



*Building bridges between  
criminal justice & behavioral health  
to prevent incarceration*

## **California 2017-18 Budget Snapshot for COMIO Interested Parties**

*This memo pulls relevant content from the Governor's proposed 2017-18 budget and summarizes it in areas of interest to COMIO members and partners. To access the full Budget summary visit: <http://www.ebudget.ca.gov/budget/2017-18/#/BudgetSummary>*

### **Key Themes**

- Tides of revenues have begun to turn – across the board, each of the state's "big three" revenues – income, sales and corporation taxes – are showing weakness. That said, due to California's volatile tax base, revenues could recover. It will be the role of the May Revision to reconsider whether proposed cuts can be avoided.
- Coupled with a conservative approach to the budget, there are uncertainties about federal resources and policies that may deeply impact California. Reduced federal revenue, especially to support the implementation of the Affordable Care Act (ACA), is a concern but not specifically addressed in this budget. Right now there is only speculation on what will happen. The May Revision will serve as a vehicle to address outcomes from changes at the federal level. Recent proposals have included reducing federal funding for the expansion population, a block grant structure for Medicaid (Medi-Cal is California's program), capped per-beneficiary allotments to states, tax credits to enroll Medicaid beneficiaries in private insurance, and creation of high deductible plans for the Medicaid program combined with health saving accounts.
- The budget seeks to sustain core achievements that have brought the budget back into balance. Of interest to COMIO – efforts to combat the effects of poverty, including:
  - Raising the state minimum wage, scheduled to increase to \$11 per hour in 2018 and to \$15 per hour over time,
  - Supporting the expansion of healthcare coverage under the ACA,
  - Funding cost-of living adjustments for Supplemental Security Income (SSI) and State Supplementary Payment (SSP) representing a 2 percent increase over the revised 2016-17 Budget. SSI/SSP grant levels will increase by \$20 for individuals and \$29 for couples per month, and
  - Repealing the maximum family grant rule in CalWORKS which denied aid to children who were born while their parents were receiving aid.

## **Reductions of Interest**

- ***Elimination of Community Infrastructure Grants*** – the Budget includes the reversion of the one-time \$67.5 million General Fund augmentation included in the 2016 Budget Act for community infrastructure grants to cities and/or counties to promote public safety diversion programs and services, by increasing the number of treatment facilities for mental health, substance use disorder, and trauma-related services.
- ***Children’s Mental Health Crisis Service Grants*** – The Budget includes the reversion of \$17 million General Fund from 2016-17 funds intended for grants to local governments to increase the number of facilities providing mental health crisis services for children and youth under the age of 21. \$11 million in Mental Health Services Act (MHSA) funding remains available for the program.
- ***Changes to the State Penalty Fund*** - These revenues have decreased significantly over the past several years, due largely to a significant decrease in traffic citations. Given that this decrease in revenue is projected to continue, the State Penalty Fund can no longer support all of the programs that receive this funding. In addition, the costs of these programs have increased. To recognize the decline in State Penalty Fund revenues, the Budget proposes to reduce the number of programs supported by the fund. The existing programs were evaluated and funding from the State Penalty Fund was prioritized for law enforcement training, victim services programs, and driver training programs. The Commission on Peace Officers Standards and Training (POST) and the Board of State and Community Corrections (BSCC) will both be required to review and reduce funding available to reimburse local agencies for travel, lodging and subsistence costs related to out of area training courses.
- ***Recent Policy Changes on Housing*** - Last year, the Administration proposed legislation to increase the housing supply through a streamlined permit approval process that would have eliminated duplicative administrative barriers, such as discretionary local government reviews for housing developments consistent with objective general plan and zoning standards. As the streamlining of the local approval process was not adopted and the General Fund’s condition has deteriorated, the one-time \$400 million General Fund set-aside is no longer available.

## **2011 Realignment Funding**

- 2011 Realignment shifted responsibility and dedicated funding for public safety services to local government. The funding sources for Realignment are a state special fund sales tax and vehicle license fees. Roughly \$2.4 billion is the estimated base revenue for the law enforcement services section of the account. For the Community Corrections Subaccount (AB 109) the 2016-17 statewide base remains \$161.6 billion, however the estimate for growth funds has fallen to \$59.1 million. When the 2016-17 budget passed, the growth amount was estimated to be \$102 million. The 2011 Realignment estimates will be revisited and revised in this spring’s May Revision, then finalized in the fall.

- 2011 Realignment also impacted community mental health programs previously funded by 1991 Realignment. According to California State Association of Counties (CSAC), CSAC and the County Behavioral Health Directors Association (CBHDA) worked with the Administration for nearly two years to develop and set a base allocation for the 2011 Realignment Behavioral Health Subaccount. While the base formula was implemented in the current year, beginning with the 2017-18 allocation, the ongoing base allocations will consist of the 2016-17 base allocation plus subsequent growth allocations. This will then serve as a rolling base mechanism for future allocations to the Behavioral Health Subaccount. Roughly \$1.3 billion is estimated for 2017-18. In addition it is estimated that the behavioral health special growth subaccount revenues will be \$93.3 million.

*Note Realignment funding is complicated due to significant variables that influence the various subaccounts. For more information reviewing CSAC's budget information is recommended.*

### **Mental Health Services Act**

The Mental Health Services Act (MHSA), passed by voters in 2004 to expand community mental health programs and prevent the negative consequences of untreated mental illness, including incarceration, continues to provide a significant source of revenue for mental health services. MHSA revenues are estimated for 2017-18 at \$1.9 billion. It is important to note that this fund, which is generated through a 1 percent tax on individuals whose net income is above \$1 million annually, is extremely volatile. This estimate is subject to change in the May Revision. 2016-17 estimates for the MHSA fund have been reduced by \$100 million to \$1.8 billion.

### **Health and Human Services**

- ***Medi-Cal, California's Medicaid Program***, maintains a commitment to expanded Medi-Cal programs for childless adults and parent/caretakers with incomes up to 138 percent of the federal poverty level, added coverage for undocumented children and expanded Medi-Cal mental health and substance use disorder benefits. Below are some details of interest to COMIO.
  - Estimates that 1.4 million Californians will enroll in Covered California (the state's health exchange supported by federal tax subsidies) in 2017-18.
  - Terminates the Coordinated Care Initiative for dual eligibles (Medi-Cal/Medicare), which aimed to streamline services for individuals with complex health needs, including behavioral health. The termination was because the pilot programs did not meet the statutory savings requirements. Based on lessons learned from the program, the Budget proposes to extend the Cal MediConnect program, continue mandatory enrollment of dual eligibles, and integrate long-term services and supports (except IHSS) into managed care.
  - After accounting for contributions from Proposition 56, the Tobacco Tax Increase, Medi-Cal General Fund spending is projected to increase by 7 percent to \$19.1 billion in 2017-18. The

Budget assumes that caseloads will increase approximately 5 percent from 2015-16 to 2016-17 and 1.8 percent from 2016-17 to 2017-18. Medi-Cal is projected to cover 14.3 million people in 2017-18.

- Budget maintains the augmentation to counties for \$655.3 million (217.1 million General Fund) to support Medi-Cal eligibility work on behalf of the state at the local level.
  - Drug Medi-Cal Organized Delivery System Pilot – This demonstration program approved by federal Centers for Medicare and Medicaid Services (CMS) in August 2015 requires counties to opt into the demonstration program to provide a continuum of care for substance use disorder treatment services. While counties do provide some services under the current Drug Medi-Cal system, it is quite limited. There are 6 counties estimated to begin providing services in 2016-17 with an additional 10 in 2017-18. The Budget includes \$19.9 million (\$3.1 million General Fund) in 2016-17 and \$661.0 million (\$141.6 million General Fund) in 2017-18 to increase services for the pilot program.
- ***The Continuum of Care Reform (CCR)*** of the state’s foster and probation youth group homes went live on January 1. The Budget includes \$163.2 million General Fund (\$217.3 million total funds) to continue the implementation of the Continuum of Care Reform (AB 403, Statutes of 2015). Counties, including Child Welfare Services, Behavioral Health services, and probation services, continue to grapple with implementing CCR. The Budget states that while progress has been made in implementing CCR, assumptions on caseload movement were revised to more accurately reflect the pace of implementation.
  - ***Department of State Hospitals (DSH)*** continues to experience significant increases in the number of Incompetent to Stand Trial (IST) admission referrals from local courts, with an annual growth rate of over 10 percent since 2013-14. To address these growing numbers, 411 additional inpatient beds have been opened and contracts with counties have opened 138 jailed-based competency restoration beds with 10 beds expected this year. Despite these efforts the IST pending placement list was approximately 600 individuals this December. The Administration is continuing to work with counties to identify other potential bed capacity.
    - Up to 200 additional secured forensic beds will be available in 2018-19.
    - Budget proposes \$10.8 million in General Fund to establish a 60-bed Admission, Evaluation, and Stabilization Center for the assessment and treatment of ISTs. The proposed Center would be located in county jail and would admit patients from Southern California counties. Patients would receive a full evaluation to determine the degree of competency restoration required. Patients having drug-induced psychosis, presenting lower psychiatric acuity, malingering, or no longer meeting the requirements for incompetent to stand trial after the initial admission assessment will be considered short-term patients to be treated and discharged back to the referring county directly from the Center. Patients with higher psychiatric acuity will be transferred to a State Hospital for additional treatment.
    - DSH is also exploring opportunities for joint-use facilities that would provide services to both State Hospital patients and appropriate jail populations.

*The Budget proposes to transfer the administration over 1,100 in-patient mental health treatment beds at three California Department of Corrections and Rehabilitation (CDCR) prisons from DSH to CDCR effective July 1 2017. Transfer of these programs will streamline processes and improve timelines for inmate referrals for psychiatric inpatient treatment.*

## **Public Safety**

- ***Proposition 57*** - The passage of Prop. 57 will bring substantial changes to CDCR and how the state manages the prison population. The budget summary document provides significant details about the changes under Prop. 57 on pages 72-76 for those who are interested in reviewing these. Generally, Prop. 57 reforms the juvenile and adult criminal justice system in California by creating a parole consideration process for non-violent offenders who have served the full term for their primary criminal offense in state prison, authorizing CDCR to award credits earned for good behavior and approved rehabilitative or educational achievements, and requiring judges to determine whether juveniles charged with certain crimes should be tried in juvenile or adult court. The policy changes are consistent with the criminal justice reforms in the State that began with Public Safety Realignment in 2011.
- ***Division of Rehabilitative Programs (DRP) at CDCR*** - Continued focus on inmate rehabilitation and reentry with \$440 million in General Fund for DRP within CDCR. The core of these services is cognitive behavioral treatment programming, which includes areas of substance use disorder treatment, criminal thinking, anger management, and family relationships. DRP is working to expand rehabilitation and reentry services to all prisons to allow more inmates to participate. The Budget also continues to support community reentry programs which are voluntary programs where offenders serve the last 6 to 9 months of their sentence in the community. This supports community integration and access to a variety of health, social welfare, and employment/ educational services. The 2017-18 Budget will support a total of 647 beds.
- ***Proposition 47*** - Proposition 47 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. Savings from not incarcerating these individuals in state prison is estimated and passed along to counties to provide a variety of treatment, prevention, and diversion programs on a competitive basis administered by BSCC. The DOF currently estimates net savings of \$42.9 million, an increase of \$3.5 million over the estimated savings in 2015-16. Ongoing savings are currently estimated to be approximately \$69 million.
- ***Community Corrections Performance Incentive Grants (SB 678)*** - The Budget assumes sustained funding. Based on the revised formula established in 2015-16, the Budget proposes \$114.9 million to continue the Community Corrections Performance Incentive Grant Program. The budget recognizes the significance of this funding stream in supporting probation's important evidence-based prevention and intervention efforts.

## Housing

In general the Budget summary acknowledges the shortage of affordable housing in California, projecting 180,000 units of new housing construction is needed annually over the next 10 years to meet demand. Furthermore the summary notes that 22 percent of the homeless in the country are in California, with California having the greatest share of chronically homeless at 39 percent of the nation's total. Some points of interest to COMIO are below.

- The state continues to target limited resources in a manner that supports statewide policies and objectives, such as sustainable communities, transitional housing for former offenders, and supportive housing for the homeless populations.
- The Budget summary points out that while \$400 million General Fund from 2016-17 that was set aside to support affordable housing efforts is no longer available, the Administration and Legislature approved many measures to facilitate the development of affordable housing and assistance at the local level for those experiencing or at risk of experiencing homelessness, including:
  - The No Place Like Home Program (AB 1618 and AB 1628)—Authorizes a \$2 billion bond secured by a portion of future Proposition 63 Mental Health Services Act revenues, subject to court validation, to address homelessness for individuals with mental health needs through the provision of permanent supportive housing.
  - 2016 Budget Act—Includes \$149.4 million General Fund (\$100 million one-time) in new funding for housing and homelessness programs, including \$35 million for the new California Emergency Solutions Grant program and \$10 million for the Homeless Youth and Exploitation Emergency Services Pilot Projects to rapidly rehouse individuals, youth, and families experiencing homelessness.
  - Homelessness (SB 1380 and AB 2176)—Creates a Homeless Coordinating and Financing Council and authorizes emergency bridge housing communities in the City of San Jose.
  - Density Bonus Law (AB 2442, AB 2501, and AB 2556)—Expands and clarifies various provisions that provide size and other bonuses to housing developers that meet affordability requirements.
  - Accessory Dwelling Units (SB 1069 and AB 2299)—Streamlines permits and requires local ordinances to facilitate the development of these low cost housing options that provide additional living quarters on single family lots that are independent of the primary dwelling unit.
  - Affordable Housing Beneficiary Districts (AB 2031)—Allows a local government, with an existing successor agency to a former redevelopment agency, to bond against the property tax revenues it receives as a result of redevelopment agency dissolution provided the funding is for affordable housing purposes.