

## **\$750 Million in State General Funds to Build Additional Community Behavioral Health Capacity**

In recognition of insufficient community outpatient behavioral health treatment options in California and as part of his proposals to address homelessness, Governor Newsom proposes providing **\$750 million in new state General Funds to counties** (through competitive applications) **over 3 years** to “invest in critical gaps across the community-based behavioral health continuum, including the addition of at least 5,000 beds, units or rooms” to expand capacity. DHCS Department indicates the resources would provide a comprehensive continuum of services to address **short-term crisis stabilization, acute needs, peer respite, and other clinically enriched longer-term treatment and rehabilitation opportunities** for persons with behavioral health disorders, in the least restrictive and least costly setting. Counties would be required to provide **local matching funds**.

### **Reintroducing the CalAIM Initiative**

In 2019, DHCS proposed Medi-Cal reforms under a framework titled, “California Advancing and Innovating Medi-Cal (CalAIM).” Due to the COVID-19 pandemic, the costs to implement the Newsom Administration’s proposals were not included in last year’s budget. The Governor proposes to **reinitiate and revise CalAIM’s system, program, and payment reforms**.

Taking a whole-system, person-centered approach to health and social care, CalAIM would invest about **half a billion dollars in state General Funds** during calendar year 2022, with increasing amounts over time. If DHCS’s proposals are approved by the federal government, federal Medicaid matching funds would be available. By FY 2024-25, DHCS estimates ongoing costs to implement CalAIM would be \$846 million, half of which would be provided by state General Funds and the other half from federal match. Details of the Administration’s updated CalAIM proposals are available [online](#). The CalAIM features of particular note for mental health are briefly described in the table below.

### **Key Mental Health Features Included in CalAIM**

A new <b>enhanced care management benefit</b> , including target populations such as youth with a first episode of psychosis, individuals experiencing homelessness, high	A new <b>“in lieu of services”</b> benefit to provide flexible, wrap-around services (e.g., housing navigation/supporting services, recuperative care, respite, sobering centers).
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utilizers of hospitals, and individuals with behavioral health needs at risk of institutionalization.	
Pursue participation in the federal Institution for Mental Disease ( <b>IMD demonstration program</b> ) for individuals with Serious Mental Illness (SMI)/Serious Emotional Disturbance (SED).	Develop a long-term plan for improving health outcomes and delivery of health care for <b>foster care children and youth</b> .
By 2026 (following significant stakeholder engagement and planning), pilot a <b>full integration plan</b> providing physical, behavioral, and oral health under one contracted entity in a county or region.	Re-evaluate and clarify <b>medical necessity criteria</b> for Specialty Mental Health and Drug Medi-Cal services.
County behavioral health <b>payment reform</b> to move from a cost-based reimbursement methodology to a structure that incentivizes outcomes and quality.	Permit counties to <b>contract on a regional basis</b> for Specialty Mental Health and Drug Medi-Cal administrative and/or service delivery responsibilities.
<b>Integrate administrative functions</b> (e.g., contracts, chart audits, cost reporting) across Specialty Mental Health and Drug Medi-Cal services.	

## MHSA Flexibilities Extended

The Governor proposes to extend for an additional year the flexibilities in county spending of local Mental Health Services Act (MHSA) funds included in last year’s budget (in response to the COVID-19 pandemic). Trailer bill language pending. These MHSA flexibilities are described in [DHCS Information Notice 20-040](#).

## Mental Health in Schools and on Campus

The Governor proposes spending **\$200 million** in state General Funds (plus \$200 million in federal Medicaid match) over multiple years to incentivize Medi-Cal managed care plans to increase the number of children and adolescents receiving **preventative and early intervention behavioral health services**. The managed care plans would coordinate with county behavioral health and schools to build infrastructure and partnerships. Trailer bill language pending.

Second, the budget would provide **\$25 million** in additional, one-time **Mental Health Services Act funds** over multiple years to expand the Mental Health Student Services Act Partnership Grant Program, which is administered by the Mental Health Services Oversight & Accountability Commission (MHSOAC).

The budget also provides **\$25 million** in ongoing **Proposition 98** General Funds to **local education** agencies to fund innovative **partnerships with county behavioral health** to support student mental health services. The funds are intended to **match funding in county MHSAs** spending plans dedicated to student mental health.

Last, the budget proposes **\$40.6 million** in ongoing **Proposition 98** General Funds, in part to increase **student mental health** resources, in **community colleges**. The budget also provides **\$15 million each** in ongoing state General Funds to the **University of California and California State University systems**, in part to increase **student mental health** resources.

### **Eligibility for Post-Partum Coverage Extended**

Last year's budget expanded Medi-Cal coverage for **post-partum mothers diagnosed with a mental health condition**. While this benefit is scheduled for suspension on July 1, 2021, the budget proposes a one-year delay.

### **Placeholder Funding to Implement the Master Plan for Aging**

In June 2019, Governor Newsom issued an [Executive Order](#) directing the California Health and Human Services Agency to convene a workgroup to develop a "**Master Plan for Aging**." The budget includes a \$5 million General Fund "placeholder," **in anticipation of spring proposals** to implement the Master Plan for Aging. Additionally, the budget includes the cost for the Governor appoint a new "**Senior Advisor on Aging, Disability, and Alzheimer's**."

### **New Strategies to Improve Health Equity**

The budget includes **\$1.7 million** in state General Funds in FY 2021-22 for the California Health and Human Services Agency to analyze the **intersection of COVID-19, health disparities, and health equity** and help inform future responses. The budget also provides the Agency with \$3.7 million in state General Fund to develop a **racial equity dashboard**.

The Administration plans to propose funding in the May Revision for the California Department of Managed Health Care to establish quality measures for full service and behavioral **health plans** that include **health equity benchmarks**. Additionally, the budget provides **\$1.1 million General Fund** in 2021-22 and 2022-23 to the California Department of Justice to implement Chapter 319, Statutes of 2020 (AB 3121), which will be used for a task force to study and develop **reparation proposals for African Americans**, with a special consideration for African Americans who are descendants of person enslaved in the United States.

## Nearly \$2 Billion to Address Homelessness

The Governor's budget includes \$1.75 billion for homelessness efforts. Of this amount, the Governor includes the \$750 million in proposed behavioral health community infrastructure grants described earlier in this document. The other largest new investment is **\$750 million** General Fund for the Department of Housing and Community Development to continue providing **Project Homekey** grants. These fund local governments to purchase or rehabilitate housing (including hotels, motels, vacant apartment buildings) and convert it to housing. The Administration is requesting the Legislature take **early action** to approve at least \$250 million for Project Homekey in the current year. The budget also provides **\$250 million** to the Department of Social Services to acquire and rehabilitate **Adult Residential Facilities** and **Residential Care Facilities for the Elderly** to serve individuals experiencing homelessness.

## Reducing State Hospital Waitlists for Individuals Needing Competency Restoration Services

The Governor's budget reports the Department of State Hospitals' Incompetent to Stand Trial (**IST**) **felony waiting list** is currently at **1,428 individuals**. State General Fund budget proposals in the budget include:

- A new "Community Care Demonstration Project" in 3 counties (\$233.2 million)
- Expand the existing Los Angeles County Community Based Restoration Program and establish new programs in additional counties (\$9.8 million)
- Expand the existing IST diversion program (\$46.4 million) and the Jail-Based Competency Treatment Program in additional counties (\$785,000)
- Implement a "FACT team" model within the Forensic Conditional Release Program (CONREP) (\$5.6 million) and expand the community continuum of care for CONREP (\$3.2 million)

## Juvenile Justice Realignment

The Newsom Administration proposes to close the California Department of Corrections and Rehabilitation's (CDCR's) Division of Juvenile Justice (DJJ) by June 30, 2023 and realign responsibilities to counties. The Governor's budget provides \$50 million in one-time General Funds to county probation departments as part of an Early Action Package for youth and adult justice populations, including to support realignment of DJJ to the counties. These funds may be used for a "broad range of services with an emphasis on

keeping youth and adults out of the criminal justice system, moving them quickly and successfully through the system, and keeping them from reentering the system.”

### State Revenue Estimates for County Behavioral Health

Governor’s Budget for Fiscal Year (FY) 2021-22

SOURCE	FY 2019-20	FY 2020-21	FY 2021-22
<b>Mental Health Services Fund (Prop. 63)</b>			
Beginning Balance	\$173,698,000	\$199,720,000	\$288,880,000
Personal Income Tax Revenue	\$2,369,653,000	\$2,540,417,000	\$2,635,717,000
<b>Total Resources</b>	<b>\$2,500,308,000</b>	<b>\$2,610,831,000</b>	<b>\$2,795,289,000</b>
State Operations Expenditures	\$103,474,000	\$47,957,000	\$50,742,000
Local Assistance Expenditures	\$2,197,114,000	\$2,273,994,000	\$2,376,931,000
Total Expenditures	\$2,300,588,000	\$2,321,951,000	\$2,427,673,000
Fund Balance	\$199,720,000	\$288,880,000	\$367,616,000
<b>2011 Realignment - Behavioral Health</b>			
Base	\$1,465,202,000	\$1,488,360,000	\$154,545,600
Growth	\$0	\$9,398,000	\$0
<b>Total Resources</b>	<b>\$1,465,202,000</b>	<b>\$1,582,340,000</b>	<b>\$154,545,600</b>
<b>1991 Realignment - Mental Health</b>			
<b>Total Resources</b>	<b>\$1,120,551,000</b>	<b>\$1,129,949,000</b>	<b>\$1,120,551,000</b>
<b>Federal Substance Abuse Prevention &amp; Treatment Block Grant</b>			
<b>Total Resources</b>	<b>\$231,404,353</b>	<b>\$231,392,353</b>	<b>\$254,453,810</b>

### Mental Health Services Act - State Operations Revenue Estimates

Governor’s Budget for Fiscal Year (FY) 2021-22

SOURCE	FY 2019-20	FY 2020-21	FY 2021-22
<b>Mental Health Services Fund - Total Revenues</b>			

Beginning Balance	\$173,698,000	\$199,720,000	\$288,880,000
Personal Income Tax Revenue	\$2,369,653,000	\$2,540,417,000	\$2,635,717,000
<b>Total MHSA Resources</b>	<b>\$2,500,308,000</b>	<b>\$2,610,831,000</b>	<b>\$2,795,289,000</b>
<b>Mental Health Services Fund - State Operations, by Department</b>			
Department of Health Care Services (DHCS)	\$27,214,000	\$18,356,000	\$18,930,000
Mental Health Services Oversight & Accountability Commission (MHSOAC)	\$18,206,000	\$16,758,000	\$16,028,000
Statewide General Administrative Expenditures	\$1,842,000	\$2,781,000	\$5,536,000
Office of Statewide Health Planning & Development (OSHPD)	\$5,741,000	\$2,410,000	\$2,594,000
Department of Public Health (DPH)	\$42,483,000	\$2,393,000	\$2,468,000
Military Department	\$1,483,000	\$1,504,000	\$1,532,000
Judicial Branch	\$1,159,000	\$1,174,000	\$1,174,000
Department of Corrections & Rehabilitation (CDCR)	\$1,181,000	\$1,202,000	\$1,052,000
Department of Developmental Services	\$283,000	\$500,000	\$500,000
Supplemental Pension Payments	\$356,000	\$364,000	\$370,000
Department of Veterans Affairs	\$250,000	\$254,000	\$273,000
Department of Education	\$170,000	\$164,000	\$179,000
California Community Colleges	\$104,000	\$97,000	\$106,000
California State University	\$3,000,000	\$0	\$0
Health Facilities Financing Authority (CHFFA)	\$10,000	\$0	\$0
Financial Information System for California	-\$8,000	\$0	\$0
<b>Total State Operations</b>	<b>\$103,474,000</b>	<b>\$47,957,000</b>	<b>\$50,742,000</b>