

# CHEAC Memorandum

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To: CHEAC General Membership

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RE: **Governor's Proposed State Budget**

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The Governor released his proposed state budget today. As is his pattern, the budget proposal is cautious with an eye on mitigating potential general fund impacts due to a variety of factors, including remaining state retiree health benefit liabilities and the potential for an economic recession. 2016/17 is also the last full year of funding from Prop 30 revenues (temporary tax increase). Major proposals include:

- Makes a \$2 billion payment into the state's Rainy Day Fund, increasing the fund to \$8 billion (65% of its mandated amount).
- Provides \$879 million (GF) to repay transportation project loans, and \$807 million (\$500M GF) for deferred maintenance at levees, state parks, universities, community colleges, prisons, state hospitals, and other state facilities.
- Includes \$719 million in new General Fund revenues to cover the costs of wildfires and other effects caused by the drought.

The Budget contains a few health proposals of note:

**Medi-Cal Expenditures:** Due to the coverage expansions under the Affordable Care Act (ACA), the Budget projects a record high Medi-Cal population of 13.5 million by the end of 2016/17. The projected caseload is an increase of approximately 1.5% from FY 15/16. Medi-Cal General Fund (GF) costs are projected to increase by 8% from FY 15/16 to FY 16/17 (from \$17.7 billion to \$19.1 billion). While all of the optional expansion costs are currently covered with federal funds, starting in January 2017, the state assumes a 5% share for the optional expansion population. For FY 16/17 that will be \$740.2 million GF. The Administration further projects that the state cost for the optional expansion will reach \$1.8 billion GF by 2020-21.

Beginning in May 2016 and as part of last year's budget deal, full-scope Medi-Cal will be extended to undocumented children under 19 years of age. The Budget includes \$182 million (\$145 million GF) for this purpose with caseload estimated to be around 170,000 children.

**Managed Care Organization (MCO) Tax:** The Budget includes the assumption that a modification of the current MCO tax that complies with federal rules will be approved. These funds would be used to offset the \$1.1 billion in state GF Medi-Cal costs as well as fund a restoration of the 7% reduction in IHSS hours of service and include the possibility of additional targeted funding for developmental services.

**Medi-Cal County Administration:** The Budget includes an additional \$169.9 million for county eligibility activities, in consideration of an increased Medi-Cal caseload.

**Coordinated Care Initiative (CCI):** The Administration plans to continue to implement the CCI in 2016. However, if they determine that the CCI is not cost-effective for the state by January 2017, the program will be terminated effective January 2018. Continuation of the program hinges on the extension of the MCO tax as well as increased program participation.

**Communicable Disease:** In order to enhance state lab capacity for increased disease surveillance and testing for communicable diseases, the Budget allocates \$1.6 million (GF) and 14 positions to CDPH.

**Medical Marijuana Regulation Implementation:** The Budget provides \$3.4 million and 14 positions to CDPH for the licensing and regulation of medical marijuana product manufacturers and testing labs. Funding has also been allocated to the Department of Consumer Affairs, the Department of Food and Agriculture, Department of Pesticide Regulation, the Department of Fish and Wildlife, and the State Water Resources Control Board for their regulatory responsibilities under the Medical Marijuana Regulation and Safety Act.