



To: CHEAC General Membership

From: [Michelle Gibbons](#), Executive Director
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RE: Governor Brown Signs 2018-19 Budget

On Wednesday, Governor Jerry Brown signed his final budget, [the Budget Act of 2018 \(SB 840\)](#), while highlighting his significant accomplishment of taking the state from a \$27 billion deficit to one that continues to save for the next recession and includes significant investments for combating homelessness, protecting immigrants, and providing K-14 and higher education. Governor Brown did not veto any items in the Legislature's budget package; therefore, budget items reported in the [CHEAC Budget Memo](#) dated June 14, 2018, were included in the signed budget. Highlights from additional trailer bills not previously reported are provided below:

LOCAL GOVERNMENT: TAXATION: PROHIBITION: GROCERIES (AB 1838)

Bans the ability for local jurisdictions to impose new taxes on groceries until January 1, 2031. The bill defines groceries as raw or processed foods for human consumption and includes carbonated and noncarbonated nonalcoholic beverages, effectively banning the ability to impose taxes or fees on sodas/sugar-sweetened beverages. Local soda taxes existing prior to January 1, 2018, are grandfathered in and may be reauthorized.

The trailer bill was the result a deal negotiated by labor and the California Business Roundtable to stop the "Tax Fairness, Transparency and Accountability Act of 2018" initiative. The initiative, if passed, would require two-thirds voter approval for a local tax or fee increase and a two-thirds vote by a local electorate to place a tax on the ballot. The passage of this initiative would inhibit the ability for local governments to impose taxes or fees given the two-thirds threshold and could have a significant impact on local revenues, both existing and new. According to the high-level [analysis](#) from the Legislative Analyst's Office, roughly half of the majority-vote taxes enacted since 2012 did not receive the two-thirds vote of the electorate as the initiative would require and could result in substantial local revenue reductions in the future.

Proponents of the "Tax Fairness, Transparency and Accountability Act of 2018" [withdrew](#) the initiative after Governor Brown signed AB 1838 on Thursday.

At the time of this writing, a subsequent trailer bill – [SB 872](#) – still awaits action and further clarifies the definition of cannabis, which is excluded from the ban.

BUDGET ACT OF 2018 (Budget Bill Jr.) (SB 856)

- Appropriates \$1 billion of Proposition 56 Tobacco Tax revenue and \$1.3 billion in federal funds for supplemental payments, rate increases, and loan assistance for the provision of Medi-Cal services as follows:
 - \$500 million for supplemental payments for physician services;
 - \$210 million for supplemental payments for dental services;
 - Expands existing supplemental payments for ICF-DD to facilities providing continuous skilled nursing care;
 - Provides one-time supplemental payments for free-standing pediatric subacute facilities;
 - Increases reimbursement rates for home health providers and pediatric day health facilities in Medi-Cal Fee-for-Service
 - Requires DHCS to develop and post the supplemental payment and rate increase methodology by September 30, 2018; and
 - Allocates up to \$6 million one-time funding for Program of All-Inclusive Care for the Elderly organizations and up to \$2 million for Community Based Adult Services programs.
- Appropriates \$220 million to the Proposition 56 Medi-Cal Physicians and Dentists Loan Repayment Act for loan assistance:
 - \$190 million for recent graduate physicians; and
 - \$30 million for recent graduate dentists.

MEDI-CAL (SB 849)

- Requires the Department of Health Care Services (DHCS) to develop and administer the Proposition 56 Medi-Cal Physicians and Dentists Loan Repayment Act Program for recent graduate physicians and dentists. DHCS must develop the eligibility criteria for participation must prioritize timely access, limit geographic shortages of service, and ensure quality of care.
- Authorizes a Medical-Dental Integration Pilot in San Mateo County as part of the Medi-Cal 2020 Waiver to begin no sooner than July 1, 2019. The pilot is designed to test the impact of oral care access, quality and utilization, and medical cost impacts by the delivery of covered dental care services as a managed care benefit.

NO PLACE LIKE HOME ACT OF 2018 (AB 1827)

- Would place the No Place Like Home Act of 2018 on the November 6, 2018, ballot to become operative upon adoption by the voters.

2018-19 Budget Trailer Bills of Interest	
Budget Act of 2018	SB 840
Budget Act of 2017: Augmentation	SB 841
Medi-Cal	SB 849
Housing	SB 850
Budget Bill Jr.	SB 856
Health	AB 1810
Human Services	AB 1811
No Place Like Home Act of 2018	AB 1827
Budget Deficit Savings Account: Safety Net Reserve Fund	AB 1830
Local Government: Taxation: Prohibition: Groceries	AB 1838
<i>This chart was updated on June 29, 2018.</i>	