



To: CHEAC General Membership

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RE: Governor’s 2022-23 May Revision

Today, Governor Gavin Newsom released his May Revision to the 2022-23 proposed budget. The May Revision highlights changes from the Governor’s January budget proposal. If a proposal from January is not specifically highlighted, it is likely that proposal remains unchanged.

The budget plan for 2022-23 now totals \$300.7 billion (\$227.4 billion General Fund) reflecting a 15.4 percent total budget increase since January. The May Revision estimates a total surplus of \$97.5 billion, of which the discretionary surplus is \$49.2 billion, and proposes to use 94 percent of the discretionary reserves on one-time investments.

The May Revision reflects \$37.1 billion in budget reserves that include:

- \$23.3 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund), bringing the account to its constitutional maximum, requiring \$476 million to be dedicated to infrastructure investments;
- \$9.5 billion in the Public School System Stabilization Account;
- \$900 million in the Safety Net Reserve; and
- \$3.4 billion in the state’s operating reserve.

The May Revision no longer projects that the State Appropriations Limit (Gann Limit) will be exceeded in the current year and budget year. However, it does warn that this limit may be exceeded in future years. If revenues exceed the limit over a two-year period, the excess is required to 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 previewed key investments ahead of the release of the May Revision, including a reproductive health package, increased funding for Homekey, and an inflation relief package. Details are provided below.

Reproductive Health Package. The Newsom Administration [proposes an additional \\$125 million](#), a \$57 million increase from the January budget proposal, to expand access to services and prepare for those seeking reproductive health care from other states. The proposal includes:

Reproductive Health May Revision Investments	
Funding	Description
\$40 million	Provides grants to reproductive health care providers to offset the cost of providing care to low-and moderate-income individuals who do not have health care coverage for abortion care services.

\$15 million	Provides grants to community-based reproductive health, rights, and justice organizations for outreach and education on sexual health and reproductive health issues.
\$1 million	To develop and maintain a website with accurate information to the public on abortion rights under state law, reproductive health care providers, and coverage options for reproductive health services.
\$1 million	For research regarding unmet needs for access to reproductive health care services.
Continued Investments from January Budget Proposal	
\$20 million	To provide scholarships and loan repayments for health care providers that commit to providing reproductive health care services.
\$20 million	To assist reproductive health care facilities in securing physical and information technology infrastructure to enhance facility security.
\$20 million	To subsidize the cost of abortion care for Covered California consumers due to federal limitations on abortion coverage.
\$8 million	To add the human papilloma vaccine as a covered benefit under the Family PACT program, effective July 1, 2022.
--	Removed Medi-Cal requirements for in-person follow-up visits and ultrasounds if not medical necessary.

Homekey. Noting that the [program has surpassed 10,000 units](#) funded in less than two years, the Governor increased Homekey funding by \$150 million, bringing the total funding to \$3.75 billion.

Inflation Relief Package. The May Revision proposes [\\$18.1 billion inflation relief package](#) to address the costs of rising inflation. Key components include:

Inflation Relief May Revision Investments	
Funding	Description
\$11.5 billion	\$400 tax refunds to every eligible registered vehicle owner, capped at two checks per individual.
\$2.7 billion	For qualified low-income tenants who requested rental assistance before March 31. The total program is \$8.1 billion and assisted over 300,000 families.
\$1.4 billion	Expands last year's utility relief program by providing \$1.2 billion for electricity bills and \$200 million for water bills.
\$933 million	Provides up to \$1,500 to hospital and skilled nursing facility workers who have been delivering care to the most acute patients during the COVID-19 pandemic.
\$750 million	Provides incentive grants to provide three months of free public transportation for communities throughout the state.
\$304 million	Extends health insurance premium assistance under Covered California for families of four earning up to \$166,500 annually.
\$157 million	Waived childcare fees for low-income families.

Minimum Wage. California's minimum wage is projected to increase to \$15.50 per hour for all workers on January 1, 2023, as required by a provision in the state's existing minimum wage law when inflation exceeds 7 percent.

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

Public Health Infrastructure. The Governor's May Revision carries forward the proposal for \$300 million ongoing General Fund for public health infrastructure beginning in 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.

Public Health Equity and Readiness Opportunity (HERO) Initiative. The Governor's May Revision does not include the [Public HERO Initiative](#) requests from the California Can't Wait Coalition. CHEAC will continue our advocacy efforts alongside the coalition to seek inclusion in the final budget agreement.

The California Can't Wait Coalition [applauds](#) the Governor for keeping this agreement with the Legislature and urges the Legislature and Administration to include HERO investments.

SMARTER Plan. The Governor's May Revision highlights California's [SMARTER Plan](#), which reflects upon lessons learned during the pandemic and provides strategies for California to use as the virus evolves. To implement the SMARTER Plan, the Governor's May Revision includes the following:

SMARTER Plan May Revision Investments	
Funding	Description
\$100 million	Staffing. For medical surge staff in 2022-23 to allow CDPH to support upfront staffing costs for facilities that need additional staff during COVID-19 surges. As of April 1, 2022, facilities are required to reimburse the state for deployed staff. The May Revision includes \$40 million for vaccine staff in 2022-23 to prepare for pediatric vaccinations for children under 5 and boosters for eligible populations.
\$530 million	Testing. To purchase additional antigen test kits, support school testing, and continue rapid testing and treatment sites.
\$93 million	Vaccines. To prioritize vaccines for children under 5 and additional boosters for eligible populations, and mobile vaccination sites in 2022-23. <i>Separately, a \$130 million transfer from CDPH, as well as an additional \$100 million allocation, is provided for the Office of Community and Strategic Communications to assume COVID-19 vaccine education and outreach campaigns previously implemented by CDPH. See more below.</i>
\$16 million	Wastewater Surveillance. To continue tracking and monitoring of COVID-19 transition through wastewater surveillance, epidemiologic data analysis, modeling of future data trends, and research on long COVID.
\$158 million	Treatments. To implement a test-to-treat program targeted at uninsured and underinsured populations.
\$468 million	Border Communities. For border operations that will continue the state's COVID-19 response and assistance at the southern border, including anticipation of increased arrivals and the need for support.
\$183 million	Other Supports. For the COVID-19 call center, contractor support, contract costs, and Public Health Reserve Corps.
\$250 million	Contingency Funds. To support unanticipated COVID-19 emergency response needs.

COVID-19 Pandemic Response. The Governor's May Revision continues to maximize the use of federal funds and the Federal Emergency Management Agency (FEMA) Public Assistance Program. FEMA offers 100 percent reimbursement of COVID-19 emergency response costs through June 30, 2022, shifting to 90 percent starting July 1, 2022. The May Revision assumes FEMA reimbursement will end on September 30, 2022.

The May Revision provides an additional \$1.08 billion General Fund, in addition to the \$1.25 billion General Fund that was adopted as part of the early action package, for a total of \$2.33 billion General Fund in 2022-23. The chart below provides a summary of the activities and proposed funding levels for the current year and budget year. From 2019-20 through 2022-23, direct emergency response costs are estimated at \$15.6 billion.

**COVID-19 Direct Response Activities
 2022-23 May Revision Compared to 2021-22 Revised Budget**

Cost Category ^{1/}	2021-22 Revised Total Funding ^{2/}	2022-23 May Revision	Change Over 2021-22 Revised
Statewide Testing	\$1,430,621,000	\$659,759,000	-\$770,862,000
Vulnerable Populations and Other Support Services ^{3/}	\$0	\$420,025,000	\$420,025,000
Vaccine Distribution and Administration	\$789,128,000	\$364,501,000	-\$424,627,000
State Response Operations	\$773,115,000	\$332,636,000	-\$440,479,000
Contingency	\$0	\$250,000,000	\$250,000,000
Therapeutics	\$0	\$158,129,000	\$158,129,000
Hospital and Medical Surge	\$561,019,000	\$110,149,000	-\$450,870,000
Contact Tracing	\$20,590,000	\$18,284,000	-\$2,306,000
Surveillance	\$0	\$16,465,000	\$16,465,000
Hotels for Healthcare Workers	\$33,237,000	\$1,056,000	-\$32,181,000
Procurements	\$59,317,000	\$859,000	-\$58,458,000
Information Technology (CalREDIE)	\$6,000,000	\$0	-\$6,000,000
Project Hope	\$84,000	\$0	-\$84,000
Housing for the Harvest	\$69,000	\$0	-\$69,000
Totals	\$3,673,180,000	\$2,331,863,000	-\$1,341,317,000

^{1/} An additional \$8.4 million was appropriated to the Department of General Services in 2021-22 from 2019-20 Mission Tasking.
^{2/} Includes Control Section 11.91 transfers.
^{3/} In April 2021, \$360 million General Fund was provided through the Disaster Response Emergency Operations Account (DREOA) to the California Department of Public Health for administering emergency response activities at the border, of which \$57.4 million will be carried over to 2022-23.

Non-Profit Hospital Community Benefit Funding for Community-Based Organizations (CBOs). The Governor’s May Revision did not indicate a change to this proposal. As a reminder, the funding derived from requiring non-profit hospitals to direct 25 percent of the community benefit dollars would support community-based-organizations focused on public health efforts 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.

Office of Community Partnerships and Strategic Communications. Recall, the Governor’s January budget proposed \$65 million ongoing General Fund to establish the Office of Community Partnerships and Strategic Communications in the Governor’s Office of Planning and Research (OPR) to formalize and leverage the infrastructure and work of the Census 2020 and COVID-19 public awareness and community engagement campaigns.

The May Revision includes significant investments for the newly created office to build public awareness and knowledge about key state priorities, including:

Office of Community Partnerships and Strategic Communications May Revision Investments	
Funding	Description
\$230 million General Fund	COVID-19 Vaccine-Related Public Education and Outreach Campaign. To conduct statewide vaccination promotion through the Governor's Office of Planning and Research by providing an additional \$100 million. The Governor's January budget proposed \$130 million to CDPH to continue vaccine-related outreach efforts in 2022-23; the May Revision proposes to transfer these funds and responsibilities to the newly created office, bringing the total amount to the new Office to \$230 million for 2022-23.
\$100 million one-time General Fund	Drought Resilience and Response Activities. Including the Save our Water outreach campaign to promote public awareness about the impacts of extreme drought and methods for water conservation.
\$6 million General Fund in 2022-23 and \$14 million in 2023-24	Addressing Extreme Heat. By increasing awareness and understanding of risks posed by extreme heat and to promote knowledge of available resources to support impacted communities.

Child Health and Disability Prevention Program (CHDP). The Governor's May Revision continues to propose the sunset local CHDP programs on July 1, 2023. CHEAC is working with a coalition to oppose this proposal and a copy of our recent letter can be [found here](#).

Home Visiting Services. There was no change to the Governor's January budget proposal to provide \$50 million ongoing General Fund to the CDPH to expand the California Home Visiting Program (CHVP) and the California Black Infant Health Program (BIH).

Women, Infants, and Children (WIC) Program. The Governor's May Revision reflects a 2021-22 WIC Program decrease of \$10.6 million in local assistance which includes a decrease of \$16.3 million in the Federal Trust Fund and an increase of \$5.7 million in the WIC Manufacturer Rebate Fund. The total decrease is due to a slight decline in participation, offset by an increasing food inflation rate and a new rebate estimate methodology that includes a reserve amount of four percent.

For 2022-23, the May Revision reflects an increase of \$18.2 million in local assistance which includes an increase of \$11.1 million in the Federal Trust Fund and an increase of \$7.1 million in the WIC Manufacturer Rebate Fund. The total net increase is driven by the extension of the fruit and vegetable benefit increase through the end of September 2022, an increase in the food inflation rate, and a new rebate estimate methodology that includes a reserve amount of four percent.

Children's Behavioral Health. The Governor's May Revision expresses concern over the increased suicide rates over the last decade, coupled with the stress the COVID-19 pandemic has had on children and youth. As such, the Administration is proposing \$290 million General Fund for the following one-time investments:

Children Behavioral Health May Revision Investments	
Funding	Description
Prevent Youth Suicide	
\$40 million	Youth Suicide Prevention Program. To develop and implement a data-driven targeted community-based youth suicide prevention program for youth at increased risk of suicide such as Black, Native America, Hispanic, and foster youth.
\$50 million	Crisis Response. To provide grants to pilot schools and community-based crisis response and supports following a youth suicide or youth suicide attempt and pilot a new approach of designating a youth suicide and youth suicide attempt as a reportable public health event, to trigger screening and resource connections at the local level for impacted community.
Support Wellness and Build Resilience of Children, Youth, and Parents	
\$85 million	Wellness and Mindfulness Programs. To support grants for wellness and mindfulness programs in schools and communities and expansion of parent support and training programs.
\$15 million	Video Series. To develop and distribute a video series for parents to build their knowledge, tools and capacity to support the behavioral health of their children.
\$25 million	Career Development. To identify and support the early career development of 2,500 highly talented and culturally diverse high school students interested in mental health careers.
\$75 million	Assessment and Intervention. To provide next generation digital supports for remote and metaverse based mental health assessment and intervention.

LGBTQ+ Youth. The Governor proposes \$5 million for grants to counties and experienced community-based organizations to partner to improve capacity, training, and culturally responsive care to unique needs and protections of LGBTQ+ youth.

Health and Human Services Data Exchange Framework. AB 133 (Chapter 143, Statutes of 2021) established a health and human services data exchange framework (DxF) to begin in July 2022. DxF is a single data sharing agreement and common set of policies and procedures to govern the exchange of health and human services information among health care and social services entities, including governmental agencies. The Governor's May Revision includes a two-year, \$50 million grant program to provide technical assistance to smaller or under-resourced providers, particularly small physician practices rural hospitals, community-based organizations, and technical assistance for entities new to health information exchange.

Unwinding the COVID-19 Public Health Emergency Continuous Coverage Requirement. To prepare for the end of the public health emergency, the Administration is implementing their COVID-19 PHE Unwinding Operational plan to inform and prepare Medi-Cal beneficiaries, providers, managed care plans, counties, and other stakeholders of the upcoming changes. As such, the May Revision proposes \$176.5 million (\$71.2 million General Fund) to permanently extend four key flexibilities: 1) Separate payments to FQHCs for COVID-19 vaccinations; 2) Presumptive eligibility for older adults and individuals with disabilities; 3) Providing reimbursement for oxygen and respiratory durable medical equipment at 100-percent of Medicare; 4) Maintain 10 percent rates for Intermediate Care Facilities for the Developmentally Disabled.

Additionally, the May Revision provides \$146 million (\$73 million General Fund) over two years to support additional county workload costs of Medi-Cal eligibility determinations.

The following proposals are included in the May Revision to prepare for the resumption of redeterminations:

Unwinding the COVID-19 Public Health Emergency Continuous Coverage Requirement	
Funding	Description
\$60 million (\$30 m General Fund)	Health Enrollment Navigators Project. To continue the Enrollment Navigators Project to support eligible beneficiaries retain Medi-Cal coverage.
--	Coverage Ambassadors. To engage a variety of partners to act as Coverage Ambassadors and amplify messaging on various platforms related to the continuity of coverage for beneficiaries.
\$25 million (\$12.5 m General Fund)	Media and Outreach Campaign. To support a media and outreach campaign to encourage beneficiaries to update their contact information with their counties, and to educate beneficiaries on the implications of eligibility once the COVID-19 public health emergency ends.
--	Transitions to Covered California. DHCS and Covered California are actively working to implement SB 260 (Chapter 845, Statutes of 2019) to support a seamless transition of eligible individuals from Medi-Cal to Covered California.

1991 Realignment. The Governor's budget projects state sales tax and vehicle license fees to increase by 11.5 percent from 2020-21 to 2021-22 and 5 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 May Revision updated the estimated redirection for 2022-23 budget proposal. It now estimates \$651.8 million will be redirected in 2022-23. No update to the estimated net true-up for 2019-20 were provided. The January budget estimates \$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 Revision.

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

Medi-Cal Estimates. The state's Medi-Cal budget is anticipated to total \$121.9 billion (\$25.1 billion General Fund) in 2021-22 and \$135.5 billion (\$36.6 billion General Fund) in 2022-23. The Governor's May Revision assumes a caseload increase of 6.6 percent from 2020-21 to 2021-22 and an increase of 0.6 percent from 2021-22 to 2022-23. Medi-Cal is projected to cover approximately 14.5 million residents in 2022-23, over one-third of the state's population.

California Advancing and Innovating Medi-Cal (CalAIM). The Governor's May Revision proposes \$1.1 billion total funds (\$459 million General Fund) in 2021-22 and \$3.1 billion total (\$1.2 billion General Fund) in 2022-23 to support the CalAIM Initiative. These updated figures include:

- **Population Health Management (PHM) Service:** The PHM Service is now anticipated to be launched statewide in July 2023 with additional PHM Service capabilities incrementally phased in thereafter. DHCS intends to launch the PHM service with a subset of partners from January 2023 to July 2023 to optimize functionality before a statewide launch.
- **Justice-Involved Package:** The estimated cost of inmate pre-release services has been updated to reflect the inclusion of expanded pharmacy services as part of the package of benefits provided up to 90 days pre-release. DHCS is proposing to now cover medications consistent with the full scope of covered outpatient drugs under the Medi-Cal State Plan as part of the 90-day pre-release services, instead of just medication-assisted treatment and psychotherapeutic medications pre- and post-release.
- **Managed Care Transitions:** While populations have begun transitioning to managed care as their primary delivery system as part of the CalAIM Initiative, DHCS identified additional individuals subject to mandatory managed care that were initially assumed to already be subject to mandatory managed care. DHCS continues to work on identifying populations needing transition and anticipates additional transitions in January 2023.

Equity and Practice Transformation Payments. The Governor's May Revision builds upon the Governor's January budget for Equity and Practice Transformation Payments to health care practices by adding \$300 million (\$150 million General Fund), bringing the total to \$700 million (\$350 million General Fund). These payments are intended to advance equity, address gaps in preventive, maternity, and behavioral health measures, reduce COVID-19-related disparities, support upstream interventions to address social drivers of health, and prepare practices to accept risk-based contracts. According to DHCS, efforts will be focused on areas located in the first and second quartiles of the Healthy Places Index (HPI).

Funding is anticipated to support:

Equity and Practice Transformation Payments May Revision Investments	
Funding	Description
\$25 million	Statewide learning collaborative for grantees
\$25 million	Practice-level activities
\$650 million	Equity and Practice Transformation Payments; of this amount, \$200 million will be used to prepare practices for value-based care, including implementing practice infrastructure (e.g., electronic health records, data collection and exchange, care management systems)

Medi-Cal Coverage Regardless of Immigration Status. The May Revision includes \$67 million total funds (\$53 million General Fund) in 2021-22 and \$745 million total funds (\$628 million General Fund) in 2022-23 to expand full-scope Medi-Cal coverage to older adults regardless of immigration status. This represents an increase of \$15 million total funds (\$12 million General

Fund) and \$155 million total funds (\$132 million General Fund), respectively, due to an increase in estimated eligible individuals based on recent enrollment data.

The May Revision includes \$287 million total funds (\$197 million General Fund) in 2021-22 and \$334 million total funds (\$226 million General Fund) in 2022-23 for undocumented young adult population, reflecting about \$10 million in General Fund savings each year. This is due to slightly lower estimated caseloads for undocumented young adults.

For the proposed expansion to the 26-49 population, the May Revision assumes costs \$834 million total funds (\$625 million General Fund) in 2023-24 for a January 2024 implementation, gradually growing to an ongoing cost of \$2.6 billion total funds (\$2.1 billion General Fund).

Please note, additional funding was not proposed as part of the Governor's May Revision to cover costs to serve the expanded populations in county-administered programs such as Medi-Cal Administrative Activities (MAA) and Targeted Case Management (TCM).

Medi-Cal Doula Benefit. DHCS, as part of the May Revision, proposes to increase the rate paid for doula services as a Medi-Cal benefit from \$450 to \$1,094. This methodology uses existing Medi-Cal rates for initial and follow-up antepartum visits, postpartum visits, and professional services for doula providers. The implementation date for services will be delayed another six months from July 2022 to January 2023, and the May Revision includes \$974,000 total funds (\$377,000 General Fund) in 2022-23 to support this benefit.

Medi-Cal Continuous Glucose Monitoring. As part of the May Revision, DHCS is proposing trailer bill language to amend the definition of medical supplies under the pharmacy benefit to include diabetic products, effective July 1, 2022. The change would allow DHCS to implement a revised reimbursement methodology for continuous glucose monitors (CGMs). The May Revision updates the estimated cost for CGMs to \$6.1 million total (\$2.2 million General Fund) in 2021-22 and \$9.7 million total (\$3.5 million General Fund) in 2022-23.

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 May Revision continues to propose the elimination of the AB 97 provider rate reductions on various provider types and clarifies via trailer bill language the intent to exempt a series of recent benefits, including doula services, community health workers, continuous glucose monitoring, health care services via remote patient monitoring, asthma prevention services, dyadic services, and medication therapy management.

The estimated costs of these eliminations have been revised to \$9.6 million total funds (\$4 million General Fund) in 2022-23 and \$11.2 million total funds (\$4.7 million General Fund) ongoing.

Medi-Cal Direct Contract with Kaiser. DHCS included updated information on their proposal to directly contract with Kaiser Permanente for the Medi-Cal program. The following updated details for this proposal include:

- Provides that Kaiser shall implement the California Children Services Whole Child Model in applicable counties.
- Clarifies that former foster youth are included in the enrollment provisions related to foster

youth.

- Adds that default enrollment is part of the growth in Medi-Cal enrollment.
- Specifies that Kaiser cannot deny or disenroll any individual that meets the specified enrollment or default criteria.
- Specifies that Kaiser is subject to all the same standards and requirements, except those related to beneficiary enrollment, as required for other Medi-Cal managed care plans, including the requirements pursuant to CalAIM.
- Requires that DHCS and Kaiser enter into a Memorandum of Understanding (MOU) describing the requirements that are different than those imposed on other Medi-Cal managed care plans. The MOU shall include, but not be limited to, the commitment of Kaiser to increase its enrollment of new Medi-Cal members over the course of the contract term and requirements related to Kaiser's collaboration with safety net providers, including Federally Qualified Health Centers.
- Requires that DHCS post this MOU and publish a report describing the implementation of the requirements imposed by the MOU.
- Ensures Kaiser maintain Knox-Keene licensure from the DMHC.

Proposition 99 Health Education Account. The Governor's May Revision reflects a decrease of \$2.8 million for state operations and a decrease of \$2.3 million for local assistance as the result of updated Proposition 99 revenue projections. The decrease includes \$600,000 in State Administration, \$2.2 million in Media Campaign, and \$2.3 million in competitive grants (local assistance).

Proposition 56 State Dental Program Account. The Governor's May Revision reflects a decrease of \$8.5 million for state operations and a decrease of \$8.9 million for local assistance based on updated Proposition 56 revenue projections. The decrease reflects a \$4.4 million in Media Campaign, \$356,000 in competitive grants (an increase of \$45,000 in state operations and a decrease of \$401,000 in local assistance), and a decrease of \$4.1 million in state administration and \$8.5 million in local lead agencies.

Proposition 56 Provider Payments. Recall, the Governor's January budget proposed to transition several Proposition 56 provider payments to General Fund-supported rate increases on an ongoing basis. The May Revision includes General Fund costs of \$148 million related to these payments in 2022-23 and ongoing. Additionally, because Proposition 56 revenues are limited and will not fully cover costs of remaining Proposition 56 provider payments, the May Revision proposes an additional \$295 million General Fund in 2022-23.

Insulin Costs. The Governor's May Revision proposes \$100 million General Fund one-time for the CalRx Biosimilar Insulin Initiative to implement partnerships for the increased generic manufacturing of medicines, consistent with SB 852 (Chapter 207, Statutes of 2020). The Department of Health Care Access and Information (HCAI) will invest \$50 million toward the development of a low-cost interchangeable biosimilar insulin, as well as \$50 million toward a California-based insulin manufacturing facility.

Opioid Response. Governor Newsom builds upon his opioid response investments from January by including an additional one-time \$41.8 million investment from Opioid Settlements

Funds in 2022-23 resulting from additional projected settlement proceeds. The funding is proposed to be allocated as follows:

Opioid Response May Revision Investments	
Funding	Description
\$51.1 million	Substance use disorder (SUD) provider workforce training through DHCS (May Revision provides a \$29.1 million augmentation)
\$15 million	Medication Assisted Treatment Expansion Program's Naloxone Distribution Project targeting unhoused populations (May Revision provides a \$10 million augmentation)
\$40.8 million	Public awareness campaign targeting youth opioid education and awareness and fentanyl risk education at CDPH (May Revision provides a \$2.7 million augmentation)

Fentanyl Enforcement. The Governor's May Revision proposes an additional \$7.9 million General Fund in 2022-23 and \$6.7 million ongoing to establish the Fentanyl Enforcement Program within the Department of Justice (DOJ). The Budget also proposes a \$10 million increase to the California Military Department to expand existing drug interdiction efforts focused on transnational drug trafficking.

Emergency Response. Included in the May Revision are significant investments in the California Office of Emergency Services (Cal OES) to address California's frequent and often simultaneous emergencies and disasters. Proposals include:

Emergency Response May Revision Investments	
Funding	Description
\$8.1 million General Fund (\$5.2 m ongoing)	California State Warning Center Enhancements. To increase training, improve staff retention, and establish an alternate site to strengthen operational readiness.
\$114.3 million one-time General Fund	Emergency Supplies and Commodities Support. To provide warehouse space, purchase new and replace expiring PPE, increase commodity supplies for an all-hazard event, and secure logistic support equipment.
\$19 million General Fund (\$10.5 m) ongoing	Technology and Data Analytics Modernized. To modernize Cal OES's technology and data capabilities.
\$29.5 million one-time General Fund	Pandemic Response. To continue COVID-19 testing efforts and to provide resources to activate the state's mutual aid system in the event of future outbreaks.
\$7.2 million General Fund (\$5.8 m ongoing)	Emergency Training Improvements. To provide a greater selection and more relevant courses for emergency management professionals and emergency responders at the California Specialized Training Institute.
\$5.4 million one-time General Fund	Southern Regional Emergency Operations Center. To design a permanent Southern Regional Emergency Operations Center at the former Fairview Developmental Center in Costa Mesa. This center will be the critical focal point for mobilizing Southern California disaster response assets and intelligence.

Older Adult Emergency Preparedness and Response: The Governor's May Revision provides \$400,000 ongoing General Fund to develop strategies, tools, and resources to help older adults,

individuals with disabilities, family caregivers, and local partners prepare for and respond to state emergencies and natural disasters.

Extreme Heat. The Governor's May Revision identifies extreme heat as a significant issue that is anticipated to increasingly threaten public health and safety, economic prosperity, communities, and natural systems. Recall, the 2021 Budget Act featured sizeable investments to address extreme heat as part of its Climate Resilience Package, including \$300 million to support implementation of the state's recently updated Extreme Heat Action Plan.

The May Revision proposes allocation of the \$300 million to address the following near-term items:

Extreme Heat May Revision Investments	
Funding	Description
\$170 million over two years	Extreme Heat Resilience Centers. For grants administered by the Strategic Growth Council and awarded to communities seeking to build or upgrade existing facilities to serve as community resilience centers that mitigate public health impacts of extreme heat and other emergency situations exacerbated by climate change.
\$43 million	Enhanced Enforcement. To enforce codes, standards, and regulations to protect vulnerable populations and ecosystems from extreme heat impacts; of this amount, \$24.5 million will be allocated to the Department of Industrial Relations to conduct targeted outreach and education in multiple languages among employers and employees, as well as increased enforcement before and during extreme heat events to protect outdoor workers.
\$20 million	Public Awareness and Outreach Campaign. To increase understanding of risks posed by extreme heat and available resources to keep communities safe.
\$17 million over two years	Workforce Development Activities. To expand opportunities through the California Workforce Development Board such as high road training partnerships in industry sectors that support the state's response to extreme heat.

Active Transportation. The Governor's May Revision maintains the Administration's January proposal for a \$500 million investment for Active Transportation Program (ATP) projects.

Cannabis. The May Revision proposes statutory changes to reform cannabis taxes with the aim to simplify the tax structure, remove unnecessary administrative burdens and costs, temporarily reduce the tax rate to support shifting consumers to the legal market, and stabilize the cannabis market with more transparency and flexibility to adjust to market changes. Major changes include:

- Sets the cultivation tax rate at zero starting on July 1, 2022.
- Shifts the point of collection and remittance for the cannabis excise tax from distribution to retail on January 1, 2023. Maintains the 15 percent excise tax on cannabis.
- Caps the funding for the California Marijuana Tax Fund tier three allocations for youth education, prevention, early intervention, and treatment, environmental protection, and public safety related activities at a baseline of \$670 million annually for three years. Allows up to \$150 million one-time General Fund to be used to backfill these funds through 2025-26 as well as providing the authority to increase the excise tax rate through 2024-25 if tax revenues fall below the baseline for these tier three funding allocations.

- Strengthen tax enforcement policies.
- Provides \$20.5 million one-time General Fund establishing a cannabis local jurisdiction retail access grant program to assist cities and counties that do not currently license storefront or delivery-only cannabis retailers.

The May Revision provides revised estimated cannabis excise tax revenues at \$809 million for 2021-22. As noted above, the May Revision proposes statutory changes, effective July 1, 2022, to reform cannabis taxes in order to stabilize the legal market, so estimated revenues for 2022-23 are not provided. In addition, the May Revision, caps funding for youth education, prevention, early intervention, and treatment, environmental protection, and public safety related activities funded from cannabis tax revenues at \$670 million per year for three years. The structure of these allocations for 2022-23 are detailed below:

- **Education, prevention, and treatment of youth substance use disorders and school retention** – 60 percent (\$401.8 million)
- **Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation** – 20 percent (\$133.9 million)
- **Public safety-related activities** – 20 percent (\$133.9 million)

Incompetent to Stand Trial (IST). Recall, the Governor's January budget proposed funding to the Department of State Hospitals (DSH) to address significant growth in trial court referrals of individuals found incompetent to stand trial on felony charges. Based on feedback from stakeholder engagement and updated caseload projections, the Governor's May Revision proposes \$535.5 million General Fund in 2022-23, increasing to \$638 million General Fund per year in 2025-26 and ongoing to support the following:

- **Early Stabilization and Community Care Coordination:** Additional funding is proposed to county sheriffs for custody supports and stabilization teams to provide support and access to treatment for the over 1,900 individuals currently found IST on felony charges and waiting in jail.
- **Diversion and Community-Based Restoration Capacity:** Additional funding is proposed to support county infrastructure, overhead, and administration of community-based restoration and diversion programs, including increased investments into community housing.
- **IST Discharge Planning and Coordination:** Additional funding is proposed to strengthen coordination with county behavioral health departments to provide treatment records when ISTs are returned from DSH to the court.
- **Quality of Alienist Evaluations:** Additional funding is proposed to improve the quality of IST determinations and decisions regarding the need for medications.

Juvenile Justice. Recall, the California Department of Corrections and Rehabilitation (CDCR) Division of Juvenile Justice (DJJ) ceased intake of new youth in July 2021 and is scheduled to close in June 2023, pursuant to state law enacted in 2020 and 2021. DJJ estimates approximately 300 youth will remain in its care on June 30, 2023; DJJ continues to engage with various stakeholders and entities through the transition process. Based on latest population figures, the May Revision adjusts allocations to DJJ through a decrease of \$6 million General Fund and 32.5 positions in 2021-22 and a decrease of \$15.7 million and 95 positions in 2022-23. The May Revision also reflects a decrease of \$87.8 million and 554.7 positions in 2023-24 and ongoing in recognition of DJJ's closure at the end of 2022-23.

Homelessness and Housing. The May Revision makes two new investments for housing the homeless including:

Housing and Homelessness May Revision Investments	
Funding	Description
\$500 million over two years	Interim to permanent housing placements to house unsheltered individuals on state-owned land through grants to local governments for interim housing and site preparation.
\$3 million one-time General Fund	Transitional housing to provide transitional housing to youth discharged from CDCR's Division of Juvenile Justice by the Board of Juvenile Hearings in 2022-23. This funding will be available to youth who are at risk of homelessness upon their release.

Immigration Services. The Governor's May Revision includes funding to the Department of Social Services for immigration services. Of interest, \$175 million one-time General Fund is proposed for rapid response efforts to provide additional support for migrant arrivals at the Southern California border and funding for other emergent issues.

California Veteran Health Initiative. A handful of investments are proposed for the California Veteran Health Initiative to provide a comprehensive, coordinated approach to addressing veteran suicide. The initiative will cover prevention, early intervention, and direct services to effectively combat the risk factors associated with suicidal ideation and reduce the number of veterans who die by suicide. These investments include:

California Veteran Health Initiative May Revision Investments	
Funding	Description
\$5 million	Veteran Suicide Surveillance and Review Program to establish a multidisciplinary team of professionals and stakeholders focusing on collecting veteran-specific data and coordinate a statewide assessment of veteran's mental health and provide recommendations for future prevention, intervention, and post-intervention strategies. This work will be built upon by the California Department of Public Health in the Violence Prevention Initiative.
\$5 million	Outreach and education campaign that educates veterans and the broader community to inform the knowledge, behaviors, and attitude surrounding veteran suicide. It will also promote prevention activities and health and wellness.
\$40 million	To provide competitive grants to local jurisdictions that provide matching grants to expand mental health service capacity.

Budget Links:

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

CalHHS Governor's May Revision Budget Highlights: <https://www.chhs.ca.gov/2022-2023-revised-budget-highlights/>

CDPH Governor's May Revision Budget Highlights:
https://www.cdph.ca.gov/Documents/CDPH-2022-23_MR-Highlights_5-13-22.pdf

DHCS Governor's May Revision Budget Highlights:
<https://www.dhcs.ca.gov/Documents/Budget-Highlights/DHCS-FY-2022-23-MR-Highlights.pdf>

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

Next Steps. Beginning next week, the Legislature will convene hearings to review new and updated proposed budget items included in the May Revision. The Constitutional deadline for the Legislature to pass the budget is June 15. CHEAC Staff will continue to keep Members apprised of significant budget-related activities during this time.

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