

# 2011-12 STATE BUDGET UPDATE

## OVERVIEW OF THE FINAL BUDGET ACT



California Mental Health Directors Association

July 14, 2011

1

## Outline

- The Big Picture
- Repeal of AB 3632
- Transfer of DMH, ADP Medi-Cal functions to DHCS
- 2011 Public Safety Realignment
- Other health and human services budget actions of interest

2

## The Big Picture

3

## Budget Signed By July 15 Deadline

- On June 28, the legislature finalized action on the 2011-12 state budget
  - Majority-vote. Deal not made with Republicans for revenue or ballot initiative.
  - Main budget bill, plus approximately 8 trailer bills with policy changes.
  - Includes Governor's proposal to realign many public safety and health and human services to counties.

4

## Final Budget Provisions

- Major reductions to education and health and human services
  - ▣ \$650 million cut each to the University of California, California State University; \$500 million cut to community colleges.
  - ▣ \$2.8 billion in deferrals to K-12 schools and community colleges
  - ▣ \$448 million unallocated reduction to Medi-Cal and Healthy Families
  - ▣ Other health & human service reductions described later in this presentation
- Increase of \$200 million in revenue from online retailer taxes (“Amazon tax”)

5

## Final Budget Provisions, continued

- AB 100 has also reduced 2011-12 General Fund spending by \$861 million by transferring funds from the Mental Health Services Fund for mental health services.
- Additional “trigger cuts” loom if rosy revenue estimates do not materialize:
  - ▣ Balancing the budget depends on \$4 billion in increased state revenue. If not, state will enact mid-year budget cuts.
  - ▣ By December 15, 2011, Director of Finance will make a determination of whether revenues met forecasts.
  - ▣ Two tiers of trigger cuts, depending on how short the revenues are in meeting the \$4 billion forecast.

6

## Tier One “Trigger Cuts”

Tier 1 (If State receives \$2 - 3 billion)	TOTAL \$529 million
UC and CSU	\$100 million each
20% reduction to IHSS hours	\$100 million
Dept. of Developmental Services	\$100 million
\$10/unit fee hike for community colleges	\$30 million
Child care	\$23 million
Department of Corrections & Rehab.	\$20 million
California State Library grants	\$16 million
Medi-Cal Managed Care Plan payments	\$15 million
Vertical Prosecution grants	\$15 million
Anti-fraud for county IHSS activities	\$10 million

7

## Tier Two “Trigger Cuts”

Tier 2 (If State receives \$0-2 billion)	TOTAL \$1.82 billion
Reduction to K-12 schools that allows districts to drop 7 classroom days	\$1.5 billion
Elimination of school bus transportation	\$248 million
Reduction to community colleges	\$72 million

Note: If the State receives \$3 - 4 billion of the \$4 billion projected revenues, there will not be additional cuts. Any shortfall will be rolled into FY 2012-13.

8

## Repeal of “AB 3632”

*Schools now fully responsible for provision of mental health and residential services to special education students.*

9

## Four Major Actions on “AB 3632”

- 1) Education Trailer Bill (AB 114) permanently repeals the mandate that county mental health departments provide services to special education students.
  - Existing federal and remaining state laws make schools responsible for complying with the federal IDEA.
- 2) Main Budget Bill (SB 87) requires the \$98.6 M in MHSA funds (from AB 100) going to counties be used only for IDEA-related mental health services.
  - LEAs must contract with counties to access these funds.

10

## Four Major Actions on “AB 3632”, cont.

- 3) Main Budget Bill (SB 87) provides LEAs with federal IDEA funds and Prop. 98 state funds to provide mental health and out-of-home residential services for emotionally disturbed pupils as required by an IEP:
  - \$249.7 million Prop 98
  - \$69 million federal IDEA
- 4) Main Budget Bill (SB 87) provides \$800,000 in federal IDEA funds to California Dept. of Education to assist SELPAs with transitional activities:
  - Minimize disruption, identify best practices, strengthen linkages between mental health and education, work groups on accountability and outcomes, public stakeholder process.

11

## County Mental Health Role

- County mental health plans continue to provide specialty mental health services to EPSDT beneficiaries.
- County mental health departments will receive a share of MHSA funds in 2011-12 on a one-time basis, and schools may contract with counties to access these funds.
- Any additional role a county mental health department chooses to play in providing special education students with IEP-related mental health services would be determined via contract with local school districts.

12

## Transfer of DMH and ADP Medi-Cal Functions to DHCS

13

## Transfer of Medi-Cal Administration

The AB 102 transition plan requires a detailed organization chart that includes "focused, high-level leadership for behavioral health issues."

- Health Trailer Bill (AB 102) calls for transition of Medi-Cal state administrative functions from DMH and ADP to DHCS by July 1, 2012.
- Stakeholder process and transition plan due to Legislature by October 1, 2011.
- Proposal to also eliminate DMH and ADP will be further developed by the Administration and released in January 2012-13 state budget proposal.

14

# Transfer of Medi-Cal Administration

## Legislative Intent in AB 102

- Improve access to culturally appropriate services
- Effectively integrate financing of services
- Improve state accountability and outcomes
- Provide focused, high-level leadership for behavioral health

## DHCS Key Dates

- July 12 stakeholder meeting #1
- August 1 deadline for initial input
- August 15 DHCS issues draft plan, gather input
- Sept. 8 DHCS issues final plan, gather input
- Oct. 1, transition plan due to Legislature

15

## 2011 Public Safety Realignment

16

## 2011 Public Safety Realignment

The primary vehicle for 2011 Public Safety Realignment is AB 118, which creates the account structure and initial allocations.

- Funding Source (~\$5.5 billion/year)
  - ▣ 1.0625% of existing sales tax revenue
  - ▣ Continuously appropriated to counties
- Account Structure for FY 2011-12 at state and county levels
  - ▣ Eight accounts, nine subaccounts
  - ▣ One account is a “Mental Health Account”
  - ▣ Intent language that new allocation formulas to be developed for 2012-13, forward.

17

## Programs Realigned to Counties

- Court Security
- Local Public Safety Subventions
- Local Jurisdiction of Lower-level Offenders and Parole Violators
- Adult Parole
- Foster Care, Child Welfare Services, Adoptions Assistance Program, Child Abuse Prevention
- Adult Protective Services
- Community Mental Health
  - ▣ EPSDT \*
  - ▣ MH Managed Care \*
  - ▣ 1991 MH Realignment
- Substance Abuse Treatment
  - ▣ Women and Children’s Residential Treatment Services
  - ▣ Drug Court
  - ▣ Nondrug Medi-Cal Substance Abuse Treatment Services
  - ▣ Drug Medi-Cal

*\*Not realigned until 2012-13*

18

## Realignment Funding for Mental Health

	2011-12	2012-13 (Forward)
EPSDT	0 (AB 100)	\$629 million
Medi-Cal MH Managed Care	0 (AB 100)	\$183.7 million
1991 Community MH Realignment	\$1.083 billion	\$1.119 billion

- Since AB 100 is providing MHSF in 2011-12, Medi-Cal Specialty Mental Health not realigned until 2012-13.
- Only the funding source for 1991 community mental health realignment is changing. Funds will be deposited monthly. The 2011-12 amount is 5.9% higher than would be anticipated without the 2011 Public Safety Realignment.

19

## Criminal Justice Realignment

- Makes AB 109 operative.
- Effective October 1, 2011.
- Statewide \$354.3 million available in FY 2011-12 for two components:
  - Local custody, alternative custody, and alternative supervision services for new adult offenders that are either non-violent, non-serious, or non-sex offenders.
  - Post-release community supervision for adults paroled out of state prison (excluding violent, serious, 3<sup>rd</sup> strike, high risk sex offenders).

20

## Community Planning Process for Community Justice Realignment

- AB 109 and AB 117 require each county's Community Corrections Partnership (CCP) to recommend to the Board of Supervisors an implementation plan
  - Led by Chief Probation Officer
  - CCP must include the county mental health director
  - CCP Executive Committee, which votes to approve the plan, must include *either* the county mental health, substance abuse, or social services director.
  - Meetings are subject to the Brown Act's posting and open meeting requirements.

21

## Other Health and Human Services Actions of Interest

22

## Medi-Cal Reductions

- Starting Nov. 1, patients will be required to pay \$5 on doctor visits and \$50 on emergency room visits. Also imposes co-pays on prescription drugs and hospital stays.
- Eliminates Adult Day Health Care on Sept. 1, but provides transition funding equal to half the ADHC budget.
- Starting June 1, makes a 10% cut in provider payments, including doctors, pharmacies, and hospitals.
- Starting Oct. 1, imposes a soft cap of 7 doctor visits and a \$1,510 limit on hearing aids starting Oct. 1.

23

## Healthy Families Reductions

- State budget presumes some savings from shifting all enrollees to Medi-Cal, but does not include trailer bill to enact this shift. Likely to be pursued in a policy bill in the coming year.
- Starting Oct. 1, premiums will increase for families from 150% to 250% of federal poverty level.
- Additionally, the state budget increases co-payments for emergency room visits and inpatient care.

24

## SSI/SSP and IHSS Reductions

- SSI/SSP grants are now at federal minimum levels, saving \$192 million in State General Funds.
- The budget enacted Governor's proposal to reduce IHSS spending by \$486 million in the In-Home Supportive Services (IHSS) program.
- Additionally, the budget includes a provision that will trigger an additional \$100 million cut to IHSS if projected state revenues do not reach a target of \$88.5 billion on December 15, 2011.

25

## CalWORKs Reductions

- Effective July 1, time limit is reduced from 60 months to 48 months, reducing General Fund spending by \$103 million.
- Monthly cash grants are reduced by 8%, reducing General Fund spending by \$314 million.
- Eligibility is reduced by counting more work income for qualifying purposes.
- \$369 million in cuts being made to child care and employment services.

26