



Date: May 14, 2015
To: CBHDA Members
From: Robert E. Oakes, Executive Director
Adrienne Shilton, Director of Intergovernmental Affairs
Subject: **Governor's May Revised 2015-16 Budget Released**

The Governor released the May Revised 2015-16 Budget this morning. The May Revision continues the focus on the key elements of the January Budget: carrying out the Local Control Funding Formula (California's school funding formula), federal health care reform, public safety realignment, the Water Action Plan, and the Cap and Trade expenditure plan.

This memo is intended to highlight the Governor's major changes to the January budget. The May Revision will be the basis for budget hearings over the next several weeks.

The State's Fiscal Condition

General Fund revenues have increased since the January Budget to \$6.7 billion. However, most of the increased revenues are directed to Proposition 98 (K-12 education) and Proposition 2 (the "Rainy Day" fund) as follows:

- \$5.5 billion for K-12 schools and community colleges (Proposition 98)
- \$633 million is required to be saved in the Rainy Day Fund (Proposition 2) and an additional \$633 million be used to pay down debts and liabilities.

The May Revision commits *new* spending in only three areas:

- California Earned Income Tax Credit: The credit will provide \$380 million in benefits to 2 million Californians.
- California State University and University of California: Holds tuition flat at the state's universities for California undergraduate students for two more years by providing increased ongoing funding to California State University and temporary assistance to the University of California to pay down its unfunded pension liability.

- **Undocumented Immigrants:** Provides health care services to certain undocumented immigrants who gain permanent residence under President Obama's executive order on immigration.

Wall of Debt: Final Payment Coming to Local Governments

The May Revision to the budget contains several proposals that help reduce the state's debt. CBHDA was very pleased to see that the budget includes the final mandate reimbursement to local governments for activities before 2004 of \$765 million. These "pre-2004 mandate" services were what the state required local governments to perform. Paying off the last of these debts to counties, cities, and special districts provides the dual benefits of reducing the state's debt burden while still spending the funds on public services, since the bulk of county general funds go to public safety and health and human service programs. Of the \$765 million, approximately 77% will go to counties, 22% to cities, and 1% to special districts.

Health and Human Services Areas of Interest

The May Revision includes \$61.6 million in non-state general funds for additional payments to health plans (including county mental health plans and DMC-ODS county pilots) that participate in the Health Homes Program beginning January 2016. The Health Home Trailer Bill language can be downloaded [here](#). It creates the account structure, and an initial \$50 million appropriation of non-state general funds to support the Health Home program. For additional background information, following is a link to the concept paper on Health Homes: [Health Homes for Patients with Complex Needs - California Concept Paper Version 2.0 – 4-10-15](#)

In 2014, California increased the mental health and substance use disorder benefits available through Medi-Cal as part of the Affordable Care Act Medi-Cal expansion. The May Revision includes \$341 million in General Fund cost for FY 15-16 for these expanded benefits.

Support for Local Educational Agencies

The May Revision proposes a one-time investment of \$10 million in Proposition 98 funding to assist local educational agencies interested in implementing school-wide, data-driven systems of support and intervention. This budget request was made by the California Council of Community Mental Health Agencies and is also the subject of its sponsored legislation [AB 1025 \(Thurmond\)](#), which would create pilot programs for multi-tiered behavioral health and educational supports.

Department of State Hospitals

The May Revision includes \$10.1 million General Fund to expand the Restoration of Competency Program by up to 108 beds to address the existing placement waitlist.

Addressing the waitlists in State Hospitals has been an ongoing priority of the Administration.

The May Revision includes \$4.6 million General Fund to activate 30 beds at the California Medical Facility in Vacaville to add sufficient capacity for the Department to serve *Coleman* patients. The Special Master over the *Coleman* case has been critical of the waitlist for intermediate and acute beds within the psychiatric programs.

Prison Population and Proposition 47 (The Safe Neighborhoods and Schools Act)

Compared to the Governor's January Budget, the Spring 2015 population projections for state prisons show an average daily population reduction of approximately 5,100 inmates in 2015–16. This decline is driven primarily by revised Proposition 47 estimates showing that the measure is impacting the prison population sooner than anticipated by the Governor's January Budget. These former inmates are now being reintegrated into local communities, where many of them are in need of behavioral health services. However, any savings identified as a result of Proposition 47 implementation designated to cover the costs of treatment services will not be available until late 2016.

