

memo

Company name

To: South Bay Association of Chambers of Commerce
From: Henry Rogers
CC: Recipient names
Date: June 1, 2019
Re: 2019 May Revise- Budget
5 Takeaways- CalMatters [LINK](#)

Comments: Gov. Newsom's 2019 May Revise Budget prioritizes shoring up California's reserve funds, paying down pension debt and devoting new spending on housing, health care, early childhood and higher education. The revised budget has grown since Newsom's initial January plan from \$144 billion to \$147 billion in the general fund that covers most public services and a total of \$213.5 billion, up from \$209 billion in January.

That's because short-term revenues are more than \$3 billion higher than anticipated in January. But Newsom said most of the increased revenues are constitutionally obligated to reserves, debt repayment and schools, so January's record \$21.5 billion budget surplus remains relatively unchanged. The long-term outlook is not so rosy, with the governor assuming slower economic growth will shave \$1.6 billion off revenues in 2022-23 compared to the January forecast.

Healthcare

Gov. Newsom campaigned on promises of health care for all and "single-payer" government-run health care. Newsom said his budget "moves the state toward health-care-for-all while the state gears up for single payer."

The budget keeps a commitment to make California the first state to expand Medi-Cal coverage eligibility to undocumented immigrant young adults ages 19 through 25, and to subsidize middle-income earners to buy health care on the state's Covered California "Obamacare" exchanges.

The May Revision includes \$162.3 billion (\$41.4 billion General Fund and \$120.9 billion other funds) for all health and human services programs, an increase of \$1.1 billion General Fund compared to the Governor's Budget.

The Governor's Budget proposed to make California the first state in the nation to offer financial assistance to qualified individuals with incomes between 400 percent and 600 percent of the federal poverty level, while also increasing subsidies for individuals with incomes between 250 percent and 400 percent of the federal poverty level. The May Revision expands upon this proposal by offering subsidies to individuals between 200 percent and 250 percent of the federal poverty level. Combined with the Governor's Budget proposal to create a state individual mandate to obtain comprehensive health care coverage, the subsidies will improve the overall risk pool in the individual market, reducing future premium increases.

The May Revision includes General Fund expenditures of \$295.3 million in 2019-20, \$330.4 million in 2020-21, and \$379.9 million in 2021-22 to provide these subsidies. These proposed expenditures are

aligned with individual mandate penalty revenue projections of \$317.2 million in 2020-21, \$335.9 million in 2021-22, and \$352.8 million in 2022-23.

Healthcare Worker Investment

Governor's Budget invested in existing programs designed to bolster and expand workforce capacity. The supply of and demand for physicians and other health professionals are affected by a number of factors including coverage expansions, practice patterns, an aging workforce, and the complex needs of the patient population. The combination of these factors has resulted in shortages of health professionals, with shortages more pronounced in rural parts of the state and among primary care and behavioral health providers.

- \$50 million one-time General Fund to increase training opportunities in existing mental health workforce programs administered by the Office of Statewide Health Planning and Development;
- \$38.7 million Proposition 56 funds to develop residency programs at hospitals throughout California as administered and operated by the University of California in partnership with Physicians for a Healthy California, and;
- \$33.3 million ongoing General Fund to the Song-Brown Health Care Workforce program beginning in 2020-21.

Additional Workforce Investment

The May Revision allocates an additional \$120 million Proposition 56 funds for the Medi-Cal loan repayment program. Combined with amounts allocated in the 2018 Budget Act, the May Revision makes \$340 million available for the program over the next several years. Of this total, \$290 million is for physicians and \$50 million for dentists. All awardees are required to make a five-year commitment to maintain a patient caseload of 30 percent or more Medi-Cal beneficiaries. In the first round of loan repayment awards, Health Care Services expects to award loan repayments to approximately 125 physicians and 20 dentists. There will be a minimum of five rounds of funding.

The May Revision also invests \$100 million from the Mental Health Services Fund (one-time funding available over five years) for the new 2020-25 Workforce Education and Training (WET) Five-Year Plan. The Plan provides a framework of strategies that the state, local governments, community partners, educational institutions, and other stakeholders can pursue to begin to address the shortage of qualified mental health professionals in the public mental health system.

Proposition 56

In January, the Proposition 56 package totaled approximately \$1 billion for 2019-20 for supplemental rate increases for physicians, dentists, and various other Medi-Cal providers, funds for Medi-Cal women's health, trauma and developmental screenings, and the Value-Based Payments program. The May Revision includes approximately \$263 million in additional Proposition 56 revenues due to a one-time fund reconciliation.

- \$120 million additional one-time funding for the loan repayment program for physicians and dentists who commit to serving Medi-Cal beneficiaries.
- \$70 million additional one-time funding for the Value-Based Payments program, specifically for behavioral health integration. This brings the total allocation for Value-Based Payments to \$250 million available for the program over the next several years.
- \$25 million in 2019-20 (\$60 million over three years) to train providers to conduct the trauma screenings that were proposed in the Governor's Budget.
- \$11.3 million to restore optician and optical lab services for adult beneficiaries in the Medi-Cal program, effective no sooner than January 1, 2020.

Higher Education

Higher Education includes the California Community Colleges (CCC), the California State University (CSU), the University of California (UC), the Student Aid Commission, and several other entities. The May Revision includes total funding of \$36.6 billion (\$20.6 billion General Fund and local property tax and \$16 billion other funds) for all higher education entities in 2019-20.

University of California

The Governor's Budget provided \$240 million ongoing General Fund and \$153 million one-time General Fund investments with the expectation that the UC would not raise resident student tuition in fiscal year 2019-20. In March, the Board of Regents announced that it would not raise tuition; therefore, the May Revision maintains these funding levels.

California State University

The Governor's Budget provided \$300 million ongoing General Fund and \$264 million one-time General Fund investments with the expectation that the CSU would not raise resident student tuition in fiscal year 2019-20. In January, the Board of Trustees announced that it would not raise tuition; therefore, the May Revision maintains these funding levels.

- Support for Students Experiencing Homelessness—Building upon the Governor's Budget investment of \$15 million one-time General Fund to address student food and housing insecurity, the May Revision proposes \$6.5 million ongoing General Fund to support rapid rehousing of homeless and housing insecure students.

California Community College System

The largest system of higher education in the nation, serving roughly one-quarter of the nation's community college students, or approximately 2.1 million students. The CCCs provide basic skills, career education, and undergraduate transfer education with 73 districts, 115 campuses, and 78 educational centers. In 2017-18, the community colleges awarded more than 96,000 certificates, 160,000 degrees and transferred about 102,000 students to four-year institutions.

The Administration is committed to the Student-Centered Funding Formula and its goals to increase student completion and support for low-income students. The Governor's Budget proposed a revised implementation plan for the Student-Centered Funding Formula to provide the CCC Chancellor's Office and the Funding Formula Oversight Committee sufficient time to consider revisions that would further the goals of the formula, address its long-term fiscal stability, and improve the accuracy of the data reported by districts. The Administration plans to work with the Chancellor's Office and stakeholders in the coming months to explore revisions and recommendations that meet these goals, with the intent that revisions will be considered for inclusion as part of the development of the 2020-21 budget process.

To further align with a revised implementation and review plan, the May Revision extends the existing hold harmless provision of the Student-Centered Funding Formula by an additional year, ensuring that no district will receive less funding than they received in 2017-18 with cost-of-living adjustments for each year until 2021-22.

Homelessness

Homelessness is a chronic issue straining local resources and services across all of California. Despite increased state and local investments, federal data have shown an increase in California's homeless population in recent years.

The Budget Act of 2018 provided \$500 million one-time funding for short-term housing operations through the Homeless Emergency Aid Program. Local jurisdictions have used these dollars for emergency housing vouchers, rapid rehousing programs, and emergency shelter construction, among other purposes.

The May Revision increases the state's support to prevent and mitigate this epidemic by \$1 billion. Specifically, it provides \$650 million to local governments for homeless emergency aid, \$120 million for expanded Whole Person Care pilots, \$150 million for strategies to address the shortage of mental health professionals in the public mental health system, \$25 million for Supplemental Security Income advocacy, \$40 million for student rapid rehousing and services for University of California (UC) and California State University (CSU) systems, and \$20 million in legal for eviction prevention. In addition, the Governor's Budget included \$1.75 billion General Fund to increase housing production and hundreds of millions to increase grants to families in the CalWORKs program.

Four areas of homelessness

- **HOMELESS EMERGENCY AID**
- **STUDENT RAPID REHOUSING**
- **WHOLE PERSON CARE PILOT PROGRAMS**
- **FAIRVIEW DEVELOPMENT CENTER**
