

## **The Proposed State Budget**

The Governor included several robust initiatives that will impact local governments. Some of the highlights include:

### **Health and Human Services**

- **Medi-Cal** – The Medi-Cal budget is \$98.5 billion and assumes a minimal decrease in caseloads over the prior two fiscal years. Governor Newsom is proposing to expand Medi-Cal coverage to young immigrant adults, requiring that all consumers in the state carry health insurance. In addition, subsidies will be increased for middle-class families in need and those who fall below the federal poverty level. Building upon the children’s Medi-Cal expansion, the Governor’s Budget includes \$260 million to expand full-scope Medi-Cal coverage to eligible young adults aged 19 through 25. As the state takes on responsibility for providing care to these newly eligible individuals, county costs and responsibilities are expected to decrease. \$60 million is budgeted to provide early developmental screenings for children and \$45 million for Adverse Childhood Experiences (ACEs) screenings for children and adults in the Medi-Cal programs. An additional \$50 million is budgeted for family planning services in the Medi-Cal Program and \$360 million is included for a program that encourages Medi-Cal managed care providers to meet the goals of management of chronic disease and behavioral health integration.
- **In-Home Supportive Services (IHSS)** – A new Maintenance-of-Effort (MOE) was negotiated in 2017, which reset the base for counties’ share of program costs and applies an annual inflation factor to the MOE beginning in FY 2018-19. The Governor’s budget proposes adjusting the MOE inflation factor, redirecting 1991 realignment back to county services and reduces counties’ IHSS MOE to \$1.56 billion, thereby increasing state General Fund costs by \$241.7 million in FY 2019-20. Also proposed is an ongoing increase of \$15.4 million for IHSS county administration to reflect revised benefit rate assumptions, for a total of \$326 million for IHSS county administration. Funding for this is made available through a redirection of 1991 Realignment growth from county indigent health and mental health services, county funds that are currently utilized for the County Medical Services Program (CMSP) which provides medical services to indigent adults.
- **CalWORKS** – The proposed budget includes \$347.6 million to raise grant levels to 50 percent of the projected 2019 federal poverty level. As a result, the maximum grant level for family of three will increase from \$785 to \$888 per month. In addition, \$78.9 million is proposed to provide home visiting services to eligible CalWORKs families.
- **Continuum of Care Reform (CCR)** – The budget includes \$416.9 million to continue implementation of the CCR. The reform aims to transition youth from group homes to Short-Term Residential Therapeutic Programs. Although significant progress has been made with the transition of youth in foster care from group homes to Short-Term Residential Therapeutic Programs, assumptions on caseload movement were revised to more accurately reflect the pace of implementation.

### **Housing and Homelessness**

Governor Newsom notes that housing and, as an extension, homelessness are fundamentally local government responsibilities. However, the growing number of homeless persons has made homelessness a statewide problem, requiring a multi-pronged approach.

Local governments will receive \$250 million in grants to support technical assistance and staffing to develop plans to reach the statewide goals for new housing production across all income levels. The state will review these efforts and certify certain milestones have been met. As jurisdictions meet the milestones, an additional \$500 million will be available to cities and counties for general purposes.

To address homelessness, the budget proposes \$500 million in grants for cities and counties that work together in regional partnerships, that site and build emergency shelters, navigation centers, or supportive housing. Legislation is proposed to accelerate the construction of emergency shelters, navigation centers, and supportive housing by allowing for a streamlined California Environmental Quality Act (CEQA) process with accelerated judicial review on challenges to an Environmental Impact Report.

### **Paid Family Leave**

California's Paid Family Leave program currently allows workers to take up to six weeks of paid leave annually to care for a seriously ill family member or to bond with a newborn or newly adopted child. The Governor is committed to expanding the Paid Family Leave program with the goal of ensuring newborns and newly adopted babies can be cared for by a parent or a close family member for the first six months. Over the coming year, the Governor will convene a task force to consider different options to phase-in and expand Paid Family Leave to allow for a longer bonding period.

### **Local Government Emergency Planning**

The Governor's budget proposes an additional \$172.3 million to improve the state's emergency response and preparedness capabilities through the following Office of Emergency Services (OES) proposals:

- \$50 million to continue implementing improvements to the state's 9-1-1 system.
- \$16.3 million in one-time set-aside to finish the build-out of the California Earthquake Early Warning System.
- \$25 million ongoing funding for prepositioning of existing OES and local government resources that are part of the statewide mutual aid system with the goal of enhancing disaster response readiness. The prepositioned resources include fire engines, trucks, personnel, and strike teams.
- \$50 million in one-time funding in FY 2018-19 to immediately begin a comprehensive, statewide education campaign on disaster preparedness and safety.
- \$20 million in one-time funding to increase the amount of funding available through the California Disaster Assistance Act, which is used to repair, restore, or replace public real property damaged or destroyed by a disaster, and to reimburse local government costs associated with certain emergency activities undertaken in response to a state of emergency.

### **Transportation**

The Governor's 2019-20 proposed budget provides \$4.8 billion in transportation funding, primarily from the enactment of SB1. Enacted early in 2017, SB 1 increased motor vehicle fuel taxes and registration fees to better fund the maintenance of the existing streets and highways infrastructure. The Governor's Budget Summary does state that \$2.4 billion will be used to pay off debts, including loans from special funds and transportation accounts. In addition, approximately \$1.1 billion will be provided to cities and counties for road repairs.

### **Cannabis**

Proposition 64 (Prop 64), commonly referred to as the Adult Use of Marijuana Act, levies new state taxes on the cultivation and retail sale of both recreational and medical cannabis. Cannabis excise taxes generated \$84 million in FY 2017-18 and are expected to generate \$355 million in FY 2018-19 and \$514 million in FY 2019-20. Revenues generated from the state excise taxes are subject to significant uncertainty due to this newly created market. Funds will be allocated for various purposes as outlined in the act, such as administrative and regulatory expenses, research on the impacts of the act, public health and safety impacts as a result of the use of cannabis and environmental impacts. The Governor has decided to defer allocations for Prop 64 programs until the May Revision, when updated revenue data will be available.

### **The Census**

The proposed budget includes an additional \$50 million for statewide outreach efforts related to increasing participation in the decennial census, bringing the total funding available to \$140.3 million. This effort will span multiple years, be conducted in multiple languages, and implement specific strategies to obtain a complete and accurate count of all California residents.

### **Local Public Safety**

The budget includes the following for local public safety:

- Proposal to move the Division of Juvenile Justice from the California Department of Corrections and Rehabilitation to a new department under Health and Human Services. This change will enable the state to better provide youth offenders with the services they need to be successful when released.
- \$3.3 billion to fund health care service programs, which provide access to mental health, medical and dental care for inmates.
- \$475.3 million for Division of Rehabilitation Programs.
  - \$5.5 million for a package of programs specifically aimed at improving literacy.
  - \$2.5 million to operate tattoo removal programs.
- \$14.9 million to restore Public Safety Officer Standards & Training (POST) to historical budget levels allowing for restored programs, implementation of new programs, and to update training curriculum to reflect current best practices.
- \$20 million for training on the use of force and de-escalation and engaging with individuals experiencing mental health crisis.
- \$10 million for OES to continue grant funding for the Human Trafficking Victim Assistance Program and \$4.2 million to establish two regional task forces to address the statewide human trafficking epidemic.

- \$116.4 to continue the Community Correction Performance Incentive Grant to reduce the number of felony probationers sent to state prison.
- \$11.8 million for county probation departments to supervise the increase in the number of offenders on post-release community supervision.
- \$1 billion for the Department of Justice.
- \$17.2 million for the state's sex offender registry.