. To recap, Executive Order [N-23-20](#), specifically directs:

- The Department of Finance to establish the California Access to Housing and Services Fund (Fund) within the Department of Social Services to receive future state appropriations and private contributions to provide rental subsidies, additional affordable housing units, and stabilizing board and care facilities;
- The Department of General Services to identify properties from its previous inventory of state properties that can be used by local partners to provide short-term, emergency housing;
- CalTrans to develop a model lease agreement for cities and counties to use for purposes of leasing CalTrans-owned land adjacent to highways and state roads for short-term, emergency housing;
- The Office of Statewide Health Planning and Development to work with local jurisdictions to assess the appropriateness of vacant and decommissioned hospital and health facilities for purposes of utilizing them for short-term, emergency housing;
- The Department of Food and Agriculture, in consultation with other state departments, to assess fairgrounds properties in communities experiencing a shelter crisis that would be available for short-term, emergency housing;
- The Department of General Services to deploy 100 travel trailers and the Emergency Medical Services Authority to deploy modular tent structures for purposes of temporary, emergency housing; and
- The formation of a multi-agency state strike team to assist local jurisdictions to connect those experiencing homelessness to health and social services programs.

"You want to know who the homeless czar is? I'm the homeless czar."

The Administration is proposing a \$750 million one-time, General Fund investment in the new California Access to Housing and Services Fund for purposes of providing the above-referenced services. The Governor’s proposed budget expands on the use of these funds by outlining its plan to have regional administrators that will execute performance-based contracts to provide short- and long-term rental subsidies, make small- and medium-sized contributions to encourage development of new units in exchange for a rental credit, and stabilize board and care facilities by funding capital projects and/or operating subsidies.

The Fund will also be used to engage with landlords to secure units and negotiate individual client leases, provide tenancy support services, and coordinate case management with counties for those receiving rental subsidies to ensure that are enrolled in eligible public assistance programs.

During the press conference, the Governor indicated his frustration with cities and counties, saying that collaboration between cities and counties was “completely inadequate” and “absolutely absent.” Hence, his proposal to establish state designated regional administrators to direct the \$750 million in new homeless funding. The regional administrators would be tasked with, among other things, coordinating with regional partners to stabilize housing circumstances of vulnerable populations.

MENTAL HEALTH SAVINGS ACT (MHSA)

Saying that community mental health needs have changed since the Act was enacted in 2004, the Administration is proposing to update the MHSA. The Governor’s Budget document suggests updating the MHSA to better focus on people with “mental illness who are also experiencing homelessness, who are involved in the criminal justice system, and for early intervention for youth.” Note that Darrell Steinberg (Sacramento mayor, former Senator, and co-author of the MHSA) outlined these same updates to the MHSA at a December Assembly Budget Subcommittee No.1 hearing.

The Administration will submit a proposal in Spring 2020 regarding proposed reforms to Proposition 63, which may include new metrics to track local governments’ use of these resources, namely the number of people served and the efficacy of spending. Such a proposal would likely need to be approved by voters to take effect. When asked about process to develop a reform proposal, Health & Human Services Secretary Mark Ghaly noted on a call that his agency would be building a proposal with ideas from departments and input from stakeholders.

The Governor’s comments were very pointed when discussing MHSA, indicating that reserves held by counties total over \$500 million, \$161 million of which he deemed “imprudent.” Expect the state will likely pursue its reversion authority this year.

BEHAVIORAL HEALTH

The Administration is focused on improving outcomes for the state's behavioral health system.

Behavioral Health Task Force –The Administration is establishing a Task Force at the Health and Human Services Agency to bring together relevant state departments, counties, consumers, health plans, providers and other stakeholders to review existing policies and programs to: (1) improve the quality of care, and (2) coordinate system transformation efforts. The Governor explicitly said that the Task Force would look at the Lanterman-Petris-Short (LPS) Act, which regulates involuntary civil commitment to a mental health institution in the state of California.

"I'm a civil libertarian and deeply sensitive ... I'm not here to create anxiety... but the Act was conceived when I was conceived ... the world has changed."

Behavioral Health Quality Improvement Program –The budget includes \$45.1 million General Fund in 2020-21 and \$42 million General Fund in 2021-22 for DHCS to provide funding to county-operated community mental health and substance use disorder systems to incentivize system changes and process improvements that will help prepare counties for opportunities through Medi-Cal Healthier California for All. Funding would likely be used for things such as enhanced data-sharing capability for care coordination and data collection, performance measurement, and reporting.

Medi-Cal Medication Assisted Treatment (MAT) Benefit Changes –DHCS is proposing to add all FDA approved drugs to treat opioid addiction to the Medi-Cal State Plan so that Medi-Cal beneficiaries needing MAT can be prescribed any of these FDA approved drugs, whereas today the State Plan only covers methadone and naltrexone in MAT. The Medi-Cal Estimate reflects the costs of adding the additional two currently FDA-approved drugs (buprenorphine and buprenorphine-naloxone combination) at a cost of \$876,000 (including \$40,000 General Fund and \$240,000 County Funds).

Parity Enforcement –The Health and Human Services Agency and Department of Managed Health Care (DMHC) will be working to better enforce behavioral health parity requirements. The Governor stated that he wants to prepare folks for fines and spoke about aggressively enforcing parity laws. The budget document states that enforcement efforts will focus on timely access to treatment, network adequacy, benefit design, and plan polices. The Administration may propose updates to implement these efforts in the spring.

HOUSING

The budget includes \$500 million for the state's housing tax credit program, the second year of increased funding. In addition to the tax-credits and the \$750 million for the new California Access to Housing and Services Fund, Governor Newsom's proposed budget commits his Administration to supporting the continued creation of new units of affordable

housing through the ongoing implementation of 2019-20 funding for housing programs, including the Infill Infrastructure Grant Program, implementation of recently passed legislation aimed at reducing barriers to building affordable housing, and working to revamp the Regional Housing Needs Allocation (RHNA) process.

The budget proposes \$10 million for three fiscal years to support “the state’s efforts to increase housing production,” but the budget summary is unclear as to the recipient of these funds. Finally, the budget mentions the potential for a new agency focused exclusively on housing and homelessness, which the Administration plans to evaluate in the coming year.

MEDI-CAL

Medi-Cal Healthier California for All –The Governor called his Medi-Cal Healthier California for All (formerly CalAIM) a “once in a lifetime opportunity to transform the Medi-Cal system.” He indicated that if it is implemented right, it will be a national model. He also pointed to the initiative as the place where the major investments in mental health, substance use disorder and transparency and reforms at the county level will occur.

The budget includes \$695 million (\$348 million General Fund) in 2020-21 for Medi-Cal Healthier California for All, growing to \$1.4 billion (\$695 million General Fund) in 2021-22 and 2022-23. The investment will provide for: (1) enhanced care management and in lieu of services; (2) necessary infrastructure to expand whole person care approaches statewide; and (3) build on the dental initiatives. Beginning in 2023-24, the Administration is proposing to phase out infrastructure funding, resulting in ongoing cost of \$790 million (\$395 million General Fund). The Administration also indicates that they will submit a proposal this spring for the state operations component of Medi-Cal Healthier California for All Initiative. The January budget includes a \$40 million (\$20 million General Fund) placeholder.

The funding for 2020-21 (which reflects six months because implementation begins January 1, 2021) is detailed as follows:

- \$225 million (\$112.5 million General Fund) to implement the new statewide enhanced care management (ECM) benefit.
- \$357.5 million (\$178.8 million General Fund) to fund in lieu of services (ILOS) and Medi-Cal managed care plan incentives linked to the needed reforms to the delivery system to make this initiative successful, including: (1) \$57.5 million specific to continue certain existing ILOS by transitioning them to Medi-Cal managed care in those geographic regions in which they exist, such as housing transition services, sobering centers, and recuperative/respite services, and (2) \$300 million for managed care plan incentives to support the building of ILOS and ECM statewide where they do not exist today.
- \$112.5 million (\$56.3 million General Fund) to continue, and expand upon, the most successful elements of the current Dental Transformation Initiative that will end in

December 2020, including (1) \$35 million to continue, and expand to adults, the preventive services incentive payments to dental providers; (2) \$75 million to continue, and expand to adults, the continuity of care incentive payments to dental providers; and (3) \$1 million to continue to pay for the caries risk assessment (CRA) services for children ages 0-6; 4) \$1.5 million to add silver diamine fluoride as a covered service for children ages 0-6.

PROBATION

New Funding for Misdemeanant Probationers – The Governor proposes significant new investment in county probation departments, with a focus on providing targeted supervision and services to individuals on probation for misdemeanor violations. This cohort typically is placed on “banked” probation and receives little to no rehabilitative or intervention services. Under the Governor’s proposal, a total of \$210 million -- \$60 million annually for three years beginning in 2020-21 and then \$30 million in 2023-24 – would be invested in evidence-based practices to address the needs of the misdemeanor probation population, with a goal of ending the cycle of criminality. Services would be targeted based on risk and a needs assessment.

Proposed Changes to Length of Probation – The budget also proposes to reduce the length of probation terms to two years for both the felony (from five years) and misdemeanor (from three years) populations.

Enhanced Funding for SB 678 – The budget proposes a permanent augmentation of \$11 million annually to SB 678 funding for county probation departments, bringing the statewide investment to \$124.8 million in recognition of probation’s local successes in reducing the number of adult felony probationers who enter state prison.

Workload Increases for Proposition 57 – In recognition of temporary increases in post-release community supervision responsibilities associated with implementation of Proposition 57 (2016), the budget proposes to allocate \$13.8 million to county probation departments.

LOCAL INDIGENT DEFENSE

The budget invests in efforts to improve delivery of indigent defense at the local level. First, the budget allocates \$4 million in 2020-21 and \$3.5 million for each year thereafter to expand the Office of the State Public Defender’s mission to include enhancing the quality of indigent defense at the local level. Additionally, the budget proposes a one-time allocation of \$10 million – to be administered by the BSCC, in consultation with the State Public Defender – to establish a pilot program to augment local funding for indigent criminal defense. The program would include an evaluation component to determine effectiveness of these grants.

PROPOSITION 47

The budget estimates that implementation of the 2014 ballot initiative that reduced penalties for specified property and drug crimes will yield \$122.5 million in state correctional savings, when comparing 2019-20 costs to the base year of 2013-14 (the last full fiscal year prior to the passage of the initiative). These savings are dedicated to three policy priorities identified in Proposition 47: (1) behavioral health treatment and diversion programs (65 percent), (2) programs to improve outcomes for K-12 students and reduce truancies (25 percent), and (3) support for trauma recovery centers (10 percent).

COMMUNITY CORRECTIONS AND PARTNERSHIP PLANNING GRANTS

The budget includes another investment of \$7.9 million for statewide planning grants, which are meant to support ongoing implementation of AB 109 (2011) and the associated work of the CCP. Counties' receipt of the fixed-amount grants (determined by county size) is typically conditioned upon the completion of a report to the BSCC on implementation of the CCP plan.

PRISON CAPACITY AND FACILITY CLOSURE

The budget projects ongoing declines in its state prison population, in part driven by the implementation of Proposition 57. The state continues to operate under a federally mandated population cap and currently relies on several in-state contract facilities to remain in compliance. Based on continued decreases in the state prison population expected to be seen over the next four years, the Governor expresses his intent to do all of the following: (1) end all private in-state contract correctional facilities for male inmates by April 2020; (2) phase out the three remaining public in-state contract facilities by 2021; and (3) close one state prison within the next five years.

JUDICIAL BRANCH

The Governor's budget includes \$4.3 billion in overall funding, more than half of which is dedicated to trial court operations. The spending plan includes an across-the-board increase of \$61.7 million to assist the branch in addressing general inflationary pressures across its programs and services. Additional augmentations also are provided to promote fiscal equity, cover increases associated with employee health benefit and retirement costs, improve the use and deployment of information technology solutions, as well as backfill in the amount \$35.2 million to address declining fine and fee revenues.

CRIMINAL FINES & FEES

The Governor's budget recognizes the magnitude of the revenue associated with the imposition of court-related fines, fees, assessments, and surcharges – estimated to be \$1.4 billion annually – as well as the financial hardship those charges often place on low-income individuals, in particular. Building on a recently funded pilot program in eight courts that allows indigent and low-income individuals to apply online – based on ability-to-pay considerations – for reductions in financial obligations related to traffic violations, the

budget proposes \$11.5 million in 2020-21 and \$56 million annual thereafter to expand this program statewide and to include non-traffic infractions.

INCOMPETENT TO STAND TRIAL

As part of this (and the previous) Administration's ongoing efforts to address the growing number of persons deemed incompetent to stand trial (IST) who await admission to the Department of State Hospitals, the Governor's budget proposes to establish a Community Care Collaborative Pilot Program. This initiative would fund a six-year pilot program in three counties for purposes of providing community-based treatment and increasing investment in local strategies to reduce the cycle of reoffending often seen with the IST population. The budget estimates the costs of this new initiative at approximately \$365 million over the six-year pilot period. Additionally, the Governor's budget includes \$8.9 million in 2020-21 and \$11.2 million annually thereafter to expand the Jail-Based Competency Treatment Program to eight additional counties, which is expected to expand local program capacity by 63 beds.

NEW DEPARTMENT OF YOUTH & COMMUNITY RESTORATION

The Governor's budget describes transition efforts associated with his Administration's reorganization of the state's juvenile corrections function. As part of this fiscal year's budget, the Governor moved the state's youthful offender detention function to an independent department, effective July 1, 2020, within the state Health and Human Services Agency. New investments proposed in 2020-21 for the Department of Youth and Community Restoration reflect the establishment of a new staff training academy and funding for therapeutic communities. The organizational change is driven by a desire to provide trauma-informed care in a healing environment that better align with the principle that the focus of juvenile corrections is rehabilitation rather than punishment.

2011 REALIGNMENT – UPDATED REVENUE ESTIMATES

Updated revenue estimates for 2011 Realignment programs are offered in the Governor's proposed. Overall 2011 Realignment funding across all programs is estimated to grow to \$8.6 billion in 2020-21 – as compared to \$8.25 billion in the current year. While projected sales tax growth for 2020-21 remains in positive territory, it slows modestly over 2018-19 projected levels. Estimates show VLF growth slowing substantially this year. While 2011 Realignment portion of the VLF funding – exclusively dedicated to the Enhancing Law Enforcement Activities Subaccount – is estimated to grow from 2018-19 (allocated in Fall 2019) to 2019-20 (available in Fall 2020) by approximately 5 percent, VLF growth from the current fiscal year to next fiscal year shows a tepid 0.25 percent expected growth rate. As is customary, these numbers will be revised in the May Revision.

WHAT'S NEXT

Starting mid-January, the full budget committees in each house will meet to hear an overview of the Governor's proposed spending plan. Trailer bill language to implement various budget proposals is due February 1 to the Legislature.