



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 19-1298

Board Meeting Date: 1/28/2020

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Michael P. Callagy, County Manager
Connie Juarez-Diroll, Legislative Officer

Subject: Analysis of the Governor's Proposed 2020-21 State Budget

RECOMMENDATION:

Accept this analysis of the Governor's Proposed 2020-21 State Budget.

BACKGROUND:

On January 10, 2020 Governor Gavin Newsom released his proposed FY 2020-21 State Budget, which includes \$153.1B in General Fund, \$64.8B in special funds, and \$5.4B in selected bond funds totaling \$222.2B. The proposed budget reflects a 3.5 percent increase in spending from the current fiscal year budget.

The Governor's Budget continues the state's focus on building up discretionary reserves and spending nearly \$2B of the \$5.6B surplus on one-time spending. The surplus assumes about \$1.8B in reimbursements from the federal government for costs associated with wildfires in 2017 and 2018. The revenue forecast also assumes federal approval of the Managed Care Organization (MCO) tax; however, revenues from the MCO tax are not assumed to begin to accrue until 2021-22. The budget continues to grow state government through new responsibilities, redesigned state departments, and increased safety net spending above the Legislative Analyst Office recommendation of no more than \$1B.

The Administration projects that the nation's record-long economic expansion will continue through the forecast period, from 2020 to 2023, but projects that the pace of growth will slow both nationally and in California. The outlook projects that the state will continue to add jobs over the next few years, but at a slower pace. Although the Administration does not expect a recession in the forecast period, the Governor's Budget continues to acknowledge growing national and global economic risks from a recession on the horizon, global stock market volatility, and political instability. The outlook also points out that beyond these immediate risks, the state faces several longer-term risks to economic growth, including the economic impact of the state's housing shortage and the aging of the

population.

To continue preparing for a potential recession in the coming years, the proposed budget includes total reserves of \$21B, the largest level in state history. This includes \$18B in the Proposition 2 Rainy Day Fund, \$900M in the Safety Net Reserve, \$487M in the Public School System Stabilization Account, and \$1.6B in the “regular” reserve for economic uncertainties.

The final budget is due to the Governor by June 15 and must be signed into law by July 1, 2020.

DISCUSSION:

The Governor’s FY 2020-21 proposed State Budget would have the following impacts to County programs and services:

Homelessness

California Access to Housing and Services (CAHS) Fund

Provides \$750M in one-time funding for the newly created California Access to Housing and Services Fund, to be administered by the Department of Social Services (DSS), and which was formed by Executive Order N-23-30 issued by the Governor on January 8, 2020. The Executive Order directs:

- The Department of Finance to establish the California Access to Housing and Services fund within DSS to receive future state appropriations and private contributions to provide rental subsidies, additional affordable housing units, and stabilize board and care homes;
- The Department of General Services to identify properties from its previous inventory of state properties that can be used by local partners to provide short-term, emergency housing;
- CalTrans to develop a model lease agreement for cities and counties to use for purposes of leasing CalTrans-owned land adjacent to highways and state roads for short-term, emergency housing;
- The Office of Statewide Health Planning and Development to work with local jurisdictions to assess the appropriateness of vacant and decommissioned hospital and health facilities for purposes of utilizing them for short-term, emergency housing;
- The Department of Food and Agriculture, in consultation with other state departments, to assess fairgrounds properties in communities experiencing a shelter crisis that would be available for short-term, emergency housing;
- The Department of General Services to deploy 100 travel trailers and the Emergency Medical Services Authority to deploy modular tent structures for purposes of temporary, emergency housing; and
- The formation of a multi-agency state strike team to assist local jurisdictions to connect those experiencing homelessness to health and social service programs.

The proposed one-time allocation would fund the above-referenced services. The Governor’s proposed budget expands on the use of these funds by outlining its plan to have “regional administrators” that will execute performance-based contracts to provide short- and long-term rental subsidies make small- and medium-sized contributions to encourage development of new units in exchange for a rental credit, and stabilize board and care facilities by funding capital projects and/or

operating subsidies.

The Fund would also be used to engage with landlords to secure units and negotiate individual client leases, provide tenancy support services, and coordinate case management with counties for those receiving rental subsidies to ensure that they are enrolled in public assistance programs.

The Governor requests that the Legislature take early action on this component of the budget so the Administration can expedite implementation and indicates a preference that regional administrators be tasked with “regionalizing” responses to homelessness as it is his opinion that current collaboration between cities and counties is inadequate and absent.

The Governor’s efforts to address homelessness also include reforms to Medi-Cal, the state’s behavioral health system, and state hospitals. (Details of these proposal are listed in the Health System section of this report.)

- *Based on previous funding methodology, the Human Services Agency (HSA) is projecting an allocation of \$4M in CAHS funding for affordable housing and rental assistance support.*
- *To-date, the County has received \$5.9M in Homeless Emergency Aid Program (HEAP) funding allocated in the FY 2018-19 State Budget.*
- *HSA is currently in the processing of applying for \$3.4M in Homeless Housing Assistance and Prevention (HHAP) Program funding allocated through the FY 2019-20 State Budget. Applications for funding are due to the state on February 15th. When received, total funds received by the County from the state for homelessness services will total approximately \$9.3M.*

Housing

The Governor continues to commit to building on housing investments made in the 2019 Budget Act and pursuing policy changes that support housing production, including:

- \$500M for the state’s housing tax credit program, the second year of increased funding.
- \$10M annually for the next three years to continue to pursue policy changes that support housing production as well as hold jurisdictions accountable to remove barriers to more housing production in the state.
- *The Department of Housing is supportive of the Governor’s efforts to provide additional funding to create and preserve affordable housing. Continued annual funding in the form of housing tax credits would help to expedite numerous pipeline projects that need tax credits to begin construction. It looks forward to partnering with the state agencies charged with administering the new financing programs and would ask the Governor’s office to ensure the budget includes adequate resources to appropriately staff those departments.*

- Revamping the next Regional Housing Needs Allocation (RHNA) cycle to promote and streamline housing development.
 - *The Association of Bay Area Governments (ABAG) is currently working on its methodology for the upcoming 6th cycle of the RHNA. The County's numbers are expected to be 100-220 percent higher.*
- Supporting the continued creation of new units of affordable housing through the ongoing implementation of FY 2019-20 funding for housing programs, including the Infill Infrastructure Grant Program.
- Working with the Legislature on additional actions to expedite housing production, including changes to local zoning and permitting processes, as well as adding predictability and reducing the costs of developments fees.
 - *21 Elements is working with planning staff across the County to implement streamlining and transparency provisions of several new laws passed in 2019, including new ADU laws. The Department is closely tracking additional housing legislation in 2020.*
- The possible creation of a new agency focused exclusively on housing and homelessness to improve coordination and disbursement of funding across government and remove potential barriers to greater housing production.
 - *The Housing Department welcomes the Governor's efforts to better coordinate the state's staff, processes and funding resources focused on housing and homelessness.*

HEALTH SYSTEM

Homelessness

The Governor's efforts to address homelessness also include reform to Medi-Cal, the state's behavioral health system, and state hospitals.

Medi-Cal Healthier California for All (formerly CalAIM)

In October 2019, the Administration announced a series of proposed Medi-Cal reforms that are now collectively referred to as Medi-Cal Healthier California for All. Under the proposal, the state aims to: 1) encourage contracted managed care plans to provide additional non-health care services, such as intensive care management and temporary housing services, intended to more comprehensively address the needs of Medi-Cal enrollees with the most complex and costly conditions (such as homelessness); 2) simplify state administration and service delivery in the Medi-Cal program, and; 3) shift further toward models of paying for health care services that reward quality over volume.

The Governor's Budget includes \$695M total funds to implement key components of the proposal for a half year in 2020-21. This includes: \$225M for a new enhanced care management benefit; \$57.5M for in lieu services, \$300M for plan incentives; and \$112.5M for dental initiatives. The state's investment would increase to \$1.4B total funds in 2021-22 and continue at this same

amount through FY 2022-23. Beginning in FY 2023-24, the Administration is proposing to phase out the plan incentive funding, resulting in ongoing annual costs of \$70M for Medi-Cal Healthier California for All.

- *While the Health System is encouraged to see an ongoing state General Fund commitment to implementation of the program, there are not currently enough details to estimate the impact on the County's health services.*

State's Behavioral Health System

In order to address the challenges faced by Californians who are experiencing both homelessness and behavioral health conditions, the Governor is calling for the following:

- The creation of a *Behavioral Health Task Force* to improve the quality of care and coordinate system transformation efforts under the new Medi-Cal Healthier for All initiative. The task force will be comprised of state departments, counties, advocates, health plans, providers, and other stakeholders. It will not discuss changes to the Mental Health Services Act (MHSA).
- Direct the Health and Human Services Agency and the Department of Managed Care to update and strengthen behavioral health parity laws by focusing on timely access to treatment, network adequacy, and more.
- Proposes to update and expand the use of MHSA funding for substance use disorder treatment, particularly for those experiencing homeless and/or who are involved in the criminal justice system, and early intervention for youth. The Administration will submit a proposal in the spring regarding this proposed reform, which may include new metrics to track local governments' use of these resources, namely the number of people served and the efficacy of spending. Such a proposal would likely need to be approved by voters to take effect.
- In alignment with the Medi-Cal Healthier California for All Initiative, the budget includes \$45.1M in 2020-21 and \$42M in 2021-22 for the Department of Health Care Services to implement a *Behavioral Health Quality Improvement Program*. Funding would go to county-operated community mental health and substance use disorder systems to incentivize system changes and process improvements that could help prepare counties for opportunities through Medi-Cal Healthier California for All. Funding would likely be used for such things as enhanced data-sharing capability for care coordination and data collection, performance measurement, and reporting.

- *There is currently not enough information to determine County impacts, but the Health System will be monitoring these proposals closely.*

Medi-Cal Coverage and Benefits

Provides \$80.5M in funding to expand full-scope Medi-Cal benefits to all persons aged 65 and older, regardless of immigration status, no sooner than January 1, 2021. The proposal also includes In-Home Supportive Services (IHSS) costs. The Administration estimates that 27,000 seniors statewide will access the benefit in the first year, with full implementation costs to be \$350M in 2022-23 and ongoing.

- *According to the Health System, of the 21,000 adults enrolled in the County's ACE program, there are approximately 1,000 enrollees who are age 65 and older and that may qualify Medi-Cal under this proposal. The Health Coverage Unit will be working with the Health Plan of San Mateo to drill deeper into the County's program data to more accurately determine how many enrollees may qualify.*
- *The proposed expansion of the program could also result in additional adults being eligible for IHSS supportive services and Aging and Adult Services estimates, based on*

currently volume, that approximately 10 additional cases per week this year could potentially apply for and receive IHSS benefits under this expansion.

- *Revenue increases to the Medical Center based on the proposed program expansion are expected to be offset by reductions in funding for the uninsured as a result of the potential implementation of federal Medicaid Fiscal Accountability Regulation (MFAR).*

Assembly Bill 85

AB 85 (Chapter 24, Statutes of 2013) specifies changes to the 1991 realignment structure and redirects county health realignment funding for CalWORKs grant increases. The Governor's Budget estimates \$589.8M in savings from public health care system counties in FY 2020-21. This funding is statutorily required to offset state CalWORKs grants.

- *Under current redirection calculations, the County is listed as having a zero giveback to the state for FY 2020-21 resulting in approximately \$16M in additional 1991 Realignment revenue for the Medical Center.*

The Governor's Budget also provides final redirection calculations for FY 2017-18. Redirection calculations have increased by \$301M from approximately \$232M to \$533M statewide.

- *The County is expected to have a zero redirection for FY 2017-18 resulting in approximately \$16M in additional 1991 Realignment revenues. This amount was not budgeted in the Medical Center's FY 2017-18 budget but is now included in their reserves of \$131M. These reserves are to assist with the \$112M in identified potential high to medium category fiscal risks that include paybacks or revenues not received by the County.*

Health Care Affordability

The budget proposes several investments aimed at reducing health care costs and making health care more affordable.

- *Office of Health Care Affordability*-proposes to create in the spring of 2020. The Office would focus on: (1) increasing price and quality transparency; (2) developing strategies and cost targets for the different sectors of the health care industry and financial consequences for entities that fail to meet these targets; (3) creating strategies to address hospital cost trends by region with a focus on cost increases driven by delivery-system consolidation, and (4) developing standards to advance evidence-based and value-based payments to physicians, physician groups, and hospitals, as well as administering simplification.
- *The San Mateo County Medical Center is committed to the principles of price and quality transparency and its policies prohibit balance billing.*
- *Public Option*-the budget document states that the "state will leverage both Covered California and Medi-Cal to build an even more robust public option in California." The Health and Human Services Agency is being charged with developing options to strengthen enrollment, affordability and choice through Covered California, including opportunities to leverage the networks of existing public Medi-Cal managed care plans.
- *The Health System is looking forward to learning more about this proposal and will remain closely aligned with the Health Plan of San Mateo.*

Prescription Drug Costs

The Governor's Budget also provides for a number of other changes to reduce drugs costs:

- *Increasing the State's Purchasing Program*-The Department of General Services will continue expanding partnerships with local pharmaceutical purchasers to increase participation in the state's purchasing program.
- *Medi-Cal Best Price*-Proposes to expand the Department of Health Care Service's authority to consider the best prices offered by manufacture's internationally when conducting negotiations for state supplemental rebates.
- *Rebates for Non-Medi-Cal Drug Purchases*-Proposes to leverage the purchasing power of the Medi-Cal program to negotiate supplemental rebates on behalf of targeted populations outside of Medi-Cal.
- *Golden State Drug Pricing Schedule*-Proposes to establish a single market for drug pricing within the state. The idea is to combine the purchasing power of Medi-Cal, CalPERS, Covered California, private insurers, self-insured employers, and others. Drug manufacturers would have to bid to sell their drugs at a uniform price in the newly created market.
- *Generic Contracting Program*-Proposes to establish its own generic drug label. The state would contract with one or more generic drug manufacturers to produce certain generic drugs on behalf of the state and participating entities.
 - *The Health System and the Health Plan of San Mateo will closely monitor how the Administration's proposed changes can enable the pharmacy access to its clients/patients need, while also meeting regulatory compliance and cost management requirements.*
- *Medi-Cal Rx*-includes savings of \$178.3M stemming from the carve-out of the Medi-Cal pharmacy benefit from managed care to fee-for-service effective January 1, 2021.
- *Supplemental Payment Pool for Non-Hospital 340B Clinic*-proposes to create a new supplemental payment pool that would provide payments to non-hospital clinics for 340B pharmacy services. The budget provides \$52.5M for the new program and assumes a January 1, 2021 implementation date. On an annual basis, the pool would be \$105M ongoing. Payments from this pool are intended to mitigate the impact of Medi-Cal Rx to non-hospital clinics and continue supporting overall safety net services.
 - *The Health System will continue to engage on this issue throughout the state budget process to resolve its expected 340B program losses.*

Nursing Facility Financing

Proposes to shift nursing facility reimbursement from a cost-based methodology to one that better incentivizes value and quality. The intent of the reforms is to further enable nursing facilities to invest in quality patient care while assuring long-term financial viability.

- *According to the Health System, there is not enough information currently to assess the impact to the Medical Center and Burlingame Skilled Nursing; however, the majority of its skilled nursing facility revenue is now reimbursed by the Health Plan of San Mateo using a similar methodology as the Medicare program, and therefore, the state's budget proposal is unlikely to have material impact on the County's revenues.*

In-Home Supportive Services (IHSS)

The Governor's Budget provides \$14.9B in IHSS in 2020-21. Average monthly caseload growth is estimated to be 4.6 percent in 2019-20, and another 4.6 percent in 2020-21, resulting in 586,390 cases statewide.

- *Seven Percent Services Reduction Restoration*-The state budget proposal assumes federal approval of the Managed Care Organization (MCO) tax with revenues beginning to accrue in 2021-22, and as a result, continues the current restoration of seven IHSS service reduction. Pending the MCO tax revenues, the cost associated with continuing this restoration are estimated at \$894.5M in 2021-22. The budget also proposes to extend the suspension of the restoration, originally effective in December 2021, to June 30, 2023.

Youth Vaping

The budget proposes a new nicotine content-based E-cigarette tax. The vaping tax would take effect January 1, 2021 and would impose a \$2 tax for each 40 milligrams of nicotine in the product. This tax is in addition to the existing taxes on E-cigarettes. The Administration is estimating the tax will generate \$32M in 2020-21. The revenues would be used for administration, enforcement, youth prevention, and health care workforce programs. Additionally, the Administration will be proposing a statewide ban on all flavored nicotine products as of January 1, 2021 and acknowledged Senator Jerry Hill for his newly introduced bill on the topic.

HUMAN SERVICES AGENCY

Realignment Funding

Realignment revenue is comprised of sales tax and vehicle license fee (VLF) funds. HSA receives 1991 Realignment funding to pay for CalWORKs general fund assistance costs and grant increases, and 2011 Realignment funding for various program activities in Child Welfare Services, including Foster Care, Adoption Assistance, Adoptions Eligibility, and Child Abuse Prevention, Intervention and Treatment. The Governor's Budget revises statewide sales tax revenues compared to the estimates adopted in the 2019 Budget.

- *Based on lower 1991 Realignment funding projections, the Human Services Agency (HSA) anticipates that it will receive approximately \$300,000 less in funding for FY 2019-20 and \$150,000 more in FY 2020-21. The Department expects to cover the \$300,000 loss in FY 2019-20 through ongoing vacancies, and should FY 2020-21 projections hold, the anticipated \$150,000 gain in FY 2020-21 will allow it to restore 50 percent of the loss in this year's funding.*
- *The Department is also anticipating a drop of \$600,000 for FY 2019-20 in 2011 Realignment funding based on revised estimates. However, it anticipates a potential increase of \$1.1M in FY 2020-21 based on current projections.*

Medi-Cal Administration

The Governor's Budget proposal includes an increase of \$67.7M statewide for county Medi-Cal eligibility determinations.

- *HSA is projecting a \$1.3M increase in funding from the state for these services.*

CalWORKs Single Allocation-includes a proposed net reduction of approximately \$38M for the Eligibility, Employment Services, and CalLearn components in FY 2020-21 due in part of declining

caseloads statewide.

- *HSA anticipates a reduction of \$10,726 in Eligibility funding, \$36,610 in Employment Services funding, and a slight increase of \$5,923 in CalLearn funding, for a net reduction of \$41,413.*
- *According to the Department, continued reductions in this revenue source could have the potential to lower its ability to quickly respond to downturns in the economy when client services are most needed, and it will continue to advocate for maintaining methodologies that are cost based and not simply caseload driven.*

CalWORKs Home Visiting Initiative-includes \$110M for in FY 2020-21 to provide home visiting services to eligible CalWORKs families, including pregnant individuals and parents that are enrolled in the CalWORKs program or caregiver relatives for child-only case with a child under two year of age.

- *HSA anticipates receiving approximately \$209,245 in FY 2020-21 for this program, an increase of \$39,021.*

CalWORKs Subsidized Employment-proposes to keep funding flat for FY 2020-21 for a program that reimburses employers for wages of newly-hired employees that are on CalWORKs and participating in SMC-HSA's WTW program, and a shift of \$19M from the CalWORKs Single Allocation to enhance program funding.

- *HSA anticipates a small increase in funding due to the shift to its base program funding of \$563,951.*

CalWORKs Housing Support Program-proposes \$95M for FY 2020-21 to this program which helps CalWORKs families to secure long-term housing stability.

- *HSA anticipates receiving \$2.1M in FY 2020-21 a reduction of \$164,000 from the previous fiscal year.*

CalWORKs Family Stabilization-proposes to keep funding flat at \$46.9M for this program which provides temporary services to families who are homeless, or at risk of becoming homeless, or are experiencing transportation or other issues impairing their participation in the WTW activities or employment.

- *HSA's funding was reduced by \$309,000 in FY 2019-20 due to lower claimed expenditures. The Department has increased expenditures in FY 2019-20 and is hopeful that funding will be restored to its previous allocation of \$319,000 for FY 2020-21.*

CalWORKs Mental Health and Substance Abuse-proposes to keep statewide funding flat at \$126.6M for FY 2020-21.

- *HSA anticipates \$175,697 in funding for FY 2020-21.*

CalFresh-proposes to keep county administrative funding in 2020-21 flat, pending continued work on a new budget methodology, and eliminates the \$15M, one-time funding provided for SSI expansion, resulting in an overall decrease.

- *The Department anticipates that its funding will remain at \$5.7M offset by a loss of \$298,000 for the SSI expansion component. HSA is part of the statewide committee looking at a revised budget methodology and will remain vigilant about proposals that may negatively impact the County.*

CalFresh Able Bodied Adults Without Dependents (ABAWD)-includes a total of \$3.2M in funding for

FY 2020-21 for implementation activities.

- *The Department anticipates an increase of \$73,525 for FY 2020-21.*

Children and Family Services (CFS)-proposes \$589.9M statewide for FY 2020-21, an increase of \$38.9M from FY 2019-20, for this program which focuses on improving the safety, well-being, and permanency of children.

Continuum of Care Reform (CCR)-includes \$548.6M to continue implementation activities statewide but eliminates funding for the Resource Family Approval (RFA) activities resulting in a cut of \$26M statewide. In addition, funding to reduce the RFA backlog is proposed to sunset in FY 2019-20.

- *These actions will result in a loss of \$70,173 which was used to fund a contract with BINTI, the RFA database system. HSA will need to identify an alternative funding source for this system.*

CCR Child and Family Teams-maintains funding \$744.4M statewide for FY 2020-21.

- *HSA anticipates flat funding of \$310,640 for these activities.*

CCR Child and Adolescent Needs and Strengths (CANS)-the January budget does not propose continued funding for CANS implementation in FY 2020-21.

- *The agency anticipates a loss of \$39,497 in this area for FY 2020-21.*

CCR Level-of-Care Protocol-provides \$10M for FY 2019-20 and \$10.3M for FY 2020-21 to implement a rate-setting protocol.

- *The agency received \$27,354 in funding for FY 2019-20 and is projecting to receive \$27,852 in FY 2020-21, an increase of \$498.*

Foster Parent Recruitment, Retention and Support-proposes to eliminate \$21.6M in funding statewide used to recruit, retain and provide support to new foster family home caregivers.

- *HSA anticipates a loss of \$94,494 in funding which will impact Children Welfare Services' ability to recruit and retain foster care providers. The Department will need to explore an alternative funding method for these services.*

Family Urgent Response System (FURS)-includes \$14.8M statewide for the implementation of this 24/7 conflict resolution, de-escalation and in-person response system for current and former foster children and their caregivers to preserve families. FURS includes a state-level hotline and a county-based mobile response team.

- *The agency has begun planning activities for a July 1, 2021 implementation date and is waiting to receive more information on the County's specific allocation.*

Child Welfare Services Training Program-provides \$11M in FY 2020-21 to the program, bringing total state funding to \$55.3M to-date. It is expected that \$4.3M of the new allocation may be allocated to counties.

- *The agency has begun to develop a virtual reality training and expects to be able to utilize this training to complete the training program.*

Commercially Sexually Exploited Children (CSEC)-proposes funding at \$26.7M for FY 2020-21 for

these prevention and intervention services.

- *The agency estimates an increase of \$84,525 in FY 2020-21.*

CHILD SUPPORT

The Governor's Budget proposal includes an increase of \$56M for local child support agencies (LCAs) for continued implementation of a new budget methodology that was established in 2019-20.

- *Child Support Services reports that this funding is earmarked for 21 local child support agencies, which does not include the County. The California Child Support Directors Association continues to work on strategies to support underfunded counties like San Mateo County.*

The January budget proposal proposes to increase the amount of child support payments that pass through to CalWORKs families from the current \$50 to \$100 for the first child and \$200 for the second child. The proposed change would take effect in January 2022.

- *The local child support agencies will assist the California Department of Child Support Services in preparing for this change and supporting the economic well-being of California families in receiving additional income into the household.*

The budget proposal also includes statutory changes that would forgive past due child support payments deemed uncollectable. This effort is most likely similar to the proposed Senate Bill 337 in which the Governor directed the Department of Child Support Services (DCSS) to review and enhance the Compromise of Arrears Program (COAP).

- *According to Child Support Services, a collaborative effort is already underway between the local child support agencies and the DCSS to implement this proposal.*

PUBLIC SAFETY

2011 Realignment Funding

The Governor's January budget proposal updates revenue assumptions for 2011 Realignment programs. For AB 109 (Community Corrections Subaccount) the 2019-20 statewide base remains \$1.366 billion, with growth estimated at \$92.6M. This is an increase of \$37.8M over the final 2018-19 growth of \$54.8M. Realignment revenue estimates are refined with the release of the Governor's May Revision and finalized in the fall.

Probation Reforms and Investments-The Governor's January budget proposal includes significant new investments and reforms for adult probation supervision and program, including:

- \$60M annually for three years and \$30M in 2023-24 to provide additional supervision and services to misdemeanor probationers.
 - *According to the Probation Department, this proposed funding specifically for the supervision of high-risk-to-reoffend misdemeanants would be a huge benefit to public safety and give probation better tools to address the supervision and service needs of the population. The process for the disbursement of funding to counties is yet-to-be determined; however, it is expected to be based on population size.*

- A reduction in probation terms to two years for both felony and misdemeanor probationers and an opportunity for earned discharge for probationers.
 - *Probation underscores that this proposal conforms with existing research which shows that the first two years of a probation term are the most critical time to engage probationers in behavior change and reduce the likelihood of reoffending. Along with the stabilization of SB 678 funding, the department believes this proposal will allow it the opportunity to front-load services to this population to better ensure their active participation in evidence-based programming and more fully address their underlying risk factors to help change behavior.*
 - *In addition, incentives like early discharge should help compel more probationers to participate in evidence-based programming and rehabilitation.*
- \$11M ongoing to augment the \$113.8M base for the Community Corrections Performance Incentive Grant Fund (SB 678). This augmentation allows for each county to receive their highest ever payment under the last three years of the program and is intended to stabilize the grant program going forward.
 - *Based on a newly adopted methodology for distribution, Probation estimates it will receive approximately \$1.6M in funding. Under SB 678, county probation departments adopted evidence-based practices, increased reentry and support services, and emphasized community supervision practices that address needs to help reduce recidivism. The proposed SB 678 funding stability will further equip probation departments to work with probationers at the front-end of supervision, services and supports, as well as allow for better planning and investments in staffing and program infrastructure needed to improve offender outcomes.*
- \$13.8M for the temporary increase in the average daily population of offenders on Post-Release Community Supervision as a result of the implementation of Proposition 57. This is a decrease of \$1M compared to the amount provided in 2019-20.
 - *The Probation Department anticipates a minimal impact to the County based on current Prop. 57 county numbers.*

Community Corrections Planning (CCP) Grants-includes another investment of \$7.9M statewide for planning grants, which are meant to support ongoing implementation of AB 109 (2011) and the associated work of the Community Corrections Partnership.

- *The County will be eligible for approximately \$150,000 based on its population size.*

Proposition 47 Savings-estimates total savings of \$112.5M for 2019-20, an increase of \$44.1M compared to the state savings in last year's budget. Proposition 47, passed by the voters in November 2014, requires misdemeanor rather than felony sentencing for certain property and drug crimes, and permitted inmates previously sentenced for these reclassified crimes to petition for resentencing.

Local Jail Oversight-proposes that the Board of State and Community Corrections (BSCC) more thoroughly engage with counties to correct issues identified during jail inspections that the BSCC conducts.

- *According to the Sheriff's Office, the proposal would call for the BSCC to take steps when its inspectors find conditions that violate state standards and to examine national best practices. At this time, it is not known when new legislation might be introduced or what changes this proposal may call for.*

OTHER COUNTY ISSUES

Emergency Preparedness and Response

With the ever-present threat of catastrophic wildfire, the Governor's proposed budget expands emergency preparedness and response the in following notable ways:

- \$9M for the California Office of Emergency Services (CalOES), CALFire, California Military Department, and California Public Utilities Commission (CPUC) to implement SB 209 (Dodd, Chapter 405, Statutes of 2019) to develop a Wildfire Forecast and Threat Intelligence Integration Center to derive data and intelligence from multiple sources to build accurate, comprehensive, and timely weather impact information.
 - \$110.1M to implement AB 38 (Wood, Chapter 391, Statutes of 2019), which directs CalOES and CALFire to develop a joint powers authority to administer a \$100M home hardening pilot program.
 - \$8.2M to CALFire from the Greenhouse Gas Reduction Fund to support defensible space inspections.
 - \$16.7M to increase the amount of funding available through the California Disaster Assistance Act (CDAA), 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 activities undertaken in response to a state of emergency.
 - \$50M to CalOES to support additional preparedness measures that bolster community resiliency, particularly during utility-initiated power shutdown events. This proposal would support a matching grant program to help local governments prepare for, respond to, and mitigate the impacts of power outages.
- *It is expected that these funds would be used to support critical County services vulnerable to power outage events including schools, county election offices and food storage reserves. The County Manager's Office, along with all impacted departments, will be tracking this proposal closely in the coming months.*
- \$17.3M from the General Fund loan for the California Earthquake Safety Fund for the operation and maintenance of the California Earthquake Early Warning System.

Climate Resilience

The Governor is proposing to invest \$12.5B over the next five-years in support of climate resilience. The budget provides resources that reflect the Governor's priorities as outlined in Executive Order N-19-19 which requires state government to redouble its effort to reduce greenhouse gas emissions and mitigate the impacts of climate change. Specific select proposals include:

- \$4.75B for a climate resilience bond for the November 2020 ballot. This builds on the work of the Legislature to develop a consolidated legislative bond proposal into one single measure.

Bond proceeds would be used to reduce climate risks on the natural and built infrastructure with a specific focus on the state's most vulnerable communities. According to the budget summary 80 percent of the bond funds would be directed to address immediate, near-term risk such as floods and wildfires and the remaining 20 percent would be allocated to longer-term activities such as sea-level rise and extreme heat.

➤ *Supervisor Pine is engaged in these bond discussions at a statewide level and will be advocating for funding for the County's new Flood and Sea Level Rise Resiliency District through this measure.*

- \$965M in Cap and Trade funds in FY 21020-21 to support a variety of programs, including CALFires' forest health and fuels reduction program, support for the AB 617 Air Quality Program, and investments in low carbon transportation, such as Clean Vehicle Rebate Program.
- \$250M for the creation of a Climate Catalyst Fund to be administered by the state's Infrastructure Economic Development Bank. The revolving fund would be used to support low-interest loans for a variety of climate-related projects and the state would prioritize investments in areas that help meet the state's climate and equity goals. The types of projects that could be funded under the proposal include transportation related activities such as zero-emission vehicle (ZEV) infrastructure, transit and rail ZEV equipment, climate smart agriculture and forestry activities, and circular economy activities that include municipal waste and recycling, compost, wood waste collection and utilization and carbon/methane capture.
- \$130M in one-time funding to support the draft Water Resilience Portfolio. The portfolio is the state's plan to improve the water system and waterways through groundwater management, conservation, flood protection, and more.
- \$66M in one-time funding for urban flood risk reduction projects.
- \$51M in one-time fund to the California Energy Commission to accelerate deployment of electric vehicle charging infrastructure.

Recycling

The Governor's Budget proposes \$3.9B for the California Environmental Protection Agency (Cal EPA). Efforts are underway at both the Agency and the Legislature to deal with major changes in the commodity market for plastics and paper that have limited the state's ability to export recyclable materials abroad. The budget expresses the Administration's support for circular economy programs that consider end of life recycling issues on the front end or product development.

2020 Census

The 2020-21 proposed budget does not include any changes to census funding. In total, the state has allocated \$187.2M statewide to support census activities, much of it for outreach to hard-to-count populations.

➤ *The County's Office of Community Affairs has been awarded \$228,835 in funding from the state to-date to support educational and outreach services to target hard to count communities. It was recently notified that it will receive an additional \$131,600 in funding in FY 2019-20 for a total of \$360,435 in state funding.*

Early Childhood Education

- Department of Early Childhood Development-proposes to establish this new department under the California Health and Human Services Agency, effective July 1, 2021. The purpose of the office would be to promote a high-quality, affordable and unified early childhood system that improves program integration and coordination with other major programs serving young children. Childcare funding streams would be consolidated under this office. The Department of Education will continue to administer the State Preschool Program.
- Master Plan for Early Learning and Care-final recommendations from the Master Plan for Early Learning and Care will be finalized by October 1, 2020. The plan is anticipated to address ways the state can leverage public/private partnerships to financially sustain a universal preschool system and expanded child care systems, determine high-need child and preschool areas, review changes to the current reimbursement rate system, and consider the impact of market rate changes on the cost of child care for unsubsidized families.
- Full-Day Kindergarten and Preschool Facilities Expansion-if the Public Preschool, K-12 and College Health and Safety Bond Act of 2020 is passed by voters on March 3, 2020, the Administration will propose statute authorizing the State Allocation Board to provide a new construction and modernization per-pupil grant enhancement to local educational agencies proposing to construct and modernize facilities to expand preschool programs on school campuses.

FISCAL IMPACT:

The FY 2020-21 State Budget continues to project growth in the state economy but at slower pace than in past years. As a result, the Governor continues the state's focus on building up discretionary reserves and only spending half of the state's \$5.6B surplus on one-time expenditures. With continued savings, the state's reserves will be at \$21B, the largest level in state history.

The Governor's continued commitment of \$750M in one-time funding to address homelessness and more holistic approach to the provision of health and human services that address the problems that lead to homelessness is welcome news. His recent Executive Order to develop a fund that can receive future state appropriations and private contributions and emphasis on the development of regional responses are also actions that could help assist the County's efforts. However, the Governor's plan to have as-yet identified "regional administrators" manage this funding is concerning given that counties are tasked with providing services to this population. In addition, it is yet unclear how the Governor will act on his stated desire to develop a statewide homelessness and housing agency, how he expects the Legislature to take early action to implement components of the Executive Order and what changes he will be proposing to make the MHSA. The County Manager's Office, the Human Services Agency and Health will be closely monitoring these proposals in the coming months.

Finally, the Governor's proposed \$50M matching grant program to support additional emergency preparedness measures that bolster community resiliency during utility-initiated power shutdowns would be very helpful to help defray costs to the County for keeping a specified set of critical County services running.

The County Manager's Office (CMO) and our departments will continue to closely monitor the state budget discussions in the coming months and advocate for the interests of the County and residents. The CMO will also continue to keep your Board updated regarding discussions in Sacramento and our actions throughout the process.