CHEAC
Improving the Health of all Californians

To: CHEAC General Membership

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RE: Legislature Approves 2017-18 Budget Package

Today, the Legislature adopted a $125 billion FY 2017-18 budget package – $1.1 billion higher than proposed in the Governor's May Revision – meeting the June 15 Constitutional deadline for the Legislature to pass the budget. However, a handful of trailer bills, including the omnibus health trailer bill, were not voted on today mainly due to the new rule requiring bills to be in print for 72 hours prior to the Legislature acting on them.

This budget is the result of much deliberation, including over 65 public hearings. The budget utilizes the Administration's revenue projections and the Legislative Analyst's Office's property tax revenue projection. It provides $1.4 billion to reserves, bringing the Rainy Day Fund balance to roughly $8.5 billion, and invests in key in Legislative priorities such as improving access to health care and education.

Other key aspects of the budget are detailed below.

CCI/IHSS (SB 90). Includes trailer bill language to implement the county mitigation put forth in the May Revise. Key components include:

- Shifting roughly $592.2 million in costs from the state to counties, offset through providing annual General Fund appropriations:
  - FY 2017-18 - $400 million
  - FY 2018-19 - $330 million
  - FY 2019-20 - $200 million
  - FY 2020-21 and ongoing - $150 million

- Establishing a new rebased county MOE.

- Funding IHSS Caseload in the current year, while ensuring the health base is fully funded and that if revenues are not sufficient to meet base, each subaccount – health, mental health and social services – are proportionately reduced based on their current year base.

- Redirecting health, mental health and CMSP VLF growth for five years.
  - 100% in fiscal years 2016-17 through 2018-19
  - 50% in fiscal years 2019-20 through FY 2020-21

- Ensuring VLF growth is only redirected from counties and not cities.
- Requiring CMSP VLF growth to be used to offset IHSS costs for CMSP counties only.
- Requiring the SCO to post the amount of VLF growth each subaccount would have received if those funds were not redirected to social services.
- Ensuring that the AB 85 calculation does not consider VLF growth revenues not received.
- Providing forgiveness of the Board of Equalization sales tax allocation error for FY 2011-12 through FY 2015-16.
- Providing General fund loans capped at $25 million for counties experiencing hardships.
- Establishing a new process by which labor unions and counties are subject to mediation and fact-finding in order to resolve labor disputes at the Public Employee Relations Board (PERB).
- Requiring “re-opener” discussions between the Department of Finance, counties, and others to determine the efficacy of the IHSS MOE deal for purposes of a report in the 2019-20 Governor’s proposed budget.

Tobacco Tax Initiative – Proposition 56 (AB 120). As outlined by the Proposition, the budget provides funding for 1) enforcement; 2) education, prevention, and research; 3) health care; 4) administration and oversight; and 5) revenue backfills.

<u>Prevention</u>

- The budget allocates $37.5 million in FY 2017-18 and $30 million ongoing to be used for Oral Health Grants to local jurisdictions.
- The budget allocates $178.5 million in FY 2017-18 to Tobacco Prevention and Control to award funds to state and local governmental agencies, tribes, universities and colleges and community based organizations to implement evidence based health promotion and communication activities to reduce tobacco related diseases and health disparities.

<u>Health Care</u>

During the budget process, the Administration, Senate, Assembly and Stakeholders revealed a myriad of proposals related to how to spend roughly $1.2 billion in tobacco tax revenues dedicated to health care. The final budget agreement provides up to $546 million for supplemental payments in FY 2017-18 by allocating up to:

- $50 million for supplemental payments for women’s health;
- $27 million for supplemental payments to intermediate care facilities for the developmentally disabled;
- $4 million for HIV/AIDS waiver provider payments;
- $325 million for supplemental payments for physician services; and
- $140 million for supplemental payments for dental services.

Cannabis (SB 94). The budget package includes trailer bill language creating a unified state regulatory system for both medicinal and adult-use. Broadly speaking, the trailer bill incorporated many of the provisions from the Medical Cannabis Regulation and Safety Act (MCRSA), including not limiting the authority of cities or counties to regulate the industry at the local level, enhanced public safety and consumer protection provisions, clarified tax and cash payment provisions, and expanded various environmental protections. Of specific interest to local health departments, the trailer bill does the following:

- Maintains the State operated system of issuing medicinal marijuana identification cards with local health departments processing applications for the program at the local level. Preserves provisions that require a qualified patient, in order to qualify for a sales tax exemption, to have both a state-issued identification card and valid government-issued identification card.

- Requires all cannabis and cannabis products purchased from retailers be placed in opaque packaging.

- Licensees are strictly prohibited from selling alcoholic beverages or tobacco products on or at any licensed premise.

- Adds language that CDPH has the authority to not only develop standards for the labeling of cannabis products, but also for the production and packaging of cannabis products.

- Clarified provisions for cannabis and cannabis products that not only must they be placed in a resealable child-resistant package, these packages must also be tamper-evident and must include a unique identifier in order to identify and track the product.

- Establishes a Driving Under the Influence of Drugs Task Force to make recommendations on preventing impaired driving.

- Allows for non-storefront deliveries. These licensed retailers must maintain brick and mortar premises in order to operate.

- Allows for the co-location of medicinal and adult use cannabis businesses, but requires each licensee obtain separate licenses for each type of business.

- Exempts qualified patients, as defined under the Compassionate Use Act, from all licensing rules if they cultivate, possess, store, manufacture, or transport cannabis for their own personal use.

- Creates quality assurance compliance monitors, employed by the Bureau of Cannabis Control (Bureau), tasked with random quality assurance inspections of licensees to verify compliance with packaging and labeling standards.

- Establishes a local verification process by requiring local jurisdictions to provide to the Bureau of Cannabis Control, copies of any ordinance or regulation related to commercial cannabis activity and a contact to serve as the liaison between the locality and the Bureau.

- Allows for a temporary event license to be issued by the Bureau to county fairs or district agricultural associations only issued in local jurisdictions that authorize such events.

- Adds provisions to statute that the protection of the public shall be the highest priority for all state licensing authorities.

AB 85. Includes the May Revision estimates of $585.9 million and $688.8 million to be redirected in FY 2016-17 and FY 2017-18 respectively. Also includes the May Revision estimate of $255.6 million to be paid back to the state for the FY 2014-15 true-up.

Federal CURES Act Opioid Targeted Response Grant. Approves $44.7 million in federal funding for the Opioid Targeted Response Grant awarded to California, also known as the Medication Assisted Treatment Expansion. The project focuses on expanding medicated assisted treatment services to populations with limited access, including rural areas.

OMNIBUS HEALTH TRAILER BILL

The following items are included in the omnibus health trailer bill and have not yet been approved. The Legislature will reconvene next week to take action on remaining trailer bills.

Marriage and Family Therapists. Delays the implementation of AB 1863 (Statutes of 2016), which allows federal qualified health centers and rural health clinics to bill Medi-Cal for marriage and family therapist services. Implements the provisions of this bill no later than July 2018.

Restoration of Medi-Cal Benefits. Restores the following Medi-Cal benefits:
- Adult dental beginning January 1, 2018 - $34.8 million in FY 2017-18 and $73 million ongoing.
- Optical beginning January 1, 2020 – $12.5 million in FY 2020-21 and $26.3 million ongoing.

Diabetes Prevention Program. Provides $38,000 in FY 17-18 and $5 million ongoing General Fund to create the Diabetes Prevention Program within Medi-Cal, an evidence based, lifestyle change program designed to prevent or delay the onset of type 2 diabetes among individuals with prediabetes, to be made available no sooner than July 1, 2018.

Emergency Preparedness. Includes trailer bill language related to public health emergency preparedness and response to align statute with current practices. It allows CDPH to accept certification from a designee of the Board of Supervisors or Mayor, removes the requirement to use an interest-bearing trust fund, clarifies the timing of payments, and adjusts the baseline allocation to align with the federal appropriation.

NOT INCLUDED IN THE BUDGET

There are several items proposed either by the Administration, Legislature and/or stakeholders, not included in the budget passed by the Legislature. A few of those items are detailed below.

- California Children's Services – The Legislature rejected the delay of the implementation of the Whole Child Model as the Department of Health Care Services already has the discretion to do so. DHCS may exercise this authority without budget approval.

- 340B Drug Billing – The Legislature rejected the Administration's proposal to no longer allow the use of contract pharmacies in the 340B program in Medi-Cal.

- Child Health and Disability Prevention (CHDP) State Only – The Legislature rejected the Administration's proposal to repeal the statutory provisions for state-only services.

- CCS Medically Necessary PT/OT – The Legislature rejected the Administration's proposed trailer bill seeking to clarify that the California Children's Services (CCS) Medical Therapy Program (MTP) is only responsible for medically necessary services as determined by the CCS program and requiring the CCS appeals process to be used for disputes.

2017-18 Budget Trailer Bills of Interest	
Budget Act of 2017	AB 97
Supplemental Appropriations	AB 98
Human Services	SB 89
IHSS MOE	SB 90
Cannabis	SB 94
Health*	AB 113/SB 97
Budget Bill Jr.	AB 120
*action has not yet been taken on these bills as they must be in print for 72 hours before the Legislature can vote on them.	