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May Revision to Governor's Proposed 2018-19 Budget

Governor Brown released his "May Revision" to the 2018-19 proposed budget on Friday, May 11, 2018. The Governor and Legislature are expected to agree to a spending plan for 2018-19 before July 1. Despite a healthy surplus, the Governor is avoiding investments in new programs and instead focusing on shoring up reserves to face future shortfalls. He also includes one-time investments that do not commit the state to ongoing funding responsibilities.

The Governor's May Revision provides significant investments in mental health services and proposals to address homelessness. We commend the Governor for prioritizing services and supports for individuals with mental health disabilities who experience homelessness, and will work to ensure these funds are used for services that are community based and voluntary. We are also pleased the Governor is restoring funding for youth with mental health disabilities with an emphasis on prevention and early intervention. The Governor also proposes several initiatives to prevent homelessness including homelessness prevention programs and new local community emergency assistance to help address California's homeless crisis.

Unfortunately, the Governor did not propose a Supplemental Security Income/State Supplemental Payment (SSI/SSP) increase, did not close the gap in the Medi-Cal Aged and Disabled Program eligibility level, and did not fund social recreation and camping, all of which are important to people with disabilities. The proposed budget does maintain the 2017-18 funding of \$10 million for another year to the Equal Access Fund which funds, in part, legal aid programs, including Disability Rights California (DRC).

The May Revise includes \$138 billion in the General Fund anticipated for the 2018-19 budget. The Governor proposes to deposit \$4.8 billion into the Rainy Day Fund leaving a total of \$133 billion for spending in the 2018-19 budget. The Governor's budget includes a \$2.6 billion increase in revenue for the 2017-18 budget and \$3.7 billion in additional revenue from the budget introduced in January.

Mental Health

In addition to the mental health expansions in the January budget for incompetent to stand trial and criminal sentencing diversion programs, the May Revise proposes the following:

- **No Place Like Home:** Places the No Place Like Home program on the November ballot to allow the voters to validate the program, which was approved by the Governor in 2016, but stalled by legal challenges. This program allocates \$2 billion from Mental Health Services Act funds to provide housing for individuals who are in need of mental health services and are experiencing homelessness or are at risk of homelessness.
- **Children's Mental Health Mandate Repayment:** Includes repayment of approximately \$254 million plus interest for repealed mandates. Most of that funding is attributable to county-provided mental health services to children with psychiatric disabilities. The Administration expects counties to use this funding for prevention and early intervention mental health services for youth, with an emphasis on teens.
- **Homeless Mentally Ill Outreach and Treatment:** Proposes one-time additional funds of \$50 million for the Department of Health Care Services to provide counties with targeted funding for multi-disciplinary teams to support intensive outreach, treatment, and related services for homeless persons with mental illness. The goal of the intervention is for earlier identification of mental health needs, prevention of criminal justice involvement, and improvement of coordination at the local level.
- **Graduate Medical Education:** An increase of \$55 million one-time General Fund to support psychiatric graduate medical education programs, serving health professional shortage areas, or medically underserved areas in rural portions of the state.

- **Oversight and Planning:** Proposes \$6.7 million for 48 staff at the Department of Health Care Services to support oversight of county mental health programs, review of Mental Health Services Act expenditures, and planning efforts for system and data improvements to support the evaluation of county mental health programs.

Housing and Homelessness

The May Revision proposes one-time investments to serve as a bridge to continue or initiate local housing efforts, above the \$4.4 billion in the January Budget. The policy changes and construction investment will take time. The Governor's intent remains to develop affordable housing, provide assistance to first-time homebuyers, and offer various supports for individuals experiencing homelessness.

- **Planning:** Proposes \$500,000 and three positions to expand the Homeless Coordinating and Financing Council and move the Council to the Business, Consumer Services, and Housing Agency. The Council will provide statewide guidance on homelessness issues and develop a statewide plan, in collaboration with state and local entities, to support the coordination of the various housing and homelessness investments throughout the state.
- **Prevention:** Proposes \$47.3 million in 2018-19 and \$63.6 million ongoing to support safety net programs operated by the Department of Social Services to prevent Californians from becoming homeless or to help them obtain housing. This includes establishing a \$15 million senior homelessness prevention program, increasing the CalWORKs housing support program by \$24 million, and increasing the CalWORKs Homelessness Assistance program by \$8.1 million in 2018-19 and \$15.3 million ongoing. This last increase raises the payment from \$65 per day to \$85 per day to provide families with up to 16 days of temporary shelter.
- **Community Emergency Assistance:** To assist local communities in addressing homelessness until more state resources are available next year, the May Revision proposes emergency assistance funds as follows:
 - **Block Grant:** Creates a one-time Homelessness Emergency Aid block grant of \$250 million administered through Continuums of Care (federal Housing and Urban Development designations) for cities, counties, or joint powers authorities that

declare a local shelter crisis and identify city-county coordination. Grants can be used for emergency housing vouchers, rapid rehousing, emergency shelter construction, and use of armories to provide temporary shelters.

- **Homeless Youth and Exploitation Program:** Provides one-time funding of \$1 million through the California Office of Emergency Services to augment the Homeless Youth and Exploitation Program for homeless and exploited youth shelters that serve unaccompanied minors.
- **Office of Emergency Services:** Increases funding by \$10 million through the California Office of Emergency Services for additional domestic violence service providers for projects that include emergency “safe” homes or shelters for victims and their families.
- **Intensive Outreach and Treatment:** Provides a one-time augmentation of \$50 million for the Department of Health Care Services to provide counties with funding for intensive outreach, treatment and related services for homeless persons in need of mental health services.
- **Home Safe Pilot Program:** Proposes \$15 million, on a one-time basis, to fund a pilot program within Adult Protective Services to provide housing-related supports to seniors experiencing homelessness or are at risk of losing their homes by providing temporary rental or utility assistance, housing repairs, landlord mediation, and case management. The funding will be available to participating counties over a three-year period with a local match.

Education

The May Revise includes an overall increase in K-12 spending, with total funding of \$96.2 billion for all K-12 education programs. The May Revise funds Proposition 98 at \$78.4 billion. Voter approved in 1988, Proposition 98 guarantees minimum state funding levels for K-12 schools and community colleges. Relative to the January Budget, Proposition 98 funding is up by \$68 million in 2018-19.

In addition to the \$10 million in ongoing Proposition 98 funds for Special Education Local Plan Areas (SELPA) provided in the January Budget to improve student outcomes as part of the statewide system of support as well as \$100 million to increase and retain special education teachers, the May Revision includes:

- **Multi-Tiered Systems of Support (MTSS):** Proposes to expand the state's MTSS framework with a \$15 million one-time augmentation. MTSS aims to foster positive school climate in both academic and behavioral areas, including, but not limited to, positive behavior interventions and support, restorative justice, bullying prevention, social and emotional learning, trauma-informed practice, and cultural competency.
- **Local Property Tax Adjustments:** Includes an increase of \$137.2 million Proposition 98 General Fund in 2017-18 and \$278.1 million Proposition 98 General Fund in 2018-19 for school districts, special education local plan areas, and county offices of education because of lower offsetting property tax revenues in both years.

Community Colleges

Disabled Student Programs and Services (DSPS)/ Extended Opportunities Programs and Services (EOPS)

The DSPS program provides support services, specialized instruction, and educational accommodations to students with disabilities so that they can fully participate and equally benefit from the college experience. The May Revision includes a cost-of-living increase from 2.51 percent to 2.71 percent for these programs.

Online College

The May Revision makes a number of clarifications to the January proposal to create an online college affording greater flexibility in educational opportunities. The additional provisions now include legislation to require the online college to comply with disability and accessibility requirements and provide students with disabilities the same level of services that are provided on the other Community College campuses.

Developmental Services

The May Revision includes \$7.3 billion total funds. There were no major changes or additional proposals to the Department of Developmental Services (DDS) services budget, only caseload and technical adjustments.

Developmental Centers

Reflects a Developmental Center (DC) population of 323 residents on June 30, 2019, which is a decrease of 38 residents compared to the Governor's Budget in January. Key provisions in the May Revise include updated closure costs at the Fairview, Porterville, and Sonoma DCs. The May Revise also proposes an additional \$60 million to the January budget, to be used for deferred maintenance at the Porterville DC.

Community Services

- **Community Placement Plan:** Anticipates a \$2.2 million increase (\$0.6 million General Fund increase) in 2018-19 to fund Community Placement Plan activities for an increased number of individuals moving from the Developmental Center. DRC will continue to evaluate the adequacy of community safety and work to ensure that there are suitable community living options for individuals who live in restrictive community institutions or are at risk of placement there.
- **Holiday Schedule:** Reinstatement, effective July 1, 2018, of the uniform statewide holiday schedule remains in the Governor's budget. There is a \$4.6 million decrease (\$0.2 million General Fund decrease) to correct an error in the January Budget.
- **Social Recreation and Camping:** No proposals to restore social recreation/camping services are included in the May Revise. Restoration of these services, which were eliminated during the 2008-09 economic downturn is a priority for DRC and many other advocacy organizations.

Headquarters

- **Person Centered Planning (PCP):** \$400,000 (\$300,000 General Fund) for the Department of Developmental Services to issue a request for proposal for a consultant to help develop statewide person centered planning training, including development of training modules that would be available online. The consultant would work closely with all stakeholders, including people with developmental

disabilities, families, providers and regional centers. Person centered planning is required as part of the Home and Community Based Services (HCBS) regulations and we are pleased that DDS is working with a consultant to develop strategies to address this component of the HCBS requirements.

Public Safety

The May Revision includes total funding of \$12.1 billion for the operation of the Department of Corrections and Rehabilitation. Investments for inmate rehabilitation include the following:

- **Health Care Services for Reentry Facilities:** Includes \$10.8 million in General Fund to provide health care to all inmates housed at reentry facilities. The Department is in the process of finalizing an agreement with the Department of Health Care Services to contract with various health care providers for comprehensive medical coverage for inmates at these reentry facilities.
- **Mental Health Psychiatry Registry:** Includes \$18.1 million in General Fund for contract psychiatry services needed to meet a federal court order to fill at least 90 percent of the state prison system's psychiatry positions.

In Home Supportive Services (IHSS)

Electronic Visit Verification (EVV): The January budget included no funding for EVV, a requirement imposed on the state by the federal Cures Act. Funding was expected to be addressed in the May Revise. The state instead proposed a budget change (\$559,000 General Fund) to fund a multi-department planning team.

Medi-Cal

Supplemental Payments – Proposition 56: The January Budget proposed using Proposition 56 tobacco tax revenues allocated for health care treatment to make supplemental provider payments and rate increases approved in 2017. Supplemental payments contained in the January budget are maintained, although claims for some providers have been lower than expected. The Department of Health Care Services will work with the Legislature to adopt an appropriate payment structure to submit for federal approval. Net revenues in Proposition 56 funding, after

required backfills, show an increase of \$32 million over the January budget. There are no program changes or provider expansions.

Aged & Disabled (A&D) Medi-Cal Eligibility: DRC has been working to close the Medi-Cal A&D eligibility gap, which has not changed since the program began. One set of Medi-Cal enrollees are subject to a huge deductible (“share-of-cost” in Medi-Cal terms), while others with a higher income face no share-of-cost at all. The A&D fix was not in the January budget or in the May Revise.

Nursing Rates: The January budget proposed increases to in-home nursing rates, designed to address the difficulties parents of children with significant needs have accessing nursing services. The proposal did not address needs for facilities. The May Revise includes provisional language in the budget bill for Intermediate Care Facilities for the developmentally disabled-continuous nursing care (ICF/DD-CNC) regarding supplemental provider payments and rate increases which will be posted by September 30, 2018 upon approval of the Director of Finance.

SSI/SSP

The May Revise does not include any increase in the SSP grant.

Date: May 14, 2018