

X INFORMATION

TAB SECTION: 2

___ ACTION REQUIRED

DATE OF MEETING: 5/21/15

PREPARED BY: Holloway

DATE MATERIAL PREPARED: 5/18/15

AGENDA ITEMS: Discuss State Budget Update (Governor's Budget May Revision) and Potential Policy Implications

ENCLOSURES:

OTHER MATERIAL RELATED TO ITEMS:

Presentation:

The May Revision continues to focus on the key elements of the January Budget – carrying out the Local Control Funding Formula, federal health care reform, public safety realignment, the Water Action Plan, and the Cap and Trade expenditure plan.

Since the proposed January 2015 Budget, revenues have increased by \$6.7 billion due to increased capital gains and other income from high-wage earners. Although there was an increase in General Fund revenues, there was no forecasted increase in revenues to the Mental Health Services Act Fund. Despite the General Fund increase, the state still faces the prospect of deficits in succeeding years due to existing liabilities such as deferred maintenance on roads and infrastructure and unfunded state employee benefits.

In this budget, under Proposition 2, \$1.2 billion of the increased revenues will be used to prepare for the next recession by saving money and paying down debts and liabilities. While, under Proposition 98, \$5.5 billion will increase General Fund spending to support K-12 schools and community colleges.

California increased the mental health and substance use disorder benefits available through Medi-Cal, at a General Fund cost of \$341 million in 2015-16. The May Revision also includes a cost of living increase for MediCal physical health managed care plans, which does not affect county behavioral health.

There is also \$61 million (from federal and foundation funds) to implement health homes which will include all adults with severe mental illnesses and provide coordination to support better physical health for these individuals. It will also provide better integration with alcohol and drug services and physical health for everyone through screening for behavioral health lead in primary care and coordinated "warm hand off" services for those who screen positive as this program is gradually implemented through the Section 1115 Waiver program expected to gain federal approval in October.