



To: CHEAC General Membership

From: [Michelle Gibbons](#), Executive Director
[Betsy Armstrong](#), Senior Policy Analyst
[Jack Anderson](#), Policy Analyst

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RE: Legislature Passes 2019-20 Budget Bill (AB 74)

Yesterday, the Legislature approved the Budget Act of 2019 (AB 74) to meet the June 15 constitutional deadline to pass the state budget. While the budget bill houses the expenditure plan, many of the details are housed in budget trailer bills, some of which are in print and others are forthcoming. The Legislature did not vote on any other budget-related bills yesterday, but instead will begin to act on trailer bills as early as next week, consistent with the constitutional requirement for bills in print for at least 72 hours.

At a glance, the \$214.8 billion (\$147.8 billion General Fund) spending plan brings rainy-day reserves to \$19.4 billion, including roughly \$900 million for the Safety Net Reserve. The budget also pays down the Wall of Debt and provides supplemental pension payments. The budget agreement also includes a sizeable investment of \$2.4 billion to address affordable housing and homelessness.

With respect to Governor Newsom's "Parent's Agenda," the budget provides a two-year sales and use tax exemption on menstrual hygiene products and diapers, which is estimated to reduce General Fund revenue by \$17.5 million in 2019-20 and \$35 million in subsequent years (2011 Realignment revenue would be backfilled). The budget also expands paid family leave from six to eight weeks with a goal of providing 90 percent wage replacement and invests in expanding early childhood education and childcare slots.

Governor Newsom's proposed \$140 million tax on residential, commercial and agricultural water users for statewide drinking water improvements did not make it into the final budget deal; instead, \$100 million in cap-and-trade revenues and \$30 million in General Fund was dedicated for safe drinking water initiatives.

While many of the details are yet to emerge and the health omnibus trailer bill has not yet been released, some key health items in the budget agreement include:

Full-Scope Medi-Cal Expansion for Undocumented Young Adults. Despite the push from the Legislature and stakeholder community to expand Medi-Cal to broader populations of undocumented adults, the final budget agreement reflects the Governor's proposal and

provides \$98 million (\$74.3m General Fund) to expand Medi-Cal to undocumented young adults ages 19-25. It also reflects a six-month delay in implementation, now set to occur no sooner than January 1, 2020.

AB 85. The budget does not reflect any modifications to the current AB 85 redirections for CMSP counties and non-formula/non-CMSP counties (Placer, Sacramento, Santa Barbara, and Stanislaus). Recall, in January, Governor Newsom proposed to change the current redirection of 1991 health realignment revenues from 60 to 75 percent. CHEAC partnered with CSAC and other county affiliate organizations to oppose the increased redirection and was pleased that the Administration withdrew those proposals. As such, the current redirection of 60 percent will remain.

Alternatively, two changes related to AB 85 were included in the final budget; 1) Yolo County, a CMSP county that was not reflected as CMSP under the AB 85 calculation, has been reclassified as a CMSP county; and 2) 1991 realignment revenues to CMSP Board will be withheld until the Board's reserve level reaches two years of operating expenses.

Individual Mandate and Subsidies. The budget agreement institutes a state-level individual health insurance coverage mandate with a financial penalty on individuals opting not to carry insurance coverage. In addition, it dedicates penalty revenue and \$450 million General Fund to provide premium assistance subsidies for individuals with incomes between 400 and 600 percent of the federal poverty level (FPL) as well as reduce out-of-pocket premiums for those with incomes under 138 percent of the FPL.

Medi-Cal Optional Benefits. The budget provides \$17.4 million General Fund in 2019-20 and \$40.5 million ongoing to restore audiology, incontinence creams/washes, optical, podiatry, and speech therapy as optional benefits in the Medi-Cal program.

Infectious Disease Funding. The budget provides \$40 million General Fund one-time to the California Department of Public Health (CDPH) infectious disease prevention and control activities. Of the total amount, local health departments must be allocated at least \$35 million, tribal communities must be allocated up to \$1 million, and CDPH would retain \$4 million for state administrative costs. Funds must be provided to local health departments in a lump sum amount in the 2019-20 fiscal year and are available for encumbrance or expenditure until June 30, 2023.

CDPH is required to consult with CHEAC, CCLHO, community-based organizations, and other stakeholders to determine a funding allocation methodology based on factors that may include disease burden, population impact, and geographical area. Allocations must balance the need to spread funding to as many jurisdictions as possible and the need to provide meaningful services.

As you may recall, CHEAC and HOAC partnered this year on a joint budget request for \$50 million ongoing for communicable disease infrastructure funding at the local level. As a result of that advocacy, the Governor included the proposal to provide \$40 million one-time funding for infectious diseases in his [May Revision](#). CHEAC quickly pivoted our focus to advocating for this funding while maintaining flexibility at the local level, and we are pleased to report its inclusion in the final budget agreement.

STD, HIV, and HCV Prevention Funding. Provides \$5 million General Fund each to support prevention and control activities related to sexually transmitted diseases (STDs), HIV, and Hepatitis C, for a total of \$15 million General Fund. CDPH may use 10 percent (\$1.5 million total) to support state-level prevention and control activities. These appropriations are ongoing until December 31, 2021. However, if the Director of Finance determines at this time that General Fund revenues are projected to exceed expenditures in FY 2021-22, funding to these activities may be extended by one year. Funds are available for encumbrance or expenditure until June 30, 2022. Additional details are expected in the budget trailer bill.

Black Infant Health. Provides \$19.5 million (\$7.5 million General Fund and \$12 million in federal reimbursement) to CDPH to support the Black Infant Health (BIH) Program. CDPH will receive \$1.8 million for state operations. Upon approval by CDPH, funds may also support the California Perinatal Equity Initiative.

California Home Visiting Program. Provides \$45.9 million (\$23 million General Fund and \$22.9 million in federal reimbursement) to CDPH for expansion of the California Home Visiting Program. Allocates \$4 million of this funding for state operations.

Alzheimer's Disease Infrastructure. Appropriates \$5 million General Fund one-time to CDPH to allocate up to six grants to local health departments to support activities consistent with the U.S. Centers for Disease Control and Prevention (CDC) Healthy Brain Initiative. Local health departments selected to receive funds must include up to two rural counties and at least one coastal county and must undertake at least one specified action(s) related to Alzheimer's disease and related dementia education and public empowerment, mobilization of public and private partnerships, ensuring a competent workforce, or monitoring data and evaluating programs. In addition, local health departments must incorporate eliminating health disparities, collaborating across multiple sectors, and leveraging public and private resources for sustained impact. Of the \$5 million, \$500,000 is available to CDPH for state operations.

Substance Use Disorder Harm Reduction Services. Provides \$15.2 million General Fund one-time to CDPH to support substance use disorder response navigator activities through grants to local health departments and community-based organizations for the purpose of supporting syringe exchange and disposal program activities, including treatment navigators. Of the \$15.2 million, \$2.6 million is available to CDPH for state operations.

Asthma Mitigation Project. Appropriates \$15 million General Fund one-time to the Department of Health Care Services (DHCS) to fund local health departments or community-based organizations to offer environmental mitigation, education, and disease management services to individuals with moderate to severe asthma. The allocations and grants will be determined by DHCS.

Whole Person Care Housing Services. Provides \$100 million General Fund one-time to DHCS for the Whole Person Care Pilot Program (or a successor program) to provide supportive housing services, including, but not limited to, rental subsidies. Funds are available for expenditure until June 30, 2025, and funding shall be prioritized for individuals with mental illness who are also homeless or at risk of becoming homeless. Programs may seek approval from DHCS to provide supportive housing services to additional at-risk populations. DHCS will develop a funding methodology for the distribution of funds.

Additionally, \$20 million General Fund one-time is allocated to DHCS to provide funds to counties not already participating in Whole Person Care for the development and implementation of programs to focus on coordinating health, behavioral health with a mental health or substance use disorder, and critical social services such as housing. Funds are available for encumbrance or expenditure until June 30, 2025.

IHSS 1991 Realignment Diversion. The final budget agreement maintains that 1991 Health, Mental Health, and CMSP Vehicle License Fee (VLF) growth will no longer be diverted to the Social Services Subaccount beginning in FY 2019-20.

Managed Care Organization (MCO) Tax. The Administration and Legislature reached a compromise regarding the MCO tax, which had been a point of contention throughout the budget process. The Administration did not include the MCO tax in either of their budget proposals, citing concerns around approval given other federal negotiations on the horizon, such as the waiver renewal process. The Legislature however, remained concerned about the loss of \$1.5 billion in revenue that the MCO tax generates. The budget agreement authorizes the renewal of the MCO tax but does not incorporate projected revenue from the tax pending federal approval.

Next Steps. The Budget Act (AB 74), now heads to Governor Gavin Newsom where he will act on the measure ahead of the beginning of the new fiscal year on Monday, July 1. CHEAC will continue to provide updates on forthcoming actions related to the budget bill and relevant trailer bills.

Questions. For questions on the items highlighted above or other budget-related inquiries, feel free to contact CHEAC Staff via email or at the CHEAC Office at (916) 327-7540.

2019-20 Budget Trailer Bills of Interest	
Budget Act of 2019	AB 74
Health	<i>Not yet in print</i>
Mental Health	AB 79/SB 79
Human Services	AB 80/SB 80
State Government	AB 82/SB 82
Taxation	AB 92/SB 92
Public Safety Omnibus	AB 94/SB 94
Emergency Telephone Users Surcharge	AB 96/SB 96
Cannabis	AB 97/SB 97
<i>This chart was updated on 6/14/19.</i>	