Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEES NO. 1 and 3 Agenda

Subcommittee No. 1 - Education
Senator John Laird, Chair
Senator Dave Min
Senator Rosilicie Ochoa Bogh

Subcommittee No. 3 – Health and Human Services
Senator Susan Talamantes Eggman, Ph.D., Chair
Senator Melissa Melendez
Senator Richard Pan, M.D.

Thursday, May 13, 2021
10:00 a.m., or upon adjournment of session
State Capitol - Room 4203

Consultants: Elisa Wynne and Scott Ogus

PUBLIC COMMENT

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6100 CALIFORNIA DEPARTMENT OF EDUCATION
5180 DEPARTMENT OF SOCIAL SERVICES

Issue 1: Child Care Overview, Priorities and Stakeholder Perspectives

Panel I:
- Sara Cortez, Legislative Analyst's Office

Panel II:
- Christina Figueroa, Parent
- Lily Marquez, Parent

Panel III:
- Donna Sneeringer, Chief Strategy Officer, Child Care Resource Center
- Nina Buthee, Executive Director, Every Child California
- Keisha Nzewi, Director of Public Policy, California Child Care Resource and Referral Network
- Donise Keller, Child Care Provider
- Angie Garling, Vice President, Early Care are Education, Low Income Investment Fund

Background

Generally, programs in the early care and education system have two objectives: to support parental work participation and to support child development. Children, from birth to age five, are cared for and instructed in child care programs, State Preschool, transitional kindergarten, and the federal Head Start program.

The administration of child care programs is currently in transition as SB 98 (Committee on Budget and Fiscal Review), Chapter 24, Statutes of 2020, established the Early Childhood Development Act to transfer the administrative responsibility of all state child care programs, with the exception of the California State Preschool Program, from the Department of Education (CDE) to the Department of Social Services (DSS), commencing July 1, 2021.

Child Care. California provides child care subsidies to some low-income families, including families participating in CalWORKs. Families who have participated in CalWORKs are statutorily guaranteed child care during "Stage One" (when a family first enters CalWORKs) and "Stage Two" (once a county deems a family "stable", defined differently by county). In the past, the state has funded "Stage Three" (two years after a family stops receiving cash aid) entirely while it is not a statutorily guaranteed entitlement program. Families remain in Stage Three until their income surpasses a specified threshold or their child ages out of the program. For low-income families who do not participate in CalWORKs, the state prioritizes based on income, with lowest-income families served first. To qualify for subsidized child care: (1) parents demonstrate need for care (parents working, or participating in an education or training program); (2) family income must be below 85 percent of the most recent state median income (SMI) calculation; and (3) children must be under the age of 13.

California State Preschool Program. State Preschool provides both part-day and full-day services with developmentally-appropriate curriculum, and the programs are administered by local educational

agencies (LEAs), colleges, community-action agencies, and private nonprofits. State preschool can be offered at a child care center, a family child care network home, a school district, or a county office of education (COE). The State Preschool program serves eligible three- and four-year old children, with priority given to four-year olds whose family is either on aid, is income eligible (family income may not exceed 85 percent of the SMI), is homeless, or the child is a recipient of protective services or has been identified as being abused, neglected, or exploited, or at risk of being abused, neglected or exploited.

Transitional Kindergarten. SB 1381 (Simitian), Chapter 705, Statutes of 2010, enacted the "Kindergarten Readiness Act" and established the transitional kindergarten program, beginning in 2012-13, for children who turn five between September 1 and December 1. Each elementary or unified school district must offer developmentally-appropriate transitional kindergarten and kindergarten for all eligible children, regardless of family income. Transitional kindergarten is funded through an LEA's Local Control Funding Formula allocation. LEAs may enroll children in transitional kindergarten that do not meet the age criteria if they will turn five by the end of the school year, however, these students will not generate state funding until they turn five.

State Child Care and Preschool Programs Source: Legislative Analyst's Office

Program	Description
CalWORKs Child Care	
Stage 1	Child care becomes available when a participant enters the CalWORKs program.
Stage 2	Families transition to Stage 2 child care when the county welfare department deems them stable.
Stage 3	Families transition to Stage 3 child care two years after they stop receiving cash aid. Families remain in Stage 3 until the child ages out (at 13 years old) or they exceed the income-eligibility cap.
Non-CalWORKs Child Care	
General Child Care	Program for other low-income, working families.
Alternative Payment	Another program for low-income, working families.
Migrant Child Care	Program for migrant children from low-income, working families.
Care for Children with Severe Disabilities	Program for children with severe disabilities living in the Bay Area.
Preschool	
State Preschool	Part-day, part-year program for low-income families. Full-day, full-year program for low-income, working families.
Transitional Kindergarten	Part-year program for children who turn five between September 2 and December 2. May run part day or full day.

Funding. California provides child care and development programs through vouchers and contracts.

- **Vouchers.** The three stages of CalWORKs child care and the Alternative Payment Program are reimbursed through vouchers. Parents are offered vouchers to purchase care from licensed or license-exempt caregivers, such as friends or relatives who provide in-home care. Families can also use these vouchers at any licensed child care provider in the state, and the value of child care vouchers is capped. The state will only pay up to the regional market rate (RMR) — a different amount in each county and based on regional surveys of the cost of child care. The RMR is currently set to the 75th percentile of the 2016 RMR survey. If a family chooses a child care provider who charges more than the maximum amount of the voucher, then a family must pay the difference, called a co-payment. Typically, a Title 22 program – referring to the state Title 22 health and safety regulations that a licensed provider must meet — serves families who receive vouchers. The Department of Social Services (DSS) funds CalWORKs Stage One, and county welfare departments locally administer the program. The California Department of Education (CDE) funds the remaining voucher programs, which are administered locally by Alternative Payment (AP) agencies statewide. Alternative Payment agencies (APs), which issue vouchers to eligible families, are paid through the "administrative rate," which provides them with 17.5 percent of total contract amounts.

- **Contracts.** Providers of General Child Care, Migrant Child Care, and State Preschool – known as Title 5 programs for their compliance with Title 5 of the California Code of Regulations — must meet additional requirements, such as development assessments for children, rating scales, and staff development. Title 5 programs contract with, and receive payments directly from, CDE. These programs receive the same reimbursement rate (depending on the age of the child), no matter where in the state the program is located. The rate is increased by a stautory adjustment factor for infants, toddlers, children with exceptional needs, severe disabilities, cases of neglect, and English learners. The current standard reimbursement rate (SRR) is $49.54 per child per day of enrollment for General Child Care and $49.85 for State Preschool. All Title 5 programs also operate through family child care home education networks, which serve children in those programs through family child care homes that are members of the network.

For license-exempt care, reimbursement rates are set at seventy percent of the regional reimbursement rate established for family child care homes, except for hourly rates, which are set by dividing the weekly rate by 45 hours, to arrive at a rate that can in some cases be around 25 percent of the family child care home hourly rate.

Child care and early childhood education programs are generally capped programs, meaning that funding is provided for a fixed amount of slots or vouchers, not for every qualifying family or child. The exception is the CalWORKs child care program (Stages One and Two), which are entitlement programs in statute.

Subsidized child care programs are funded by a combination of non-Proposition 98 state General Fund and federal funds. Until the 2011-12 fiscal year, the majority of these programs were funded from within the Proposition 98 guarantee for K-14 education. In 2012, funding for state preschool and the General Child Care Programs were consolidated; all funding for the part-day/part-year state preschool was budgeted under the state preschool program, which is funded from within the Proposition 98 guarantee.

For LEA-run preschool, wrap-around care to provide a full day of care for working parents is provided with Proposition 98 funding, while non-LEA state preschool providers received General Fund through the General Child Care program to support wrap-around care. The 2019-20 Budget Act changed this structure and funded all non-LEA state preschool and wrap care with non-Proposition 98 and retained LEA state preschool and wrap care within Proposition 98.

California also receives funding from the federal Child Care and Development Fund (CCDF), which is comprised of federal funding for child care under the Child Care and Development Block Grant (CCDBG) Act and the Social Security Act and from federal TANF funds.

Collective Bargaining. In 2019, Governor Newsom signed legislation granting collective-bargaining rights to child care providers in California allowing them to negotiate with the state over matters related to the recruitment, retention, and training of family childcare providers. CalHR is currently negotiating with Child Care Providers United - California (CCPU) to establish a Master Contract Agreement. The CCPU represents both voucher and direct contract providers that are family child care homes, or license-exempt home providers.

Pandemic Impacts and Response:

The pandemic has affected child care providers and families. The COVID-19 emergency, has placed increased fiscal pressure on child care providers. The Center for the Study of Child Care Employment conducted a survey of 953 California child care providers at the end of June 2020. The vast majority of child care providers reported they were serving fewer children compared to before the pandemic and 77 percent of open providers reported they experienced a loss of income from families. Providers are also reporting higher costs. Of open providers, 80 percent reported higher costs for cleaning, sanitation, and personal protective equipment. Families receiving child care also have been affected, particularly due to school and child care closures that have required families to find new child care arrangements.

The LAO has provided the following table that shows an estimate of providers that remain open, and those that are closed permanently or temporarily and reflects both private and subsidized providers. This would not reflect license exempt providers and is a point-in-time snapshot.

Community Care Licensing - Child Care Licenses and Closures

As of March 31, 2021

	Small Family Homes	Large Family Homes	Child Care Centers	Total
Open and Operating[a]				
Facilities	12,875	11,263	10,525	34,663
Slots	102,536	156,748	575,117	834,401
Temporarily Closed				
Facilities	1,352	960	4,267	6,579
Slots	10,736	13,342	224,016	248,094
Permanently Closed Since March 2020				
Facilities	2,194	902	605	3,701
Slots	17,438	12,528	27,428	57,394

a) Represents licenses that are not inactive or temporarily closed.

Governor's Budget Proposal:

The Governor's Budget includes the following adjustments and proposals:

- **Non-CalWORKs Child Care.** The proposed budget includes $19.9 million for a 1.5 percent COLA adjustment for non-CalWORKs child care. The proposed budget also includes an increase of $21.5 million ongoing in 2020-21 and an additional $44 million ongoing for 4,700 additional Alternate Payment Program slots due to updated Proposition 64 cannabis tax revenues.

- **CalWORKs Child Care.** The proposed budget includes several adjustments to reflect changes in the CalWORKs child care caseload and cost of care for a net decrease of $141 million, reflecting a $62 million decrease in Stage 1, a $112 million decrease in Stage 2, and a $33 million increase in Stage 3.

- **COVID-19 Related Support.** The proposed budget includes $55 million one-time General Fund to support child care providers' and families' needs as a result of the pandemic.

Federal Stimulus Funds for Child Care

The Legislative Analyst's Office provided the following information on available federal funds in their recent blog post: *Overview of Federal Relief for K-12 Education and Child Care.*

Since March 2020, the federal government has passed three relief packages that assist child care providers in their response to the coronavirus disease 2019 (COVID-19) pandemic.

- ***Coronavirus Aid, Relief, and Economic Security (CARES) Act.*** Signed into law on March 27, 2020, the CARES Act provided $3.5 billion for child care programs. The legislation also established the Coronavirus Relief Fund (CRF), which can be used by states for a variety of activities that address the COVID-19 public health emergency. (California allocated a portion of its CRF funding to child care.)

- ***Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)***. Signed into law on December 27, 2020, the CRRSAA provided $10 billion for child care. The CRRSAA made some minor changes to allowable uses, but generally had similar rules for child care funds were to be spent.

- ***American Rescue Plan (ARP).*** The ARP was signed into law on March 11, 2021 and provides the largest round of funding, $39.6 billion for child care.

Overview of Federal COVID-19 Relief Funding for Child Care

California Allocations (In Millions)

	CARES Act	CRRSAA	ARP	Totals
Supplemental CCDBG	$350	$964	$1,443	$2,758
Child Care Stabilization	—	—	2,313	2,313
Child Care Entitlement (LAO estimate)	—	—	63	63
Totals	$350	$964	$3,820	$5,134

COVID-19 = coronavirus disease 2019; CARES = Coronavirus Aid, Relief, and Economic Security; CRRSAA= Coronavirus Response and Relief Supplemental Appropriations Act; and CCDBG = Child Care and Development Block Grant.

- ***California to Receive a Combined $2.8 Billion in Supplemental Child Care and Development Block Grant (CCDBG) Funding.*** The federal government provided a total of $28.5 billion in federal relief through supplemental CCDBG funds. California received a combined $2.8 billion in supplemental CCDBG funds from the three relief packages. All the supplemental CCDBG provided through the three relief packages can be used for child care assistance to essential workers. Supplemental CCDBG provided through the CARES Act and CRRSAA can also be used to support child care providers. For CARES Act and CRRSAA, supplemental CCDBG must be committed by September 30, 2022 and expended by September 30, 2023. For ARP, funds must be committed by September 30, 2023 and expended by September 30, 2024.

- ***State Has Appropriated $882 Million of Relief Funds for Child Care.*** The state appropriated all of its $460 million in CARES Act funding through a variety of spending actions in 2020 and 2021. CARES Act funding for child care includes $350 million of supplemental CCDBG as well as $110 million in CRF. The Legislature also passed Chapter 6 of 2021 (AB 82, Ting), which appropriated $402 million of the $964 million in supplemental CCDBG the state received through the CRRSAA. The administration subsequently submitted a budget revision to use $20 million of the CRRSAA funds to address a budget shortfall associated with providing voucher providers with reimbursement flexibility. The figure below describes how the state used these one-time federal relief funds in more detail. A total of $542 million in CRRSAA and $1.4 billion in ARP supplemental CCDBG funds remain available.

How the State Has Spent One-Time Federal Relief Funding for Child Care
(In Millions)

Activity	Description	CARES Act	CRRSAA	Total
Alternative Payment Voucher Slots	Provided $50 million one time in 2019-20 and $294 million one time in 2020-21. Funds are intended to provide temporary child care until June 30, 2022.	$188	$156	$344
Voucher Stipends	Stipends to voucher providers based on the number of subsidized children enrolled.	31	244	275
Voucher Reimbursement Flexibility	In 2020-21, voucher provider payments are based on a child's authorized hours of care instead of the amount of care used. This holds voucher providers harmless if a child temporarily does not attend child care.	63	20	83
Family Fees	From September 2020 through June 2021, the state has waived family fees for families not receiving in-person care.	50	—	50
Cleaning Supplies and Protective Equipment	The state provided funds for gloves, face coverings, cleaning supplies, and labor costs associated with cleaning child care facilities.	50	—	50
Voucher Paid Operation Days	Provides an additional 30 paid non-operation days. Funds used so child could attend another provider while the original provider is closed.	40	—	40
School Aged Care	Funds are to cover the additional cost of providing care to school-aged children. During the school year, school-aged children typically receive care before and/or after school. As schools in most of the state remain closed, many school-aged children participating in distance learning also are receiving care from a child care provider during the school day.	38	—	38

State Administration	Provides funds to CDE and DSS for administrative costs.	—	2	2
Totals		$460	$422	$882

California Anticipated to Receive an Additional $2.4 Billion for Child Care From ARP. Of this amount, $2.3 billion is child care stabilization funding. The state is to provide grants to child care providers to pay for costs such as payroll, rent, and cleaning supplies. The ARP also includes ongoing child care entitlement funding, which we estimate would provide an additional $63 million for subsidized child care programs. For entitlement funds, the state must commit by the end of the fiscal year and expend by the end of the second fiscal year. The Legislature has not yet appropriated any of these funds.

Senate Priorities

In April of 2021, the Senate Democratic Caucus released: *Senate Democrats Budget Priorities for 2021-22 and Beyond,* which included broad outlines for budget priorities. Universal access to Early Care and Education for ages 0-3 is a top priority for the Senate Democrats, including making progress on the following:

- Make a significant investment (up to 200,000) in additional childcare slots for working families as next step toward universal access for ages 0 to 3.
- Establish and support childcare worker apprenticeship/training programs.
- Reduce costs to working families by reducing/eliminating family fees.
- Increase provider reimbursement rates to achieve a livable wage for childcare workers.
- Stabilize and retain providers as the state emerges from the pandemic.
- Support providers that have remained open during the pandemic by continuing hold harmless policies.
- Provide one-time funds to help providers who have closed to re-open or those who are open to expand.
- Retain essential worker families in the child care system.

Suggested Questions:

- What are the investments needed to re-open or open new child care homes and centers? What barriers exist now and prior to the pandemic for providers wanting to expand or open for child care?
- With the significant amount of one-time funds, what uses should the Legislature consider prioritizing? What investments need ongoing funds?

- What steps can the state take to grow the child care workforce?

- As the Legislature considers additional slots, what types of slots make the most sense for immediate and long-term expansion? What type of capacity is in the existing system to absorb an increase in slots, and where does capacity need to be increased before additional slots are added?

- What needs of parents are not currently being met? How can the state help to ensure that parents can find the care they need?

- What policies adopted during the pandemic need to be retained over the short or long-term?

Staff Recommendation:

Information Only

4260 DEPARTMENT OF HEALTH CARE SERVICES
4560 MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION
6100 CALIFORNIA DEPARTMENT OF EDUCATION

Issue 1: Student Behavioral Health Proposals

Package of School-Based Behavioral Health Proposals in January Budget. The Governor's January budget includes three proposals to address school-based behavioral health:

1) Mental Health Services Oversight and Accountability Commission – The budget includes expenditure authority from the Mental Health Services Fund of $25 million in 2021-22 to expand the Mental Health Student Services Act Partnership Grant Program, which facilitates partnerships between county mental health plans and schools to provide mental health services to students.
2) Department of Health Care Services – The budget includes expenditure authority of $400 million ($200 million General Fund and $200 million federal funds) to support an incentive program through Medi-Cal managed care plans, in coordination with county behavioral health departments and schools, to build infrastructure, partnerships, and capacity statewide to increase the number of students receiving preventive and early intervention behavioral health services.
3) K-12 Schools Proposition 98 Funding – The budget includes General Fund expenditure authority from Proposition 98 education funds to support innovative partnerships with county behavioral health to support student mental health services. The funding would be provided to local education agencies to match funding in county Mental Health Services Act spending plans dedicated to the mental health needs of students.

Background - Mental Health Funding for Local Educational Agencies (LEAs). LEAs do not currently have significant sources of funding dedicated for supporting the mental health of students within their Proposition 98 allocations. For students with mental health needs who qualify for special education and have an Individualized Education Plan (IEP) that requires services, LEAs may use their special education funding to provide these services. Of the total amount of funds available to LEAs for special education, approximately $152 million was set aside each year as Educationally-Related Mental Health Services (ERMHS) funds, restricted to education-related mental health services that are included in IEPs. Recently, the state expanded the allowable use of ERMHS funds to include mental health services for all students beginning in the 2020-21 fiscal year. However, given that the costs for special education services generally exceed the amount of categorical funds provided for this purpose, this expansion of the use of mental health funding will not create a significant expansion of mental health services for the general student population. There have also been smaller efforts to create mental health resources for LEAs, particularly around suicide prevention. LEAs may use their general operations funds to provide services to students, including mental health or wellness services, and these expenditures have been an allowable use of recent pandemic relief funds.

Mental Health Student Services Act. The 2019 Budget Act included expenditure authority from the Mental Health Services Fund of $50 million in 2019-20 and $10 million annually thereafter for the Mental Health Student Services Act (MHSSA), a competitive grant program to establish mental health partnerships between county mental health or behavioral health departments and school districts, charter

schools, and county offices of education. These partnerships support: (1) services provided on school campuses; (2) suicide prevention; (3) drop-out prevention; (4) outreach to high-risk youth and young adults, including, but not limited to, foster youth, youth who identify as lesbian, gay, bisexual, transgender, or queer (LGBTQ), and youth who have been expelled or suspended from school; (5) placement assistance and development of a service plan that can be sustained over time for students in need of ongoing services; and (6) other prevention, early intervention, and direct services, including, but not limited to, hiring qualified mental health personnel, professional development for school staff on trauma-informed and evidence-based mental health practices, and other strategies that respond to the mental health needs of children and youth.

Prior to the MHSSA, SB 82 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2013, known as the Investment in Mental Health Wellness Act, included expenditure authority from the Mental Health Services Fund of $32 million annually for MHSOAC to support counties to increase capacity for client assistance and services in crisis intervention, crisis stabilization, crisis residential treatment, rehabilitative mental health services, and mobile crisis support teams. In 2018-19 the expenditure authority was reduced to $20 million annually. According to MHSOAC, since 2017-18, 50 percent of the funding has been allocated to programs dedicated to children and youth aged 21 and under, and approximately $20 million was allocated for four School-County Collaboration Triage grants to: 1) provide school-based crisis intervention services for children experiencing or at risk of experiencing a mental health crisis and their families or caregivers; and 2) supporting the development of partnerships between behavioral health departments and educational entities. Humboldt County, Placer County, Tulare County Office of Education, and a joint powers authority in San Bernardino County were awarded $5.3 million annually over four years in this program. MHSOAC also awarded grants for school-based triage programs in Berkeley, Humboldt, Riverside, Sacramento, and San Luis Obispo.

Building on the partnership model in the triage grant program, MHSSA supports partnerships between county behavioral health programs and educational entities. Combining the $50 million allocation in 2019-20 with the annual $10 million allocations for the subsequent three fiscal years, MHSOAC allocated a total of $75 million over four years for funding of the MHSSA Partnership Grant Program. The funding was made available in two categories: 1) $45 million for counties with existing school mental health partnerships, and 2) $30 million for counties developing new or emerging partnerships. Within each category, funding was made available based on the population size of a county with a total of six grants at $2.5 million each made available to small counties (less than or equal to 200,000 population), six grants at $4 million each made available to medium counties (between 200,000 and 750,000 population), and six grants at $6 million each made available to large counties (greater than 750,000 population).

According to MHSOAC, 38 counties submitted applications for funding. 20 counties with existing partnerships submitted applications and 10 received awards. 18 counties developing new or emerging partnerships submitted applications and eight received awards. The counties that submitted applications in each category and their award status are as follows:

County	Size	Existing or New	Awarded
Amador	Small	New	NO
Calaveras	Small	New	YES

Contra Costa	Large	New	NO
Fresno	Large	Existing	YES
Glenn	Small	Existing	NO
Humboldt	Small	Existing	YES
Imperial	Small	New	NO
Kern	Large	Existing	YES
Lake	Small	Existing	NO
Los Angeles	Large	Existing	NO
Madera	Small	New	YES
Marin	Medium	Existing	NO
Mariposa	Small	Existing	NO
Mendocino	Small	Existing	YES
Monterey	Medium	Existing	NO
Nevada	Small	New	NO
Orange	Large	Existing	YES
Placer	Medium	Existing	YES
Riverside	Large	New	NO
Sacramento	Large	Existing	NO
San Bernardino	Large	Existing	NO
San Diego	Large	Existing	NO
San Francisco	Large	Existing	NO
San Luis Obispo	Medium	Existing	YES
San Mateo	Large	New	YES
Santa Barbara	Medium	New	YES
Santa Clara	Large	New	YES
Santa Cruz	Medium	New	NO
Shasta	Small	New	NO
Solano	Medium	Existing	YES
Sonoma	Medium	New	NO
Sutter-Yuba	Small	New	NO
Tehama	Small	New	YES
Trinity-Modoc	Small	New	YES
Tulare	Medium	Existing	YES
Tuolomne	Small	New	NO
Ventura	Large	Existing	YES
Yolo	Medium	New	YES

According to MHSOAC, only 18 awards were made due to funding constraints. MHSOAC estimates approximately $80.5 million would be required to fund all 38 grant applications for school-mental health partnerships, $45.5 million with existing partnerships and $35 million for new and emerging partnerships.

MHSOAC Proposal – Increased Access to Student Behavioral Health Services

Program Funding Request Summary		
Fund Source	**2021-22**	**2022-23**
3085 – Mental Health Services Fund	$25,000,000	$-
Total Funding Request:	**$25,000,000**	**$-**
Total Requested Positions:	**0.0**	**0.0**

Budget Change Proposal – Governor's Budget. MHSOAC requests expenditure authority from the Mental Health Services Fund of $25 million in 2021-22 to expand the MHSSA Partnership Grant Program to additional counties. In an October 2020 report, MHSOAC documented the expanding need for school mental health services, highlighting the following research findings:

- One in three high school students report feeling chronically sad and hopeless – including more than half of LGBTQ students.
- One in six high school students report having considered suicide in the past year – including one in three LGBTQ students.
- 50 to 75 percent of students with mental health needs do not receive needed care.
- Racial, ethnic, and cultural disparities concentrate the risk factors, prevalence rates and service gaps in low-income communities of color.

In addition, public health interventions related to the COVID-19 pandemic including stay-at-home orders and school closures have led to social isolation and economic disruption that cause additional stress and anxiety, particularly for school-aged children. As the state considers relaxing public health interventions in the coming months, in particular the reopening of schools, there is likely to be a significant unmet need for behavioral health services on school campuses as the accumulated trauma of the pandemic among school-aged children interfaces with the reintegration of these children into routine social interactions with peers and educators.

DHCS Proposal – Increased Access to Student Behavioral Health Services

Program Funding Request Summary – Local Assistance Funding		
Fund Source	**2021-22**	**2022-23**
0001 – General Fund	$194,493,000	$-
0890 – Federal Trust Fund	$194,493,000	$-
Total Funding Request:	**$388,986,000**	**$-**

Program Funding Request Summary – Budget Change Proposal		
Fund Source	**2021-22**	**2022-23**
0001 – General Fund	$5,507,000	$-
0890 – Federal Trust Fund	$5,507,000	$
Total Funding Request:	**$11,014,000**	**$**
Total Requested Positions:	**0.0**	**0.0**

Local Assistance – Governor's Budget. DHCS requests expenditure authority of $389 million ($194.5 million General Fund and $194.5 million federal funds) in 2021-22 to implement an incentive program through Medi-Cal managed care plans, in coordination with county behavioral health departments and schools, to build infrastructure, partnerships, and capacity statewide to increase the number of students receiving preventive and early intervention behavioral health services. The incentive payments would support the following interventions:

- Local planning efforts to review existing plans and documents that articulate student needs; compile data; map existing behavioral health resources; identify gaps, disparities, and inequities; convene stakeholders; and develop a framework for a robust and coordinated system of social, emotional, and behavioral health supports for students. These planning efforts would include Medi-Cal managed care plans, county behavioral health departments, schools, and other key local stakeholders.
- Execution of contracts between schools, Medi-Cal managed care plans, and county behavioral health departments to provide preventive, early intervention, and behavioral health services by school-affiliated behavioral health providers. Incentives would be provided for reaching threshold levels of school participation and for three-way contracts between the schools, behavioral health departments and Medi-Cal managed care plans.
- Development of behavioral health wellness programs, including Mental Health First Aid or Social and Emotional Learning.
- Expand the workforce using community health workers or peers to expand the surveillance and early intervention of behavioral health issues in school-aged children.
- Increase behavioral health telehealth services in schools, including access to equipment and space
- Implement adverse childhood experience (ACE) screenings and referral processes in schools
- Implement a school suicide prevention strategy
- Implement culturally appropriate and community-defined interventions and systems for behavioral health services in schools to close health equity gaps.
- Increase prenatal and postpartum access to behavioral health for teen parents
- Improve public reporting of performance and outcomes for behavioral health access and quality
- Increase access to substance use disorder prevention, early intervention and treatment
- Provide care teams to conduct outreach, engagement, and home visits, as well as linkage to social services to address non-clinical needs

Budget Change Proposal – Governor's Budget. DHCS also requests expenditure authority of $11 million ($5.5 million General Fund and $5.5 million federal funds) in 2021-22 to support implementation workload for the student behavioral health incentive program, including capitated rate development, local government financing, and managed care operations and monitoring.

Proposition 98 Proposal – Funding for Student Mental Health

Proposition 98 Proposal – Governor's Budget. The budget provides $25 million ongoing Proposition 98 General Fund to fund partnerships with county behavioral health to support student mental health services. Funds would be provided as competitive grants to LEAs to match, on a 1:1 basis, proposed county expenditures for children's mental health services, as specified in a county's three-year program

and expenditure plan or annual update prepared pursuant to Section 5847 of the Welfare and Institutions Code from their share of the MHSF.

LEA applicants must provide a plan that describes the following:

- The need for mental health services at the local educational agency as well as potential gaps in local service connections.
- That plans address the mental health needs of enrolled students in kindergarten through grade 12 in a manner consistent with a whole child approach, including but not limited to the following:
  - Professional development for educators to identify early warning signs and risk factors for students in need of mental health supports.
  - Establishment or expansion of mental health and counseling staff available in schools.
  - Development of peer support networks, and other activities that promote students' sense of connectedness and belonging to a school community.
  - Development of partnerships with community organizations, including health and mental health service providers, with an emphasis on those that serve at risk student groups.
  - Development of resources and supports for family engagement.
  - Resources that address the acute and chronic mental health support needs in communities experiencing ongoing natural disasters and systemic violence.
- A proposal for how the funds will be used to expand a county's children's mental health services project and meet data collection and reporting requirements required of Mental Health Services Act three-year program plans.

Funds would be awarded for up to a three year term, with the Superintendent of Public Instruction (SPI) to review the grantee and determine renewal at the end of the grant period. The SPI shall determine the amount of grants.

Stakeholder Feedback and Proposals for Investment

In response to the Administration's proposals to improve access to behavioral health services for students, stakeholders have submitted feedback on these proposals, as well as alternative proposals for investment.

Local Health Plans of California Feedback. The Local Health Plans of California (LHPC), which represent the majority of Medi-Cal managed care plans in the state, have submitted feedback to DHCS regarding their proposal to support access to behavioral health services for students. In their letter, LHPC recommends that the first year of the program focus on technical assistance and the support needed to conduct needs assessments or gap analyses, determine what approaches or contracting arrangements will best meet those needs, and develop project plans which include specific milestones. DHCS identifies local planning efforts as an example of an activity that would be eligible for incentives. However, LHPC believes this should be the starting point for most partnerships or projects proposed under the incentive program. While projects should have the flexibility to implement sooner than program year two depending on readiness and whether there is an existing understanding of gaps or needs, LHPC anticipates LEAs, county mental health plans, and Medi-Cal managed care plans will generally need the first year for planning given the preliminary activities outlined below.

County Behavioral Health Directors Association Feedback. The County Behavioral Health Directors Association (CBHDA), which represents county mental health and substance use disorder programs, has submitted feedback to DHCS regarding their proposal, as well. According to their letter, CBHDA strongly supports the Administration's intent of increasing behavioral health services in schools in a manner that recognizes the extensive school-based behavioral health services currently provided by county behavioral health agencies and agency-contracted community-based organizations. CBHDA and its members believe that coordination across these respective systems and identification of high-risk children and youth through school-based partnerships will enable the provision of necessary behavioral health services. In addition, CBHDA urges structuring the proposal to acknowledge the Medi-Cal plans, including county behavioral health plans, with established partnerships and programs in local schools in directing resources under this proposal, including direction of incentive payments and the three-way partnerships among schools, managed care plans, and county behavioral health plans, outlined in the Administration's proposal. These collaborations are especially important as mental health needs of children and youth rise due to the impacts of the COVID-19 pandemic, and as demand for these services surges, it will be especially important to ensure all Medi-Cal children receive early intervention for mental health needs. CBHDA indicates it has provided the Administration with a list of additional activities that should be eligible for incentive funds, such as funding to ensure school sites have an appropriate location to provide behavioral health services, a consistent barrier to providing school-based mental health services.

Coalition Support for Increasing MHSSA Funding. A coalition of 28 organizations including Children Now, CBHDA, the Children's Partnership, the Sacramento County Office of Education, the California Pan-Ethnic Health Network, and the California Children's Hospital Association request total expenditure authority of $80.5 million in 2021-22 to provide additional grants for partnerships between schools and county mental health programs to provide mental health services to students. According to the coalition, MHSOAC's current initiative through the MHSSA is a key investment in school mental health. While the Governor's budget proposes an investment of $25 million in MHSSA, the amount proposed is not enough to fully meet the demand for funding across the state to support student mental health through school-county partnerships.

The goals of school-county partnerships are to prevent student mental health concerns from becoming severe and disabling; increase timely access to services; participate in outreach to recognize early signs; reduce stigma; reduce discrimination; and prevent negative outcomes. In 2019-20, MHSOAC was able to fund 18 of 38 school-county partnership applicants. The remaining unfunded 20 applications represent turn-key partnerships ready for implementation. Once funded, schools in the remaining unfunded counties could begin providing much needed supports to school age children. Given the increased emotional pressure the COVID-19 pandemic has placed on students, the coalition requests to fund MHSSA at $80.5 million for the 2021-22 budget year, the level that is required to ensure students have access to school-based mental health services, quickly.

Panel Discussion. The two subcommittees have requested the following panelists to discuss options for improving the Administration's proposals for improving access to behavioral health services for students:

- Linnea Koopmans, Acting CEO, Local Health Plans of California
- Elia Gallardo, Director of Government Affairs, County Behavioral Health Directors Association

- Lishaun Francis, Associate Director – Health Collaborations, Children Now
- Dr. Erin M. Simon, Asst Superintendent-School Support Services, Long Beach Unified School District

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The two subcommittees have requested MHSOAC, DHCS, and panelists to respond to the following questions:

DHCS:

1. Please provide a brief update of changes to the DHCS student behavioral health proposal, if any, and any additional guidance provided to stakeholder regarding the program's proposed operation.

2. Please provide a brief overview of the federal regulations that authorize the capitation payment structure proposed to support these interventions. Under these regulations, would the state be permitted to impose minimum requirements on Medi-Cal managed care plans as a condition of receipt of the incentive payments?

MHSOAC:

1. Please describe the cost of supporting the unsuccessful applications submitted to the commission for MHSSA funding of school-mental health partnerships?

2. Are there opportunities within the existing grantees, or the unsuccessful grantees proposals, to make additional progress, were more funding made available?

3. What is MHSOAC's assessment of the reasons more counties did not apply for MHSSA funding?

4. How quickly could the interventions to support the behavioral health needs of students included in the existing and unsuccessful MHSSA proposals be implemented if additional funding was adopted in the budget?

PANELISTS

Local Health Plans of California:

1. Please describe how local health plans see their role in increasing student access to behavioral health services.

2. How do local health plans currently coordinate with county behavioral health programs and schools to provide the full continuum of Medi-Cal behavioral health benefits to students and youth/

3. What changes or improvements to the DHCS proposal do local health plans believe would improve the delivery of services and encourage better coordination between plans, county behavioral health programs and schools?

4. Are there currently barriers to contracting with school-based providers for behavioral health services? How could the state help establish the appropriate reimbursement relationships with school-based providers to ensure students have access to the full continuum of behavioral health services?

County Behavioral Health Directors Association:

1. Please describe how county behavioral health programs currently work with schools to provide behavioral health services to students.

2. How are the providers of these services reimbursed? Are they part of the behavioral health plans' provider networks?

3. Please describe how MHSSA grantees are using school-mental health partnership funds. What types of infrastructure, staff, or other resources are partnerships building with these funds?

4. What changes or improvements to the DHCS proposal would help behavioral health programs partner with Medi-Cal managed care plans and schools to provide a full continuum of services to students?

5. What strategies could three-way partnerships employ to ensure seamless delivery of behavioral health services to students, regardless of the acuity of the diagnosis and the responsible entity (e.g. managed care or county plan)?

Children Now:

1. Please describe the coalition proposal to fully fund MHSSA school-mental health partnerships.

2. How would this funding help deploy behavioral health resources to schools in time for the next school year?

3. What additional investments should the state consider to help provide behavioral health services to students on- and off-campus?

Long Beach Unified School District:

1. Please describe how the school district currently assists students in receiving access to mental health services.

2. How does the school district work with the county office of behavioral health or other health providers in ensuring care for students?

3. How does the school district determine students in need of services?

4. Is the school district part of an MHSSA school-mental health partnership?

4560 MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION

Issue 1: Technical Adjustments

Technical Adjustments – April Finance Letter. MHSOAC requests extension of the liquidation period for two previously approved augmentations of expenditure authority:

- County Mental Health Innovation Planning – MHSOAC requests budget bill language to extend the period to liquidate $400,000 from the Mental Health Services Fund, previously authorized in the 2018 and 2019 Budget Acts. The 2018 and 2019 Budget Acts included a total of $5 million from the Mental Health Services Fund to support contract costs for technical assistance to counties to develop plans for expenditures of Proposition 63 dollars allocated for innovative programs. According to MHSOAC, delays in finalizing a subcontract resulted in the need for an additional year to liquidate the expenditure and finalize the subcontract.
- Triage Personnel Grant Program – MHSOAC requests budget bill language to extend the period to liquidate $5.9 million from the Mental Health Services Fund, previously authorized in the 2018 Budget Act. These resources were authorized to support the Triage Personnel Grant Program, which provides competitive grants to counties to support crisis services for individuals with mental health needs. According to MHSOAC, grantees require additional time to complete work delayed by the COVID-19 pandemic, including difficulty hiring and retaining staff, challenges accessing and engaging clients using remote telecommunications platforms, and finalizing subcontract.

The requested budget bill language for both technical adjustments would be as follows:

> 4560-494—Reappropriation, Mental Health Oversight and Accountability Commission. Notwithstanding any other law, the period to liquidate encumbrances of the following citations is extended as specified below.
>
> 3085—Mental Health Services Fund
>
> (1) $400,000 in Item 4560-001-3085, Budget Act of 2018. Available for liquidation until June 30, 2022.
> (2) $5,900,000 in Item 4560-101-3085, Budget Act of 2018. Available for liquidation until June 30, 2023.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested MHSOAC to respond to the following:

1. Please provide a brief overview of these two technical adjustments.