



To: CHEAC General Membership

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RE: Governor's 2022-23 Budget Proposal

Today, Governor Gavin Newsom unveiled his \$286.4 billion (\$213.1 billion General Fund) budget plan for 2022-23, reflecting a 9.1 percent total budget increase over last year and 1.5 percent General Fund increase over last year. The budget estimates a \$45.7 billion surplus, with \$20.6 billion in discretionary surplus after meeting Proposition 98 K-14 education (\$16.1 billion) and reserve deposits and supplemental pension payments (\$9 billion) obligations. The Administration's discretionary surplus differs from the \$31 billion estimate from the Legislative Analyst's Office, a difference the Department of Finance attributes to their respective corporate tax revenue forecasts.

Budget reflects \$34.6 billion in budget reserves that include:

- \$20.9 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund), bringing the account to its constitutional maximum, requiring \$2.4 billion to be dedicated to infrastructure investments;
- \$9.7 billion in the Public School System Stabilization Account;
- \$900 million in the Safety Net Reserve; and
- \$3.1 billion in the state's operating reserve.

The Administration projects the State Appropriations Limit (Gann Limit) will be exceeded by \$2.6 billion. It's important to note that if revenues exceed the limit over a two-year period – which the Governor's budget projects – the excess must be used to support K-14 education and return money to taxpayers. A quick overview of the Gann Limit can be found [here](#).

The Governor's budget blueprint highlights five [focus areas](#): 1) Fighting COVID-19 with Science; 2) Combating the Climate Crisis; 3) Confronting Homelessness; 4) Tackling the Cost of Living; and 5) Keeping our Streets Safe.

Specific investments of interest to local health departments are highlighted below.

**Public Health Infrastructure.** The Governor's budget proposal includes \$300 million ongoing General Fund for public health infrastructure beginning in FY 2022-23, keeping with the agreement reached with the Legislature last year. Recall, the California Can't Wait Coalition, led by CHEAC, SEIU and HOAC, fiercely advocated for \$200 million in ongoing funding for local health departments. CHEAC is pleased to report the Governor's proposal includes:

- **\$200 million to Local Health Departments** – Funding would support local health departments to enhance their public health infrastructure.

- Funding should broadly support the following, in addition to local investment areas:
  - Strengthen local health department staffing and strengthen priority areas identified during the pandemic.
  - Standardize the collection and integration of data to develop actionable information to guide local decision-making.
  - Expand local partnerships with health care delivery systems and community-based organizations, including faith-based organizations, to drive system change.
- Allocation: LHDs would receive a base allocation of \$350,000. The remaining funds would be distributed as follows:
  - 50 percent – LHJ population
  - 25 percent – race and ethnicity
  - 25 percent – poverty
- **\$100 million State Operations Funding** – Funding would be used to strengthen statewide public health infrastructure. Investment areas include:
  - Establishing an Office of Policy and Planning to conduct strategic planning and execution to address current and emerging public health threats.
  - Increasing resources for emergency preparedness, building on the all-hazards approach to improve capability.
  - Increasing resources to support the expansion of the health care workforce.
  - Enhancing communication and public education to effectively disseminate information and combat disinformation.
  - Directing efforts towards community health improvement and population health management to improve physical and mental health by addressing health behaviors, health factors, reducing health disparities, and focus on community-wide prevention and resiliency.
  - Building an organizational culture focused on health equity, accountability, and community quality improvement, with a focus on establishing clear and quantifiable performance targets for public health initiatives.

The California Can't Wait Coalition [applauds](#) the Governor for keeping this agreement with the Legislature.

**Future of Public Health Memo.** While not directly tied to today's budget release, it is worth noting that the California Department of Public Health (CDPH) released their Future of Public Health Workgroup Memo outlining investments and capabilities needed for the future public health system. The memo can be viewed [here](#).

**Public Health Information Technology and Data Systems.** In addition to the \$300 million highlighted above, the Governor's budget proposes to provide funding to maintain and operate technology and data platforms and applications that were created and modified during the pandemic. They note these systems are critical and essential for CDPH and local health departments to effectively track and gather data on COVID-19 and other infectious diseases, perform contact tracing, and efficiently administer vaccines, testing, and deploy personnel. The proposal includes 130 positions and \$235.2 million General Fund in 2022-23, 140 positions and \$156.1 million General Fund in 2023-24, and \$61.8 million General Fund in 2024-25 and ongoing.

**COVID-19 Emergency Response Package.** Amid historic surges in COVID-19 cases in California in large part due to the omicron variant, Governor Newsom on Saturday [unveiled](#) a

[\\$2.7 billion COVID-19 emergency response package](#) to support testing, vaccination, and frontline workers. The package includes a \$1.4 billion emergency appropriations request of the Legislature to address the latest COVID-19 surge. The total proposed investment includes:

- **\$1.2 Billion to Bolster Testing** – The Governor proposes a \$1.2 billion investment to expand hours and capacity at existing testing sites, distribute COVID-19 antigen tests to local health departments, community clinics, and schools. The investment is also intended to support the state's testing facilities, including specimen collection, and testing of congregate populations.

CHEAC was pleased to see additional antigen tests will be distributed to LHDs. In addition, CHEAC confirmed that with these resources, the state would support additional staffing to local health departments for testing. LHDs are encouraged to request those additional resources through the MHOAC now.

- **\$583 Million to Promote Vaccines and Combat Misinformation** – This investment is intended to continue the “Vaccinate All 58” public education campaign and build vaccine confidence while combatting vaccine misinformation. As a part of the investment, the state will continue direct community outreach and appointment assistance, in-home vaccination, and free transportation to vaccination appointments.
- **\$614 Million to Support Frontline Workers** – Governor Newsom proposes \$614 million to support distribution of critical personnel resources for health care systems throughout the state as facilities work to deliver patient care amid the COVID-19 surge.
- **\$200 Million to Support State Operations** – A \$200 million investment is proposed to enhance the state's emergency response and public health capacities, including staffing and information technology at the CDPH, Office of Emergency Services (OES), and Emergency Medical Services Authority (EMSA).
- **\$110 Million to Support Contact Tracing** – The Governor proposes \$110 million to increase public health and humanitarian efforts at the California-Mexico border, including vaccinations and testing, as well as expanded statewide contact tracing activities.

CHEAC [applauds](#) the Governor's proposed investment at this pivotal time against California's fight against COVID-19, which will ultimately help save Californians' lives.

**COVID-19 Pandemic Response.** The Newsom Administration notes the historic nature of the COVID-19 pandemic and its associated impacts on state residents. The Governor's proposed budget highlights funding dedicated to the state's COVID-19 pandemic response, including through Federal Emergency Management Agency (FEMA) public assistance, Coronavirus Relief Funds, and other federal grants. The Administration included the following chart of selected federal public health grants awarded to the state and local health departments to support COVID-19 response:

**Selected Federal Public Health Grants Since March 2020**

<b>Grant</b>	<b>Recipient</b>	<b>Award Amount (In Millions)</b>
Epidemiology and Laboratory Capacity Grants	State	\$213
Epidemiology and Laboratory Capacity Grants, Local Share	Los Angeles County	\$291
Epidemiology and Laboratory Capacity Grants, Local Share	State Allocation to Local	\$286
Epidemiology and Laboratory Capacity Grants	State	\$509
Epidemiology and Laboratory Capacity Grants	Los Angeles County	\$578
Epidemiology and Laboratory Capacity Grants	State Allocation to Local	\$1,188
Vaccine Preparedness Grants	State	\$179
Vaccine Preparedness Grants	State Allocation to Local	\$179
School Testing Grants	Los Angeles County	\$302
	<b>TOTAL STATE</b>	<b>\$900</b>
	<b>TOTAL LOCAL (INCLUDING LA)</b>	<b>\$2,823</b>
	<b>TOTAL</b>	<b>\$3,723</b>
<b>Other Health-Related American Rescue Plan Act Grants</b>		
<b>Grant</b>	<b>Recipient</b>	<b>Award Amount (In Millions)</b>
School Testing Grants	State	\$888
Vaccine Preparedness Grants	State	\$179
Vaccine Preparedness Grants	State Allocation to Local	\$179
	<b>GRAND TOTAL</b>	<b>\$4,968</b>

The Newsom Administration updated its COVID-19 budget estimate by including \$1.2 billion in anticipated expenses through the spring in the form of an early action request to support testing and laboratory functions, vaccinations, contact tracing, medical surge staffing, and state operations. The Administration reflects \$1.2 billion in projected costs in 2022-23 across the same expenditure areas. The Governor's budget additionally notes that CDPH may reallocate unspent or unused resources, including prior year carryover funds and unspent federal grant funds, to meet the entire budget year need.

**COVID-19 Email Distribution List.** The Governor's budget includes an increase of \$307,000 General Fund in state operations to fully comply with requirements included in SB 336 (Chapter 487, Statutes of 2021) to operate and maintain an email distribution list to notify organizations, communities, nonprofits, and individuals of changes to COVID-19 public health orders.

**Non-Profit Hospital Community Benefit Funding for Community-Based Organizations (CBOs).** The Governor's budget proposes to support community-based-organizations focused on public health efforts through requiring non-profit hospitals to direct 25 percent of their community benefit dollars to advance equity and reduce disparities in health outcomes. The budget proposal tasks the Department of Health Care Access and Information (HCAI) with enforcement authority over this requirement. An estimate of what 25 percent of the benefit would be was not outlined in the budget summary. CHEAC will provide an update as additional details are provided.

**Office of Community Partnerships and Strategic Communications.** The Governor's budget proposal provides \$65 million ongoing General Fund to create the Office of Community Partnerships and Strategic Communications within the Office of Planning and Research. The office would formalize and leverage the infrastructure and work of the Census 2020 and COVID-19 public awareness and community engagement campaigns. The office will work in partnership with agencies and local community-based organizations and other partners statewide to engage Californians experiencing the greatest health and social inequities with culturally competent and relevant information.

**Child Health and Disability Prevention Program (CHDP).** The Governor's budget proposes to transition CHDP responsibilities away from local health departments to managed care plans. This change would sunset local CHDP programs on July 1, 2023. To replace the CHDP Gateway, the Department of Health Care Services (DHCS) will implement the Children's Presumptive Eligibility Program to allow applicable Medi-Cal providers to enroll children into Medi-Cal through the presumptive eligibility process.

According to DHCS, the proposal would continue activities performed by CHDP counties under the Childhood Lead Poisoning Prevention Program and continues the Health Care Program for Children in Foster Care. The department also states that the majority of children will be enrolled through a managed care plan, therefore the proposal reduces administration complexities and enhances care coordination and standardization by consolidating care responsibilities for children/youth under the Medi-Cal managed care plans. CHEAC recognizes the concerns local health departments expressed with previous attempts to eliminate the CHDP program and will engage the Administration to better understand the proposal and elevate local health department impacts.

**Home Visiting Services.** The Governor's budget provides \$50 million ongoing General Fund to the CDPH to expand the California Home Visiting Program (CHVP) and the California Black Infant Health Program (BIH). For CHVP, the budget proposes an increase of 19.75 positions, \$3.75 million General Fund for state operations, and \$33.75 million General Fund for local assistance. For BIH, the budget proposes an increase of 7.25 positions, \$1.25 million for state operations, and \$11.25 million for local assistance.

According to the Administration, the increased investment is anticipated to serve approximately 6,000 additional families over five years on top of the 3,700 currently served by CHVP and the 1,650 by the BIH Program. The budget additionally proposes greater flexibility for home visiting models offered to meet the need of families statewide, expands home visiting services to additional counties, and makes services accessible to families with the highest needs.

**Maternal Care Services.** The Governor's budget proposes an increase of 16 positions and \$5.5 million General Fund for state operations to support initiatives aimed at improving maternal and infant health outcomes in California. This investment is consistent with the requirements of SB 65 (Chapter 449, Statutes of 2021).

**Women, Infants, and Children (WIC) Program.** The Governor's budget reflects a decrease of \$81.1 million in local assistance in 2021-22. This decrease includes \$86.2 million in the Federal Trust Fund and an increase of \$5.1 million in the WIC Manufacturer Rebate Fund. The total decrease is due to lower than projected past year food expenditures which serve as the base for current year estimates. Slight participation decreases and a decreasing food inflation rate also contributed to the decrease in local assistance.

For 2022-23, the Governor's budget estimates a decrease of \$187.4 million in local assistance. This includes a decrease of \$180.4 million in the Federal Trust Fund and a decrease of \$7 million in the WIC Manufacturer Rebate Fund. The total net decrease is due to lower than projected past year expenditures, a decrease in food inflation, a decline in current and budget year participation projections, and the elimination of the temporary increase in the fruits and vegetables benefit.

**Sexually Transmitted Disease Testing.** The Governor's proposed budget reflects an ongoing increase of three positions and \$475,000 General Fund in state operations to manage increased workload associated with the requirements of SB 306 (Chapter 486, Statutes of 2021) which allows HIV test counselors to perform any HIV, hepatitis C virus (HCV), or other STD test that is CLIA-waived.

**Workforce.** The Governor proposes a number of workforce investments, including \$1.5 billion Proposition 98 General Fund to support the development of college and career pathways focused on health, education, technology, and climate-related fields and roughly \$125 million General Fund for workforce investments with a climate change focus.

The budget also proposes \$1.7 billion to expand the state's health and human services workforce. Proposals are outlined in the chart below:

Subject Area	Investment	Description
Community Health Workers	\$350 million General Fund	Recruit, train, and certify 25,000 community health workers by 2025, with specialty certifications in areas that include climate health, homelessness, and dementia.
High Road Training Partnerships	\$340 million General Fund	Training and career advancement programs for people with barriers to employment. Funding supports collaborations and training programs among CBOs, local workforce boards, labor unions, educational institutions, and employers to build partnerships and pathways into health care jobs.
Comprehensive Nursing Initiative	\$270 million General Fund	To increase the number of registered nurses, licensed vocational nurses, certified nursing assistants, certified nurse midwives, certified medical assistances, family nurse practitioners, and other health care professions.
Expanding Social Workers	\$210 million General Fund	Support social work training programs and provide stipends and scholarships to create a pipeline of diverse social workers.
English Language Learners	\$130 million one-time Proposition 98 General Fund	Support healthcare-focused vocational pathways for English language learners.
Psychiatric Resident Program	\$120 million General Fund	Create training positions for psychiatric residents, psychiatric mental health nurse practitioners, psychology interns/fellows, and psychiatric nurses.
Healthcare Workforce Advancement Fund	\$90 million General Fund	Support job entry and career advancement for entry-level and other workers in health and human service settings with \$40 million intended for social worker training.



Multilingual Health Initiatives	\$60 million General Fund	To expand scholarships and loan repayment programs in healthcare and social work for multilingual applicants.
Emergency Medical Services Corps	\$60 million General Fund	To expand emergency medical technicians in partnership with local public health systems and their contracted emergency medical providers.
Opioid Treatment	\$26 million	To train providers to build out the substance use disorder workforce with a focus on opioid treatment. Funding to increase the number of licensed clinicians and provide supportive employment services to people with SUD issues to transition them into ongoing employment.
Clinical Infrastructure: Reproductive Health	\$20 million one-time General Fund	Support clinical infrastructure for reproductive health care services by providing scholarships and loan repayments to health care providers currently providing reproductive health care services.
Indian Health Program Grant Restoration	\$12 million one-time General Fund	Funds for tribal health programs to promote the retention of the health care workforce that serves these programs and decrease the health disparities of Native Americans.
Workforce Council for Health Care Training	\$3 million General Fund	To research health care shortages and support research on best practices and strategies to build a diverse, culturally competent workforce to build the health care workforce.

**1991 Realignment.** The Governor's budget projects state sales tax and vehicle license fees to increase by 6.4 percent from 2020-21 to 2021-22 and 3.9 percent from 2021-22 to 2022-23. 1991 Realignment estimates included in the Governor's budget proposal can be viewed [here](#).

**AB 85 1991 Realignment Diversions.** The Governor's 2022-23 budget proposal estimates \$595.6 million will be redirected in 2022-23. The Governor's proposal also estimates a net true-up for 2019-20 of \$206.7 million, which includes roughly \$13.7 million owed to counties and \$220.4 million owed back to the State.

As a brief background, after the passage of the Affordable Care Act and Medi-Cal expansion, the State anticipated counties would be spending less on indigent care, given more individuals would qualify for insurance through Medi-Cal or Covered California. Under this assumption, the State enacted AB 85 (Chapter 24, Statutes of 2013), which diverted health realignment dollars from the counties to the State. The State diverted either: 1) 60 percent of health realignment funding received in a given year; or 2) a specified amount of health realignment funding based on a formula that considered county revenues and costs. The State estimates the redirection in the Governor's January budget proposal and updates those revisions in the May Revise.

AB 85 includes a true-up mechanism two years after the close of the fiscal year to determine what the actual county diversion should have been, based on updated county data.

The county-by-county FY 2022-23 interim redirection figures are available [here](#). The county-by-county FY 2019-20 redirection summary is available [here](#).

**Medi-Cal.** The state's Medi-Cal budget is \$123.8 billion (\$26.8 billion General Fund) in 2021-22 and \$132.7 billion (\$34.9 billion General Fund) in 2022-23. The Governor's budget assumes Medi-Cal caseload will increase by approximately 8.3 percent from 2020-21 to 2021-22 and decrease by three percent from 2021-22 to 2022-23. The average monthly Medi-Cal caseload is projected at 14.6 million beneficiaries in 2021-22 and 14.2 million in 2022-23. The state projects Medi-Cal caseload to peak at 15.2 million in July 2022. The Governor's budget includes \$10.5 billion total funds (\$2.9 billion General Fund) in 2021-22 and \$10 billion total funds (\$2.8 billion General Fund) in 2022-23 for caseload attributable to the COVID-19 pandemic.

For 2021-22, the Governor's budget reflects lower Medi-Cal expenditures of approximately \$1.1 billion General Fund compared to the 2021 Budget Act. According to the Newsom Administration, the decrease is largely due to projected savings associated with continued enhanced FMAP through the end of the fiscal year versus the assumed calendar year. Shifts in funding for the Behavioral Health Continuum Infrastructure Program and the Children and Youth Behavioral Health Initiative also provided savings for 2021-22. Reduced General Fund costs are partially offset by increased costs associated with COVID-19 caseload and state-only claiming adjustments.

The Governor's budget anticipates Medi-Cal expenditures in 2022-23 of \$34.9 billion General Fund, representing an increase of \$8 billion General Fund compared with revised 2021-22 expenditures. The increase is attributable to enhanced FMAP assumed to no longer be available in 2022-23, COVID-19-related impacts, funding shifts for behavioral health, funding for housing supports, and state-only claiming adjustments.

**California Advancing and Innovating Medi-Cal (CalAIM).** Recall, California recently [secured approval](#) from the Centers for Medicare & Medicaid Services (CMS) to implement its sweeping initiative to transform the state's Medi-Cal program. The Governor's proposed budget includes \$1.2 billion (\$435.5 million General Fund) in 2021-22, \$2.8 billion (\$982.6 million General Fund) in 2022-23, \$2.4 billion (\$876.4 million General Fund) in 2023-24, and \$1.6 billion (\$500 million General Fund) in 2024-25 for CalAIM. Specific components of CalAIM are detailed below:

- **Justice-Involved Activities** – CalAIM justice-involved initiatives aim to support individuals by providing key services prior to their release from correctional settings, including enrolling them in Medi-Cal coverage and connecting them with behavioral health, social services, and other providers to support their reentry. The proposed DHCS budget includes \$50 million total funds (\$16 million General Fund) in 2022-23 to implement CalAIM justice-involved initiatives. Funding is anticipated to support capacity building, technical assistance, collaboration, and planning activities. Funding is additionally included to support services and administrative costs associated with these initiatives beginning in January 2023. DHCS will also be proposing trailer bill language to extend the duration of suspension of Medicaid benefits when an individual is incarcerated.
- **Providing Access and Transforming Health (PATH)** – PATH is intended to provide funding to counties, local providers, and community-based organizations to support capacity building as entities begin to implement and scale Enhanced Care Management (ECM) and Community Supports as part of the CalAIM program. PATH will also support



justice-involved adults and youth by sustaining pre- and post-release services. The Newsom Administration proposes \$1.3 billion total funds over five years to support ECM and Community Supports and \$561 million total funds over five years to support implementation of CalAIM justice-involved individuals, described above.

**Medi-Cal Expansion to All Income-Eligible Residents.** The Governor's budget proposes to build on previous eligibility expansions in the Medi-Cal program by including \$819.3 million (\$613.5 million General Fund) in 2023-24 and \$2.7 billion (\$2.2 billion General Fund) annually, inclusive of In-Home Supportive Services (IHSS), at full implementation to expand full-scope eligibility to all income-eligible adults ages 26 through 49 regardless of immigration status. The Newsom Administration anticipates expanding coverage to over 700,000 undocumented adults and proposes implementation beginning no sooner than January 1, 2024.

**Undocumented Older Adult Medi-Cal Coverage.** The Governor's budget updates its 2021-22 estimates of \$54 million (\$43.1 million General Fund) and proposes \$660.9 million (\$567.1 million General Fund) in 2022-23 for the full year of costs of expanding full-scope Medi-Cal coverage to older adults ages 50 and older regardless of immigration status, effective May 1, 2022. Recall, this policy change was included in the 2021 Budget Act.

**Medi-Cal Provider Equity Payments.** The Newsom Administration notes that a significant decline in preventive and routine care has occurred during the COVID-19 pandemic with disparate impacts among communities of color and other disadvantaged populations. To promote patient-centered models of care, the Governor proposes \$400 million one-time (\$200 million General Fund) for Medi-Cal provider payments focused on advancing equity and improving quality of care in children's preventive, maternity, and integrated behavioral health services.

**Medi-Cal Premium Reductions.** The Newsom Administration proposes to reduce the financial burden of paying for health care coverage for approximately 500,000 Medi-Cal enrollees who currently pay monthly coverage premiums. The budget proposes \$53.2 million (\$18.9 million General Fund) in 2022-23 and \$89 million (\$31 million General Fund) annually to reduce premiums for beneficiaries, including pregnant women, children, and disabled working adults.

**Medi-Cal Asset Disregard.** The Governor's budget includes \$200.7 million (\$93.4 million General Fund) in 2022-23 to phase-in elimination of the Medi-Cal asset limit no sooner than January 1, 2022. The asset limit will be fully eliminated no sooner than January 1, 2024, with an annual cost of \$434.7 million (\$201.3 million General Fund) ongoing. Recall, this policy change was included in the 2021 Budget Act.

**Office of Health Care Affordability.** The Newsom Administration maintains its intent to establish a \$30 million Office of Health Care Affordability within the HCAI to address underlying cost drivers and improve affordability of health coverage in California. The Office will be tasked with increasing transparency on cost and quality, developing cost targets for the health care industry, enforcing compliance through financial penalties, and improving market oversight of transactions. Recall, the Office was included in last year's January budget, and the Governor's budget proposes to reappropriate funding for the Office originally included in the 2021 Budget Act and offers other statutory changes for its establishment.

**Cigarette Taxes.** The Governor's budget provides an overview of California's cigarette taxes. The chart provided below delineates the distribution of current tobacco tax revenues to the General Fund and the various special funds (including Proposition 99 and Proposition 10):

**Tobacco Tax Revenue**  
 (Dollars in Millions)

	2020-21 Actual	2021-22 Forecast	2022-23 Forecast
General Fund	\$59.8	\$57.9	\$51.0
Cigarette and Tobacco Products Surtax Fund	212.4	222.7	190.1
Breast Cancer Fund	11.9	11.5	10.1
California Children and Families First Trust Fund	333.3	332.7	289.6
California Healthcare, Research and Prevention Tobacco Tax Act of 2016	1,344.3	1,330.6	1,158.4
California Electronic Cigarette Excise Tax Fund			28.8
<b>Total</b>	<b>\$1,961.7</b>	<b>\$1,955.4</b>	<b>\$1,728.2</b>

**SB 395.** Recall, last year SB 395 was signed into law and will implement an additional 12.5 percent retail tax on the sale of electronic cigarettes and nicotine, beginning July 1, 2022. Revenues are estimated to be \$29 million in 2022-23. Local health department tobacco control and prevention programs would receive a portion of those funds. Additional details will be forthcoming.

**Proposition 99 Health Education Account.** The Governor's budget reflects a decrease of \$10.4 million in Proposition 99 Health Education Account for state operations and a decrease of \$1.4 million Proposition 99 Health Education Account for local assistance as a result of updated revenue projections. The decrease includes \$2.4 million in state administration, \$2.5 million in media campaign, \$2 million for evaluation, and \$4.9 million in competitive grants (\$3.4 million in state operations and \$1.4 million in local assistance).

**Proposition 56 State Dental Program Account.** The Governor's budget reflects an increase of \$3.9 million in Tobacco Prevention and Control Programs Account for state operations and an increase of \$17.4 million in Tobacco Prevention and Control Programs for local assistance as a result of updated revenue projections. This increase includes \$5.4 million in media campaign, \$2.2 million in state administration, \$6.3 million in competitive grants (a decrease of \$3.2 million in state operations and an increase of \$9.5 million in local assistance), a \$1 million decrease in evaluations, and an \$8.4 million increase in local assistance for local lead agencies.

**Proposition 56 Provider Payments.** As noted above, Proposition 56 revenues continue to decline as the rate of tobacco use declines statewide. For 2022-23, Medi-Cal supplemental payments funded by Proposition 56 are projected to exceed revenues by \$176 million. To maintain the enhanced level of reimbursement to providers, the Governor proposes to backfill the \$176 million difference with state General Fund. The Administration additionally proposes to fully transition Proposition 56 payments to ongoing rate increases supported by the General Fund beginning in 2022-23. Payments include ACEs screenings, AIDS waiver, home health services, and non-emergency medical transportation, among others.

**AB 97 Provider Rate Reductions.** Recall, AB 97 (Chapter 3, Statutes of 2011) required the DHCS to reduce most Medi-Cal provider payments by 10 percent. Subsequent budget acts over the years have rescinded many of the AB 97 provider payment reductions. The Governor's budget proposes to rescind AB 97 provider rate reductions for eight provider types based on COVID-19 pandemic impacts and DHCS quality and equity goals.

Provider types include nurses of all types, alternative birthing centers, audiologists and hearing aid dispensers, respiratory care providers, select durable medical equipment providers, chronic dialysis clinics, non-emergency medication transportation providers, and emergency medical air transportation providers. To support these rescinded reductions, the Governor proposes fee-for-service costs of \$20.2 million (\$9 million General Fund) in 2022-23 and \$24 million (\$10.7 million General Fund) annually thereafter.

**Insulin Costs.** The Newsom Administration announced its intent to continue to work on plans to increase the availability of insulin that is priced at a fraction of current market prices. During the Governor's press conference, the Governor hinted that the state is exploring a partnership with an insulin manufacturer to produce its own drug. The Administration indicates more details will be forthcoming, including exploring other high-priority drugs.

**ACEs Provider Training.** The Governor's proposed budget includes a one-time investment of \$135.1 million (\$67.6 million Mental Health Services Fund, remainder is federal funds) over a three-year period to extend Medi-Cal provider training for adverse childhood experiences (ACEs) screenings.

**Dental Managed Care.** The Newsom Administration proposes to extend dental managed care contracts and reprocure new contracts no sooner than January 1, 2024.

**Reproductive Health Services.** The Newsom Administration proposes a series of investments related to reproductive health services. The Governor's budget proposes to modify existing Medi-Cal billing arrangements to remove requirements for certain in-person follow-up visits and ultrasounds, as well as an \$8 million (\$4.6 million General Fund) investment in 2022-23 and ongoing to add the human papillomavirus (HPV) vaccine as a covered benefit under the Family Planning, Access, Care and Treatment (PACT) program, effective July 1, 2022.

The Administration additionally proposes a one-time \$20 million General Fund investment to provide scholarships and loan repayments for reproductive health care providers, a one-time \$20 million grant funding to assist reproductive health facilities in bolstering physical and information technology infrastructure and enhance facility security, and \$20 million General Fund in 2022-23 to Covered California to cover the one-dollar premium subsidy program for abortion coverage.

**Medi-Cal Community-Based Mobile Crisis Services.** Recall, ARPA authorizes 85-percent federal matching funds for a Medicaid mobile crisis response services benefit, over a five-year period beginning April 1, 2022. Under the Governor's budget, DHCS proposes to add multi-disciplinary mobile response services for crises related to mental health and substance use disorders as a new Medi-Cal benefit as soon as January 1, 2023. According to the Administration, the total costs of the new benefit are projected to be \$1.4 billion (\$335 million General Fund) over the five-year period authorized by ARPA.

**9-8-8 Behavioral Health Crisis Hotline.** The Governor's budget proposes \$7.5 million General Fund (\$6 million ongoing) and 10 positions statewide to implement a new federally mandated 9-8-8 call system to improve accessibility of services for individuals experiencing a behavioral or mental health crisis. Callers to 9-8-8 will be directed to one of the 13 existing Lifeline Call Centers throughout the state. The Administration includes funding for call handling equipment to process additional 9-8-8 calls and coordinate transfer calls between the 9-8-8 and 9-1-1 systems. The California Health and Human Services Agency (CalHHS) this year will develop a plan to support connections between prevention efforts, including warm lines, peer support services, and local mobile crisis response teams.

**Opioid Response.** In response to increasing overdose events and deaths related to synthetic opioids and psychostimulants, the Governor's budget proposes \$96 million General Fund in 2022-23 and \$61 million ongoing General Fund for the Medication Assisted Treatment (MAT) Expansion Project. Additional MAT resources are proposed to be targeted toward expanding naloxone distribution, supporting 100 new MAT access points throughout the state, expanding MAT in county jails, and increasing MAT services in state-licensed facilities.

The budget additionally includes one-time \$86 million opioid settlement funds to support various opioid-related prevention and response activities. This investment includes \$50 million for a public awareness campaign targeted toward youth opioid education and awareness and fentanyl risk education, \$5 million to CDPH to improve the state's ability to collect and analyze data on opioid overdose trends, \$26 million to HCAI for provider training on opioid treatment, and \$5 million to DHCS to distribute naloxone to homeless service providers.

**Aging and Older Adult Services.** The Newsom Administration proposes a series of investments to support California's growing and diversifying older adult population. These investments include:

- **Expanding Healthy Brain Initiative** – The Governor's budget proposes \$10 million one-time General Fund to continue support for the existing Alzheimer's Healthy Brain Initiative grantees in six local health jurisdictions. The additional investment will allow the state to expand to up to six additional local health jurisdictions to support activities consistent with the Health Brain Initiative State and Local Public Health Partnership to Address Dementia.
- **Implementing Master Plan for Aging** – The Newsom Administration includes \$2.1 million (\$1.8 million General Fund) to bolster the state's Master Plan for Aging data dashboard to drive outcomes and sustain public engagement for statewide initiatives through the Department of Aging (CDA). Also included in the Governor's budget is \$1.5 million General Fund ongoing to reduce Medi-Cal premiums for working adults with disabilities. The Governor additionally proposes a new position to coordinate best practices with county Public Conservator agencies serving people with probate conservatorships at CDA.
- **Reforming Nursing Facility Financing** – California's existing framework for nursing facility financing is set to sunset on December 31, 2022. As such, the Governor's budget proposes to reform the funding framework to move from a primarily cost-based methodology to one that incentivizes value and quality. Additional information is anticipated from the Newsom Administration over the coming weeks.

**Public Hospital Financing.** The Newsom Administration proposes to work with public hospital systems statewide in 2022-23 to reform Medi-Cal payments to public hospitals with the goal of driving system transformation to provide person-centered care, reducing administrative burden, and focusing on integration, quality, outcomes, and value. Additional details are anticipated over the coming weeks.

**K-12 Independent Study.** Recall, in 2021-22, California required that school districts offer families the option of in-person instruction as a condition of receiving state education funding. The continuing COVID-19 pandemic, however, has required the need for remote instruction through independent study. The Newsom Administration reiterated its commitment to in-person instruction but indicated that independent study will continue to be an option for local educational agencies to count instruction time for student work completed remotely in the 2022-23 school year.

Local educational agencies may opt to provide traditional independent study or course-based independent study. The January budget proposes to allow synchronous instruction to count for instructional time in traditional independent study and provide flexibility on the timeline for a local educational agency to collect a signed independent study plan.

**Early Literacy.** The Governor's budget proposes \$10 million General Fund to expand early literacy efforts through a partnership between CDPH and First 5 California to administer a statewide program to provide multilingual books and early literacy programming for families with young children. The Newsom Administration additionally proposes a \$500 million one-time Proposition 98 General Fund investment over five years to support grants to high-needs schools to train and hire literacy coaches and reading specialists, \$200 million one-time Proposition 98 General Fund for a grant program to enable local educational agencies to create or expand multilingual school or classroom libraries, and \$60 million one-time Proposition 98 General Fund to provide training for educators on effective use of preschool assessment tools.

**Universal School Meals.** Recall, the 2021 Budget Act included \$54 million to fund universal access to subsidized school meals in California. The Governor's proposed budget builds upon previous investments with an additional \$596 million Proposition 98 General Fund investment. Beginning in the 2022-23 school year, all public schools will be required to provide two free meals per day to any student who requests a meal, regardless of income eligibility.

The Governor's budget additionally proposes \$450 million one-time Proposition 98 General Fund, available over three years, to upgrade school kitchen infrastructure and equipment to support more fresh, minimally processed California-grown foods in school meals. An additional \$3 million one-time Proposition 98 General Fund is also proposed to support the School Breakfast and Summer Meal Start-Up and Expansion Grant Program.

**Farm to School Program.** Recall, the California Farm to School Program was launched in the 2021 Budget Act to connect local producers to school food buyers, increase food education opportunities, and engage schools and students with the agricultural community. The Governor's budget strengthens the program's previous \$60 million investment with an additional \$30 million one-time General Fund investment to establish additional farm to school demonstration projects and \$3 million ongoing General Fund to expand the regional California Farm to School Network by adding new positions within the California Department of Food and Agriculture (CDFA).

**Food Insecurity.** The Governor's budget proposes investments to address food insecurity and hunger among California residents. \$35.2 million General Fund is proposed for planning purposes, increasing to \$113.4 million General Fund annually in 2025-26, to expand the California Food Assistance Program (CFAP) to Californians aged 55 and older regardless of immigration status. Recall, this change is based on statute included in the 2021 Budget Act. The Governor's budget also proposes \$50 million one-time General Fund for the CalFood program to support food banks to mitigate increases in food needs among low-income and food-insecure populations throughout the state.

**Climate Health.** The Newsom Administration propose a series of investments to integrate and elevate health and equity into the state's broader climate agenda. These investments include:

- **Climate and Health Resilience Planning** – The Administration proposes a \$25 million one-time General Fund investment for a grant program to bolster the actions of local health jurisdictions and develop regional Climate and Health Resilience Plans. Grant funds would be used for local health jurisdictions to coordinate with community-based organizations, faith-based organizations, non-profit organizations, and local governments to develop resilience plans.
- **Climate, Health, and Disease Monitoring** – A \$10 million ongoing General Fund investment is proposed to establish a monitoring program to track emerging or intensified climate-sensitive health impacts and diseases. This program will link public health and health care data sources to create real-time notifications for local public health jurisdictions, providers, and patients at risk of emerging or intensified climate-sensitive diseases.
- **Community Air Monitoring** – A \$30 million one-time Greenhouse Gas Reduction Fund investment is proposed to deploy local, real-time pollution monitoring, including climate, air, and toxic emissions in disadvantaged communities across the state.

**Drought Resiliency.** Given near-record low water levels statewide and negative impacts on ecosystems, the Governor's budget proposes to build upon investments included in the 2021 Budget Act through an additional \$750 million one-time General Fund investment to support drought resilience and response. The funding is anticipated to be dedicated to water conservation, groundwater recharge, and assistance for small farmers.

**Office of Environmental Health Hazard Assessment.** The Newsom Administration includes \$1.3 million ongoing to the Office of Environmental Health Hazard Assessment (OEHHA) to advance racial equity and environmental justice through science, data, and research. These investments include \$565,000 ongoing General Fund and two positions to create a new racial equity and environmental justice program, \$370,000 ongoing funding from multiple fund sources and two positions to support tracking of community pollution burden using the CalEnviroScreen mapping tool, and \$350,000 ongoing Greenhouse Gas Reduction Fund for targeted biomonitoring studies in communities disproportionately impacted by air pollution.

**Active Transportation.** The Governor's budget proposes significant investments in transportation infrastructure projects, including active transportation. The Newsom Administration includes \$750 million to transform the state's active transportation networks, improve equity, and combat climate change. The total investment includes \$500 million for Active Transportation



Program projects (e.g., walking and biking), \$150 million to establish the Reconnecting Communities: Highways to Boulevards Pilot Program to improve equity and remove transportation barriers in disadvantaged communities, and \$100 million for bicycle and pedestrian safety projects to reduce severe injuries and fatalities of vulnerable road users.

**Outdoors for All Initiative.** The Governor's budget builds upon previous investments made through the state's Outdoors for All initiative, including \$50 million one-time General Fund for future State Parks infrastructure projects to increase equitable access to state parks, improve visitor experiences, and build recreational opportunities to foster community connections and remove barriers to park access.

**State Fitness Council.** The Governor's budget proposes a one-time increase of \$10 million General Fund in state operations to support the Governor's Advisory Council on Physical Fitness and Mental Well-Being. The proposed increase includes provisional language with encumbrance or expenditure authority until June 30, 2025.

**Cannabis.** As of July 12, 2021, California consolidated the three state departments responsible for the legal cannabis market (Bureau of Cannabis Control; Department of Food & Agriculture's Cultivation Licensing Division; CDPH's Manufactured Cannabis Safety Branch) into a new stand-alone Department of Cannabis Control housed within the Business, Consumer Services, and Housing Agency in order to centralize and streamline regulatory oversight of California's legal cannabis market.

The Governor's budget estimates cannabis excise taxes to generate \$711 million in 2021-22 and \$787 million in 2022-23. Additionally, the budget estimates \$594.9 million will be available to fund youth education, prevention, early intervention, and treatment; environmental protection; and public safety-related activities. As occurred last year, the structure of the allocations remains unchanged from the current 2021-22 year, and will be allocated as detailed below:

- Education, prevention, and treatment of youth substance use disorders and school retention – 60 percent (\$356.9 million)
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation – 20 percent (\$119 million)
- Public safety-related activities – 20 percent (\$119 million)

A multi-year consumer education and awareness campaign will also be funded utilizing additional cannabis tax fund revenues at \$6.1 million. This campaign will be focused on consumer safety and awareness on how to identify licensed, legal operators and products, to understand what products are safe, and to understand the potential public safety and health threats from illegal market purchases.

**Industrial Hemp.** The Governor's proposed budget includes several investments related to industrial hemp products, consistent with AB 45 (Chapter 576, Statutes of 2021). For 2021-22, the budget includes an increase of 11 positions and \$1.6 million General Fund in state operations. For 2022-23, the budget proposes an increase of 18 positions and \$4 million General Fund in state operations to implement provisions of the bill which require CDPH to regulate the use of industrial hemp in consumer products and requires manufacturers to pay a licensing fee to produce industrial hemp products, including food, pet food, drugs, cosmetics, and inhalables.

**Felony IST Solutions.** Recall, in Fall 2021, the Department of State Hospitals (DSH) convened an Incompetent to Stand Trial (IST) Workgroup to identify actionable solutions to address the increasing number of individuals with serious mental illness who are deemed IST on felony charges. Consistent with the Workgroup's recommendations, the Governor's budget reflects spending of \$93 million General Fund in 2021-22 and \$571 million General Fund in 2022-23 and ongoing to support:

- **Early Stabilization and Community Care Coordination** – The investment proposes to provide immediate solutions to support access to treatment for the nearly 1,700 individuals currently found IST and waiting in jail. Funding will support early access to medication stabilization teams, statewide funding for medication support, and case management teams to coordinate care with counties and other community providers.
- **Expand Diversion and Community-Based Restoration Capacity** – The Administration proposes to increase IST treatment alternatives by investing in the community infrastructure to support the felony IST population, including community residential beds, augmented funding for counties to expand DSH Diversion and Community-Based Restoration, county partnerships for entities impacted by felony IST community placements, and county and community provider workforce development.

**Homelessness and Housing.** Recall, the 2021 Budget Act included significant investments in homelessness and housing programs and services, including \$5.8 billion to support the state's Homekey program. The Newsom Administration proposes \$9 billion in total resources for housing and \$8 billion in total resources for homelessness in the January budget. Other notable homeless-related investments include:

- **Behavioral Health Infrastructure Program** – The Governor's budget seeks an additional \$1.5 billion General Fund over two years to support resources to address immediate housing and treatment needs among unhoused residents with behavioral health conditions. The funding will be administered through DHCS' Behavioral Health Continuum Infrastructure Program and can be used to procure tiny homes and provide time-limited operational supports for individuals in certain housing settings.
- **Encampments and Unsheltered Settings** – The Governor's budget builds upon \$50 million in Encampment Resolution Grants to local jurisdictions that are being awarded this spring through an additional \$500 million one-time General Fund investment to deploy an expanded program for jurisdictions to provide short- and long-term rehousing strategies for people experiencing homelessness and living in encampments throughout the state.
- **Transitional Housing for Justice-Involved** – The Governor's budget includes \$10.6 million General Fund annually for three years to continue the Returning Home Well Program which provides transitional housing services to individuals who would otherwise be at risk of being unhoused at the time of their release.

**California Volunteers.** Several investments are proposed for the California Volunteers program to expand service and volunteer opportunities statewide. These include the following proposals:

- **\$10 million one-time General Fund for the Foster Grandparent and Senior Volunteering Program.** These programs include pairing older Californians with children

for intergenerational mentoring, tutoring, and connection as well as making peer-to-peer connections for older Californians to prevent isolation and to provide assistance for independent living.

- **\$10 million ongoing General Fund for the Neighbor-to-Neighbor Initiative.** Expansion of an existing program to recruit, train, equip, and organize neighbors to address community needs.
- **\$4.7 million ongoing General Fund over three years (through 2024-25) for California Climate Action Corps.** This program, created in 2020, provides opportunities for Californians to engage in meaningful climate action in three areas: serving, volunteering, and taking action.

**Government Excellence and Transformation Center.** Under the Government Operations Agency, the budget proposes \$665,000 ongoing General Fund to create the Government Excellence and Transformation Center to develop and implement innovative pilot projects, which can be scaled up across state government to improve statewide operations. The Center will also use the pilot programs to build a best practices and case studies repository.

**Border Communities and Immigrant Investments.** This year's budget proposal includes several proposed investments in border and immigrant communities. Proposals of interest to local health departments include:

- **\$74 million in one-time General Fund for Migration and Border Communities.** CDPH will receive these funds to support continuing COVID-19 pandemic response activities such as temporary sheltering, testing, vaccines, and support services for newly arrived migrants.
- **\$8.7 million in one-time General Fund for Local Government Immigrant Grants.** The budget proposes one-time competitive grant funding to counties and cities to build trust with their immigrant residents and help local immigrant populations navigate state and local services.

**Violence Prevention.** Two proposals are included in the Governor's 2022-23 budget to address community violence prevention regarding firearms. These include:

- **\$25 million one-time General Fund for local Gun Buyback Programs.** This funding will be used to establish a competitive grant program to support local gun buyback programs as well as to promote awareness about gun and youth violence.
- **\$2 million ongoing General Fund for Firearm Research.** This is a proposed increase in funding for the UC Davis Firearm Violence Research Center and will bring the total state investment to \$3 million each year to support new research and evidence to inform new policies given the rapidly evolving nature of the firearms industry.

**Budget Links:**

Governor's 2022-23 Proposed Budget: <http://www.ebudget.ca.gov/>

CalHHS Governor's Budget Highlights: <https://www.chhs.ca.gov/calhhs-2022-23-budget-highlights/>

CDPH Governor's Budget Highlights: [https://www.cdph.ca.gov/Documents/CDPH-2022-23\\_Governor-Budget-Highlights.pdf](https://www.cdph.ca.gov/Documents/CDPH-2022-23_Governor-Budget-Highlights.pdf)

DHCS Governor's Budget Highlights: [https://www.dhcs.ca.gov/Documents/Budget\\_Highlights/DHCS-FY-2022-23-GB-Highlights.pdf](https://www.dhcs.ca.gov/Documents/Budget_Highlights/DHCS-FY-2022-23-GB-Highlights.pdf)

Assembly Highlights of Governor's Proposed 2022-23 Budget: <https://abqt.assembly.ca.gov/sites/abqt.assembly.ca.gov/files/Highlights%20of%20Governors%20Proposed%202022-23%20Budget.pdf>

**Next Steps.** Over the coming weeks, the Legislature will begin hearing proposed budget items in addition to stakeholder proposals. The Senate Budget and Fiscal Review Committee will hold its budget overview hearing on Wednesday, January 19. At the time of publication, the Assembly Budget Committee has not yet scheduled its budget overview informational hearing.

**Questions.** For questions on the items highlighted above or other budget-related inquiries, please feel free to contact your CHEAC Staff via email.