



To: CHEAC General Membership

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RE: 2023-24 Budget Agreement

**September 2023 Update:** An [addendum to this memo](#) details additional investments included in the final 2023 Budget Act.

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## Overview

The California Legislature voted on several budget measures today, including the Budget Bill Jr. (AB 102), representing the budget agreement between the Administration and Legislature. Recall, the Legislature passed SB 101, earlier this month to meet the Legislature’s June 15 constitutional deadline. However, the bill only reflected the Legislature’s budget agreement. Over the past couple weeks, the Administration and legislative leaders have been hammering out the remaining details of the budget resulting in the Budget Bill Jr. and accompanying trailer bills and [announced](#) they had reached an agreement yesterday evening after the budget hearings had concluded. The agreement includes the budget trailer bills and a series of policy bills identified in the Budget Resources section of this document.

The final agreement includes total spending of roughly \$310.8 billion, including \$225.9 billion General Fund and includes roughly \$31.7 billion in budget solutions to close the state’s budget deficit. The agreement dedicates \$37.8 billion in reserve savings that include:

- \$22.3 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund), bringing the account to its constitutional maximum, requiring \$2.3 billion to be dedicated to infrastructure investments;
- \$10.8 billion in the Public School System Stabilization Account;
- \$900 million in the Safety Net Reserve; and
- \$3.8 billion in the state's operating reserve.

## Public Health Workforce Development and Training

**Future of Public Health.** The budget agreement maintains the \$300 million ongoing General Fund investment to modernize and strengthen state and local public health infrastructure and workforce. \$200 million General Fund remains available to local health departments for public health staffing, with the remaining \$100 million General Fund available to the California Department of Public Health (CDPH) on an annual basis.

**Public Health Workforce Development & Training Programs.** The budget agreement restores funding for public health workforce development and training programs. Recall, CHEAC as part of the California Can't Wait Coalition secured \$75.6 million in Public Health Equity & Readiness Opportunity (Public HERO) Initiative through the 2022 Budget Act. The Governor in January proposed to slash this one-time investment by nearly \$50 million. The California Can't Wait Coalition advocated against these cuts throughout the budget process and thanked legislative leaders and the Newsom Administration for restoring the funding to support California's critical public health workforce. A statement from the Coalition is [available here](#).

## COVID-19

**2023-24 COVID-19 Response.** The budget agreement provides \$51.3 million General Fund as a contingency for COVID-19 response activities.

**COVID-19 Retrospective Analysis.** Provides \$182,000 General Fund for a retrospective analysis on the intersection the COVID-19 pandemic, health disparities and equity.

## Realignment

**IHSS Collective Bargaining Withholding Provisions.** The budget agreement increases the amount of the 1991 Realignment funding withholding from 7 percent one-time to 10 percent ongoing of the county's prior fiscal year IHSS MOE requirement, beginning October 1, 2023. The language requires that the withholding continue once each fiscal year until the county enters into a collective bargaining agreement.

For any counties without an IHSS collective bargaining agreement, funds are withheld from the Social Services subaccount and redistributed to the General Growth Subaccount of the Sales Tax Growth Subaccount. The trailer bill additionally specifies that any amounts distributed from the General Growth Subaccount should be considered one-time deposits and not included in the realignment bases for the Health, Mental Health, and Child Poverty and Family Supplemental Support subaccounts in subsequent years.

## Public Health Programs

**21<sup>st</sup> Century Public Health System.** The budget agreement provides \$18.1 million to CDPH available until June 30, 2025, for the Information Technology, Data Science, and Informatics Framework and grants authority to augment this funding by \$15.8 million for planning activities associated with specified initiatives.

**Sexually Transmitted Diseases.** Provides \$9 million General Fund for a grant program for specified local health jurisdictions – Fresno, Kern, Los Angeles, Orange, San Bernardino, San Diego, San Francisco, and San Joaquin – for STD prevention and control activities. Provides \$1 million to CDPH to implement and monitor the grants.

**Hepatitis B.** Provides \$2.7 million General Fund available until June 30, 2028, to establish demonstration projects to allow for innovative, evidence-informed approaches to improve the health and well-being of the most vulnerable and underserved Californians at risk or living with HBV infection. Provides \$300,000 General Fund to CDPH for administration of the program.

**Hepatitis C.** Provides \$9 million General Fund for local assistance and \$1 million General Fund to CDPH to support the administration of investments to end the epidemic C virus in accordance with [Section 122440 of Health and Safety Code](#).

**Mpox.** The budget agreement reappropriates unexpended funds from the 2022 Budget Act related to state and local mpox prevention, outreach, and education activities. Recall, last year's budget appropriated \$41.4 million General Fund one-time (\$25.7 million for state operations and \$15.75 million for local assistance) to support response efforts.

**Youth Suicide Reporting and Crisis Response.** Extends the availability of the \$20 million General Fund for the Youth Suicide Reporting and Crisis Response Program until June 30, 2026.

**Childhood Lead Poisoning Prevention Program (CLPPP).** SB 101 includes an augmentation of approximately \$9.5 million in Childhood Lead Poisoning Prevention funds to support the CDPH Childhood Lead Poisoning Prevention Program. The augmentation is intended to provide services to children with blood lead levels that meet or exceed the updated blood lead reference value and support new primary prevention activities required by the CLPPP 2023-26 Scope of Work.

**CDPH Office of Oral Health.** The budget agreement provides flexibility to augment Proposition 56 funds with General Funds to provide \$30 million total for the Office of Oral Health.

## Emergency Medical Services Programs

**Emergency Medical Services Authority (EMSA) Director.** The budget agreement removes the requirement that the Director of EMSA be a physician or surgeon and establishes a Chief Medical Officer (CMO) for EMSA, appointed by the Governor. The CMO must be a physician or surgeon licensed in California who has substantial experience in emergency medicine or emergency response in California. The CMO is required to provide clinical leadership and oversight concerning treatment, education, and other matters involving medical decision-making and delivery of patient care.

## Medi-Cal & Health Care Programs

**CCS Whole Child Model Expansion Proposal.** The budget agreement allows DHCS to expand the CCS Whole Child Model (WCM) to Butte, Colusa, Glenn, Mariposa, Nevada, Placer, Plumas, San Benito, Sierra, Sutter, Tehama, and Yuba, no sooner than January 1, 2025. The agreement requires DHCS to provide annual updates on its website on CCS enrollment, develop utilization and quality measures, and require health plans to implement quality improvement strategies targeted to the CCS population as part of DHCS’ monitoring and oversight responsibilities. Moreover, WCM managed care plans are required to have a primary point of contact for each CCS-eligible child to be responsible for their care coordination. Requires DHCS to support the established referral pathway in non-WCM counties. Lastly, the budget agreement extends the CCS Advisory Group, in which CHEAC participates, until December 31, 2026.

**Newborn Hospital Gateway.** Requires all qualified Medi-Cal providers participating in presumptive eligibility programs to report births of any Medi-Cal eligible infant born in their facility within 72 hours after birth or one business day after discharge, whichever is sooner through the Newborn Hospital Gateway.

**Managed Care Organization (MCO) Tax.** Requires a MCO tax to be imposed on each health plan, effective April 1, 2023, through December 31, 2026. The MCO tax is projected to generate \$32.3 billion in revenue (\$19.4 billion net benefit) for the effective period (see chart below). Revenues would be deposited in the Managed Care Enrollment Fund and be appropriated by the Legislature to DHCS for the following purposes:

1. Funding the nonfederal share of increased capitation payments to Medi-Cal managed care plans to account for their projected tax obligation.
2. Funding the nonfederal share of Medi-Cal managed care rates for the delivery of health care services to beneficiaries in the Medi-Cal program.
3. Transfers to the Medi-Cal Provider Payment Reserve Fund to support investments in the Medi-Cal program.

<b>MCO Tax Renewal – Cash Basis by Fiscal Year</b>					
<i>(dollars in thousands)</i>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>Total</b>
<b>Total Revenue<sup>1</sup></b>	\$8,269,212	\$8,526,680	\$8,761,784	\$6,703,584	\$32,261,260
<b>Medi-Cal Capitation Rates<sup>2</sup></b>	\$3,859,656	\$3,414,943	\$3,507,447	\$2,077,488	\$12,859,534
<b>State’s Net Benefit<sup>3</sup></b>	\$4,409,556	\$5,111,737	\$5,254,337	\$4,626,096	\$19,401,726
<b>General Fund Backfill<sup>4</sup></b>	\$3,388,600	\$1,857,914	\$2,019,341	\$1,050,027	\$8,315,882
<b>Medi-Cal Provider Payment Reserve Fund<sup>5</sup></b>	\$1,020,956	\$3,253,823	\$3,234,996	\$3,576,069	\$11,085,844

**Medi-Cal Provider Payment Reserve Fund.** The budget includes transfers from the Managed Care Enrollment Fund (see MCO Tax above) to the Medi-Cal Provider Payment Reserve Fund. The budget adopts trailer bill to implement the following between 2025 and 2029:

- Increased reimbursement to primary care, obstetric, and outpatient mental health services beginning January 1, 2024.
- \$150 million one-time transfer in FY 2023-24 to the Distressed Hospital Loan Program.
- \$75 million annual transfers to the University of California for graduate medical education.
- \$50 million one-time transfer in FY 2023-24 to the Small and Rural Hospital Relief Fund.

- Targeted Medi-Cal provider payment increases to be proposed by DHCS as part of the 2024-25 Governor's Budget and implemented no sooner than January 2025. Specifies domains in which targeted investments may be proposed:
  - Primary care services, obstetric care services, and outpatient mental health services
  - Specialty care services
  - Community or hospital outpatient procedures and services
  - Family planning services and women's health providers
  - Hospital-based emergency and emergency physician services
  - Ground emergency transport services
  - Designated public hospitals
  - Behavioral health care for beneficiaries in hospitals and institutional long-term care settings
  - Investments to maintain and grow the health care workforce

In yesterday's budget committee hearings, when responding to a question about why some investments are starting in 2024 and others in 2025, the Administration noted that this is a much larger MCO tax than past iterations and the first time that funds are being used for provider rates. The Administration shared the risk that the federal government might not renew such a tax in the future and that this plan was a way to extend payments over time and that there was additional analysis needed to get provider rates to 87.5 percent of Medicare rates.

**Distressed Hospital Loan Program.** In addition to the transfer authorized under the MCO tax (above), the budget agreement authorizes a loan from the General Fund up to \$150 million for the Distressed Hospital Loan Program and requires repayment of the loan by June 30, 2024.

**CalAIM Investments.** The budget agreement provides \$40 million General Fund to support CalAIM Providing Access and Transforming Health (PATH) program to build out enhanced care management and community supports.

**DHCS Navigator Program.** The budget agreement provides \$10 million General Fund to DHCS for the Navigator Program.

**Children's Mental Health Parent Videos.** Provides \$25 million General Fund, available for encumbrance or expenditure until June 30, 2025, for DHCS to support the development of a video series to provide parents with resources to support their children's mental health and develop digital supports for remote mental health assessment and intervention.

**CalRx Technical Modifications.** Clarifies and provides additional flexibility for the CalRx Program to procure various pharmaceutical products.

**Doula Services Implementation Evaluation.** The budget agreement extends the timelines for the state's doula services workgroup to examine the implementation of the doula benefit in the Medi-Cal program from April 1, 2022, until December 31, 2023, to April 1, 2023, until June 30, 2025.

**Medical Interpreter Pilot Program.** The budget agreement extends expenditure authority for the Medical Interpreter Pilot Project for one year from June 30, 2024, to June 30, 2025. Also extends the inoperative date of the program by one year.

## Substance Use Disorders

**Opioid Settlements Fund.** The budget agreement includes several provisions related to fund transfers into the Opioid Settlements Fund. The health trailer bill requires the State Controller to transfer funds from the Litigation Deposits Fund to the Opioid Settlement Fund related to the proceeds from recent legal settlements with opioid manufacturers, distributors, pharmacies, and other entities. For any future opioid-related judgements, bankruptcies, or settlements, the State Controller will be required to transfer those funds to the Opioid Settlements Fund pursuant to future Budget Act appropriations.

**Opioid & Fentanyl Response.** The budget agreement transfers the administration of a grant program to reduce fentanyl overdoses from the California Health and Human Services Agency to the California Department of Public Health (CDPH). CDPH is required to submit an interim report on progress by January 1, 2026, and a final report by January 1, 2028.

**Fentanyl Test Strips.** The budget provides \$6 million to DHCS to support the distribution of fentanyl test strips.

**Naloxone Distribution Project.** The budget agreement allows the Department of Finance to approve a request to augment DHCS local assistance, payable from the Opioid Settlements Fund, up to \$15.25 million to support the expansion of the Naloxone Distribution Project which provides naloxone products statewide to certain organizations, including local health departments.

## Climate Health

**Extreme Heat & Community Resilience.** The budget agreement includes provisions requiring the Office of Planning and Research to submit an annual report to the fiscal committees of the Legislature and the Legislative Analyst's Office summarizing outcomes from the Extreme Heat and Community Resilience Program. The Office is required to utilize \$1.5 million to contract with an independent, external research entity to conduct an evaluation of which strategies are the most effective in mitigating the public health impacts of extreme heat. The evaluation is required to include a review of the public health outcomes from relevant efforts funded by the state's Extreme Heat and Community Resilience Program, Community Resilience Centers Program, Urban Forestry and Urban Greening programs, and extreme heat public awareness campaigns.

The evaluation is required to incorporate available evidence from efforts undertaken by local governments, nongovernmental agencies, other states, and other countries regarding effective and cost-effective strategies to respond to extreme heat. The intent of the evaluation is to provide data and analysis to inform future state-level budget and policy decisions regarding responding to the public health impacts of extreme heat.

## Other Programs & Initiatives

**Health Equity & Racial Justice Fund.** The agreement adopts placeholder trailer bill to establish the Health Equity and Racial Justice Fund to collect funds to support community-based organizations and initiatives that promote health equity and racial justice. More information on the proposal can be found [here](#).

**Racial Equity Commission.** The budget agreement establishes, until January 1, 2030, the Racial Equity Commission within the Office of Planning & Research. The commission will consist of 11 California residents and will be required to develop resources, best practices, and tools for advancing racial equity statewide. The commission will develop a statewide Racial Equity Framework, provide technical assistance to state and local government entities, and promote ongoing, equitable delivery of benefits and opportunities related to racial equity programming.

**Housing & Homelessness.** The budget agreement provides \$1 billion and a framework for Homeless Housing, Assistance, and Prevention Program (HHAPP) Round 5. The agreement also shifts unexpended bonus funding from HHAP Round 3 and 4 to Round 5 and requires HHAP Round 5 recipients to apply on a regional basis.

**California Food Assistance Program (CFAP).** The budget agreement expands eligibility for the California Food Assistance Program (CFAP) to income-eligible individuals ages 55 and older, regardless of immigration status. Automation of benefits is anticipated to begin in July 2023 with food benefits being issued by October 2025. The budget agreement includes \$40 million General Fund one-time for CFAP automation and outreach efforts.

**Firearm Buy-Back Program.** The budget agreement provides \$21 million for a gun buyback grant program, seeking to reduce firearm violence. Funds can be used for state support or local assistance. In addition, the agreement provides \$4 million, available for encumbrance or expenditure until January 1, 2027, to conduct outreach and educate members of the public, law enforcement personnel, and others on how to obtain protective orders, such as gun violence restraining orders to protect themselves and others from gun violence. Allows the Office of Emergency Services to engage in activities or contract activities with non-profit or other entities. Outreach must be conducted in at least ten of the most commonly spoken languages in addition to English, in partnership with community-based organizations, to support underserved communities.

## Related Bills

Trailer bills of most interest to our local health departments are detailed below:

2023-24 Budget Bills of Interest		
Budget Act of 2023		<a href="#">SB 101</a>
Amendment to the Budget Act of 2023 (Budget Bill Jr.)	<a href="#">CHEAC Summary</a>	<a href="#">AB 102</a>
Amendment to the Budget Act of 2021 and 2022 (Budget Bill Jr.)		<a href="#">AB 103</a>
Health	<a href="#">CHEAC Summary</a>	<a href="#">AB 118</a>
Managed Care Organization (MCO) Tax	<a href="#">CHEAC Summary</a>	<a href="#">AB 119</a>
Housing and Homelessness	<a href="#">CHEAC Summary</a>	<a href="#">AB 129</a>
State Government	<a href="#">CHEAC Summary</a>	<a href="#">AB 127</a>
Human Services	<a href="#">CHEAC Summary</a>	<a href="#">AB 120</a>
End of Session Budget Bill Jr.	<a href="#">CHEAC Summary</a>	<a href="#">SB 104</a>
End of Session Health	<a href="#">CHEAC Summary</a>	<a href="#">SB 137</a>
<i>Updated as of September 14, 2023</i>		

During this year’s extended budget negotiations, the Administration and Legislature worked to strike a deal on infrastructure-related investments and projects. The second table below details the final budget trailer bills and policy measures that were included as part of this year’s budget agreement package.

Following the announcement of the budget agreement, Senate President pro Tempore Toni Atkins [announced the formation](#) of the Select Committee on Infrastructure Streamlining and Workforce Equity to hear issues related to the infrastructure package of bills proposed by the Newsom Administration. The select committee will hear related items on Thursday, June 29. The select committee will not vote on the measures as the bulk of the bills were advanced by the Assembly.

<b>Policy Bills included in the 2023 Budget Agreement</b>
<a href="#">SB 122</a> – Public Resources Trailer Bill: Joshua Tree (Committee on Budget)
<a href="#">SB 124</a> – Energy Trailer Bill (Committee on Budget)
<a href="#">AB 126</a> – Clean Transportation (Reyes)
<a href="#">SB 145</a> – CalTrans Advanced Mitigation and I-15 Wildlife Crossings (Newman)
<a href="#">SB 146</a> – Public Resources: Infrastructure (Gonzalez and Friedman)
<a href="#">SB 147</a> – Fully Protected Species (Ashby)
<a href="#">SB 149</a> – CEQA Expedited Judicial Review and Administrative Record Reform (Caballero and Becker)
<a href="#">SB 150</a> – Construction Workforce Development (Durazo, Smallwood Cuevas, Gonzalez, Cortese, and L. Rivas)

## Budget Resources

Senate Budget and Fiscal Review Summary -

[https://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/Protect%20Our%20Progress%20Budget%20Step%204%20Budget%20Act%20of%202023%20Final%20June%2026\\_F.pdf](https://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/Protect%20Our%20Progress%20Budget%20Step%204%20Budget%20Act%20of%202023%20Final%20June%2026_F.pdf)

Assembly Budget Floor Report -

<https://abgt.assembly.ca.gov/sites/abgt.assembly.ca.gov/files/Floor%20Report%20of%20the%202023-24%20Budget%20%2006.26.23%20version.pdf>

Senate Budget Trailer Bill Analysis Packet -

<https://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/June%2026%2C%202023%20Hearing%20Agenda%20Final.pdf>

**Questions.** For questions on the items highlighted above or other budget-related inquiries, please feel free to contact Michelle Gibbons and Jack Anderson at (916) 327-7540 or via email at [mgibbons@cheac.org](mailto:mgibbons@cheac.org) and [janderson@cheac.org](mailto:janderson@cheac.org), respectively.