



To: CHEAC General Membership

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RE: 2021-22 Budget Agreement

Yesterday, after days of extended negotiations with the Newsom Administration, the California Legislature finalized the FY 2021-22 State Budget, totaling \$262.2 billion (\$196.4 billion General Fund). Recall, the Legislature on June 14 [passed AB 128 \(Ting\)](#), representing the Legislature's joint budget agreement, to meet the state constitutional deadline to pass a budget by June 15 while negotiations with the Newsom Administration remained ongoing.

The budget measures passed yesterday amend the Legislature's June 14 framework and represent a budget agreement with the Newsom Administration. Specific funding details for many investments, as set forth through budget trailer bills, are anticipated to be finalized over the coming weeks and months.

At a high level, the 2021-22 State Budget provides a record amount of \$25.2 billion in General Fund reserves, with \$4.0 billion for the Regular Reserve, \$0.9 billion in the Safety Net Reserve, \$4.5 billion in the Proposition 98 Reserve, and \$15.8 billion in the Rainy Day Fund. Notably, the budget package passed today maintains total spending levels below the state's appropriations limit, or Gann Limit, which caps the amount of tax revenues that can be appropriated by the state.

The final budget package maintains many of the significant investments identified in the Governor's May Revision and the Legislature's June 14 budget framework, including in areas of individual and small business economic relief, early care and education, homelessness, behavioral health, and aging, among other areas. \$8.1 billion in direct economic relief to residents with incomes up to \$75,000, \$1.5 billion in small business and non-profit grants, and hundreds of millions of dollars in investments for business and venue supports are included in the finalized budget agreement.

Below, we highlight investments included in the budget agreement of interest to CHEAC Members:

Public Health Funding. Recall, the Legislature included in its June 14 budget framework over \$400 million in ongoing and one-time investments in public health and health equity, including:

- \$200 million ongoing for local health department workforce and infrastructure
- \$115 million for health equity and racial justice fund
- \$35 million for public health workforce development
- \$40 million for California Department of Public Health (CDPH) planning and administration

Under the agreement reached by the Legislature and the Newsom Administration, investments in local health departments, health equity and racial justice innovation grants, and public health workforce development will be delayed for one year with a minimum of \$300 million General Fund to be allocated annually to these programs beginning in FY 2022-23. Budget trailer bill language providing more detail is anticipated to be finalized in the coming weeks.

A statement from the California Can't Wait Coalition on the agreement reached for public health infrastructure and workforce funding is [available here](#).

The FY 2021-22 budget maintains the additional public health investments, including:

- \$13 million General Fund annually, beginning in FY 2021-22, to CDPH to support programs to prevent HIV/AIDS, Hepatitis C, and sexually transmitted diseases (STDs).
- \$63.1 million General Fund in FY 2021-22 to support the second phase of the California Reducing Disparities Project.
- \$13 million in FY 2021-22 to support the Transgender Wellness and Equity Fund.
- \$3 million one-time General Fund to support the review of the state's pandemic response.
- Adopts provisional language to ensure state and federal public health investments are provided directly to all 61 local health jurisdictions, including the three city health departments.

Public Hospital Funding. The budget agreement provides \$300 million General Fund one-time to support grants to California's public hospitals and health systems to cover unreimbursed and increased health care expenditures during the COVID-19 pandemic.

California Advancing and Innovating Medi-Cal (CalAIM). The budget agreement approves funding and trailer bill to implement the state's sweeping CalAIM initiative, including establishing the CalAIM Act, providing an incentive payment program for Medi-Cal managed care plans (MCPs) for Enhanced Care Management (ECM) and In Lieu of Services (ILOS),

and authorizing funding for the population health management service and the extension of the medically tailored meals pilot project. Under the agreement, county boards of supervisors will be required to designate entities to assist county jail and juvenile inmates with submitting Medi-Cal applications.

Telehealth Services. Under the budget agreement, the Legislature will adopt trailer bill to extend telehealth services flexibilities for Medi-Cal providers established during the COVID-19 pandemic for an additional year (through December 31, 2022). DHCS will be required to convene an advisory group to provide recommendations on the ongoing use of telehealth services in Medi-Cal beyond the temporary one-year extension.

Postpartum and Doula Services. The budget agreement includes an additional \$90 million to extend Medi-Cal eligibility from 60 days to 12 months for most postpartum individuals. The budget agreement also includes funding to cover doula services in the Medi-Cal program, beginning January 1, 2022.

Undocumented Older Adults Medi-Cal Expansion. The budget agreement includes \$48 million in the first year, growing to \$1.3 billion ongoing, to expand eligibility for full-scope Medi-Cal coverage to income-eligible adults ages 50 and older, regardless of immigration status. Recall, the Governor's May Revision proposed to expand eligibility to those ages 60 and older, but the Legislature lowered the age threshold to ages 50 and older.

Medi-Cal Asset Test. The FY 2021-22 budget removes the Medi-Cal asset test for seniors, removing the "senior savings" penalty and expanding access to Medi-Cal among more income-eligible seniors.

IHSS Hours Restoration. The budget agreement permanently ends the seven percent cut in in-home care services hours for elderly and disabled residents provided through IHSS. While the cut was restored in prior years, the threat of the cut remained in place since it was included in a list of program suspensions that would have automatically taken effect in future years.

Behavioral Health. The FY 2021-22 budget adjusts various allocations made for the Children and Youth Behavioral Health Initiative, including by allocating \$10 million General Fund for implementation planning for a behavioral health services and supports platform, \$205 million for the Mental Health Student Services Act for grants to school and county behavioral health to support children and youth mental health and emotional needs, and \$100 million General Fund to the Office of Statewide Health Planning and Development (OSHPD). In total, some \$4.4 billion will be invested over the next five years to establish a new, modern, and innovative behavioral health system for youth ages 0 to 25.

The budget agreement also modifies allocations for the Behavioral Health Continuum Infrastructure Program to provide \$2.2 billion over three years to support competitive grants

to construct, acquire, and rehabilitate real estate assets to expand the community continuum of behavioral health treatment resources. Included in this allocation is \$150 million, combined with \$55 million in federal funds, to support mobile crisis support teams to assist residents experiencing a behavioral health crisis.

Adverse Childhood Experiences. The budget agreement provides \$25.5 million for public education on adverse childhood experiences and trauma to be implemented by the Office of the Surgeon General.

Alzheimer's and Related Dementias. The budget agreement includes \$17 million General Fund in FY 2021-22 to be spent over a three-year period to support various Alzheimer's Disease-related programming and services. This investment will support grants for disproportionately impacted population, a public awareness campaign, caregiver training programs, California Blue Zone grants, and a statewide standard of dementia care.

Incompetent to Stand Trial. The budget agreement allocates \$250 million to the Department of State Hospitals (DSH) to contract directly with providers or through intermediaries to provide additional capacity to treat patients found incompetent to stand trial (IST) on felony charges or to provide step-down capacity for patients not guilty by reasons of insanity or offenders with mental health disorders.

Housing and Homelessness. The FY 2021-22 budget provides significant investments in affordable housing and homelessness programs and services. These investments include \$1.75 billion to alleviate the backlog in affordable housing construction, \$300 million for the preservation of existing affordable housing, \$500 million for a Foreclosure Intervention Housing Preservation Program, \$130 million for the development, maintenance, and preservation of farmworker housing, and \$600 million for planning and implementation grants to help local governments plan for and meet housing production goals.

Roughly \$12 billion in new funding will be made available over the next two years, including funding for housing and homelessness programs administered by the California Department of Social Services (CDSS). An additional \$250 million General Fund was allocated under the budget agreement for Project Homekey, augmenting the significant federal funds allocated for these purposes in the Legislature's June 14 framework.

Nutrition Supports. The budget agreement begins expansion of state-funded nutrition benefits to those ineligible for CalFresh or the California Food Assistance Program (CFAP) due to immigration status. Automation changes to the program will begin immediately, and targeted enrollments are anticipated to begin in FY 2023-24 once automation updates are complete.

School Nutrition. The FY 2021-22 budget establishes the Universal School Meals Program, which will provide an increase in state meal reimbursements by \$54 million in FY 2021-22

and \$650 million ongoing in Proposition 98 funding beginning in FY 2022-23 to cover the costs of offering breakfast and lunch for all students.

Food Banks Support. The budget agreement provides nearly \$300 million one-time in support for California food banks to address the overwhelming demand associated with the COVID-19 pandemic.

Animal Shelters. The budget agreement passed today includes \$45 million one-time to support the UC Davis Animal Shelter Grant Program.

Fines and Fees. The budget agreement eliminates various criminal administrative fees to reduce the debt held by low-income Californians, including by providing \$151 million General Fund in FY 2021-22, \$151 million in FY 2022-23, \$130 million in FY 2023-24, and \$120 million in FY 2024-25, and ongoing to backfill revenues associated with the eliminated fees. A significant investment is also provided to the Judicial Branch to support statewide court operations related to fine and fee relief.

Cannabis. The FY 2021-22 budget will consolidate the three existing cannabis licensing entities into a newly created Department of Cannabis Control within the Business, Consumer Services, and Housing Agency.

Office of Youth and Community Restoration. The FY 2021-22 budget provides \$27.6 million General Fund in FY 2021-22 and \$7 million ongoing for the new Office of Youth and Community Restoration within the California Health and Human Services (CHHS) Agency to support the youth justice continuum in the state. Of the amounts allocated, \$20 million will be available for the Office to provide technical assistance, disseminate best practices, and issue grants to counties and probation departments for the purpose of transforming the state's juvenile justice system.

Wildfire Preparedness and Response. The budget agreement includes nearly \$1 billion in investments of General Fund and Greenhouse Gas Reduction Fund for wildfire prevention and response, including forest health and land stewardship, wildfire fuel breaks, community hardening, science-based management, and forestry sector economic supports. The Governor and Legislature will work to details of the wildfire preparedness and response package are anticipated to be finalized later as negotiations continue between the Senate, Assembly, and Governor.

Water and Drought Package. The FY 2021-22 budget appropriates approximately \$3 billion for water and drought response activities, including immediate community assistance for water and drought relief, emergency drought water-use efficiency, sustainable groundwater management, water quality, and utility relief. Details of the water and drought package are still being finalized through negotiations with the Senate, Assembly, and Governor.

Climate Resilience. The FY 2021-22 Budget Act includes an approximately \$3.7 billion Climate Resiliency Package for various investments in regional climate resilience, urban climate resilience, watershed protection, agriculture and food supply resilience, and coastal protection. Details of the climate package are still being finalized through continued negotiations between the Senate, Assembly, and Governor.

Broadband. The budget agreement appropriates \$6 billion over a multiyear period for statewide broadband infrastructure and improved broadband access, including \$3.75 billion for middle-mile infrastructure in underserved communities. Details for the investments are still being finalized through ongoing negotiations between the Senate, Assembly, and Governor.

Next Steps. With the passage of the Budget Bill Jr. ([SB 129](#)), the state’s budget framework for the upcoming fiscal year is now on the desk of Governor Gavin Newsom, where he is expected to sign the measure into law. The Legislature and Newsom Administration will continue negotiations to finalize investment details on many high-level investments included in the budget agreement. 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 your CHEAC Staff via email.

Resources.

Assembly Budget Summary:

<https://abgt.assembly.ca.gov/sites/abgt.assembly.ca.gov/files/Floor%20Report%20of%20the%202021-22%20Budget%20-%20%28June%2028%2C%202021%20Version%29%20v2.pdf>

Senate Budget Summary:

<https://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/June%2028th%20Package%20Highlights%20Final.pdf>

2021-22 Budget Bills of Interest	
Budget Act of 2021	AB 128
Amendment to the Budget Act of 2021 (Budget Bill Jr.)	SB 129
Golden State Stimulus II	SB 139
Budget Act of 2020: Supplemental Appropriations Bill	SB 147
Health	AB 133/SB 133
<i>Updates as of June 29, 2021</i>	