



# Capitol Advocacy Bulletin

## Governor and Legislature Reach 2015-16 Budget Agreement

**Issue 25**

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### **Featured:**

**Health and  
Human Services**

**Education**

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Governor Jerry Brown and legislative leaders reached a budget deal on Tuesday, June 16th, one day after lawmakers passed a 2015-16 spending plan not agreed to by the Governor. The Legislature will vote on the final budget on Friday, June 19th, including several trailer bills, so-named because they “trail” the budget and are needed to implement various aspects of the budget plan. Brown said the \$167.6 billion deal (\$115.4 billion General Fund) is a “sound agreement” and Speaker Toni Atkins stated that it is the “best budget we have seen in years” that makes “strong improvements.” The Budget, which is a win for Governor Brown because of the lower total spending than what the Legislature proposed, focuses on education, healthcare, infrastructure, and paying down debt. It includes \$14.3 billion for K-12 schools and community colleges, a \$380 million Earned Income Tax Credit, and saves \$1.9 billion in the State’s Rainy Day Fund, which brings the fund’s balance to \$3.5 billion.

Despite the Legislature’s vocal desire to restore education, social services and healthcare funding, the Budget is largely similar to Brown’s May Revise, with an increase of only \$61 million General Fund over that proposal -- a far cry from the \$749 million increase proposed by the Legislature. Although the agreement does not include restoration of Medi-Cal provider reimbursement rates (with the exception of dental), the Governor is calling a special session on healthcare to address Medi-Cal financing, including the restructuring of California’s current managed care organization (MCO) tax and some Medi-Cal provider rate relief. However, the Governor did indicate that the funding for rate increases could come from “the proposed MCO tax and/or alternative sources” to restore funds and avoid future cuts to the Medi-Cal program next year.

In addition to the Healthcare Special Session, Brown called a special session on Infrastructure to address state funding of roads, highways and other infrastructure challenges. When asked if a gas tax would be part of the special session deliberations, Brown responded that he does not expect to specifically examine the tax, but that it could be on the table. He also said that he is not necessarily opposed to raising taxes legislatively, unlike during his first term when he promised not to sign any tax increases. However, he stated the Administration does not view tax increases as “absolutely crucial” at this time. Both special sessions will begin on June 19th and are expected to be completed by the end of the Legislative Session in mid-September.

Highlights of the 2015-16 spending plan include:

### **Health and Human Services**

-Includes \$40 million to expand Medi-Cal coverage for low-income, undocumented children effective May 1, 2016

-Includes \$226 million in one-time funds to restore the 7% reduction in provider service hours for In-Home Supportive Services (IHSS)

-Adds dental to the list of providers exempted from the AB 97 10% Medi-Cal provider reimbursement rate reductions

-Maintains reauthorization of AB 1629 (Frommer, 2004), which extends the Skilled Nursing Facility Quality Assurance Fee (QAF) until July 1, 2020, and includes an annual 3.62% SNF Medi-Cal rate increase

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\*Word version of this document is available upon request

-DOES NOT include restoration of Medi-Cal provider reimbursement rates (will be addressed in special session on healthcare)

-DOES NOT include restructuring of Managed Care Organization (MCO) tax (will be addressed in special session on healthcare)

-Requires the Department of Developmental Services to report to the Legislature by October 1, 2015 with a plan to close one or more developmental centers

-Requires Department of Health Care Services to develop a modified supplemental reimbursement program for Medi-Cal ground emergency transportation providers in order to increase provider reimbursement rates

-Creates the Health Home Program Account with the State Treasury to collect grant funds in order to implement the Health Home Program

## **Education**

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-Funding is based on the Governor's projections, so prop 98 funding will remain the same as in the May revise at \$83 billion

-Includes \$14.3 billion for the K-12 system and community colleges

-Includes \$6 billion to continue implementation of the Local Control Funding Formula

-Allocates \$265 million for an additional 7,000 preschool and 6,800 child care slots plus a rate increase for all providers

-An additional \$500 million is designated for a one-time teacher effectiveness block grant.

-Includes \$97 million more than proposed in the January budget for CSU expanded enrollment

-Allocates an additional \$25 million to the UC than originally proposed

## **General and Local Government**

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-Establishes a \$380 million annual Earned Income Tax Credit (EITC) for low-income Californians

-Pays off school deferrals (\$1 billion) and \$765 million in debts owed to local governments

-Puts \$1.9 billion in the Rainy Day Fund

## **Corrections**

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-As proposed in the Governor's May revision, Department of Corrections and Rehabilitation budget was reduced to accommodate for the reduction of 4,000 out of state beds

-Requires California Highway Patrol to implement a department-wide body-camera pilot program

## **Environmental Protection**

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-Includes narrow CEQA exemptions for groundwater replenishment and recycled water systems