

Upward Revision of County Behavioral Health Costs for CARE Act Implementation

Initial Budget Assessment. Our [revenue estimates](#) for the state's three largest taxes—personal income, corporation, and sales—are \$11 billion lower than the administration during the budget window. Consequently, we would characterize the administration's estimates as optimistic. Due to anticipated revenue weakness, our overarching guidance to the Legislature is to reject new proposals without prejudice, given the budget's condition, unless addressing immediate health and safety risks. Moreover, under our revenues, additional solutions would be required to balance the budget. As a result, adopting the administration's revenue estimates likely would set up more difficult budget decisions next year. Early in the week we will publish our Initial Comments on the May Revision, which will provide a more detailed assessment of the proposed budget structure and our corresponding guidance to the Legislature.

Proposes Total of \$67 Million General Fund in 2023-24, Increasing to \$151.5 Million in 2025-26, for County Behavioral Health Departments to Implement CARE Act. In addition to \$16.5 million General Fund included in the Governor's January budget, the May Revision includes an additional \$50.8 million General Fund in 2023-24 for county behavioral departments to implement the CARE Act. After discussions with counties, the administration refined its estimates of county behavioral health costs. The upward revision includes funding for clinical assessments of participants, staff time in court proceedings, outreach and engagement, and providing notice to stakeholders. The additional funding in 2023-24 also includes a one-time \$15 million grant to Los Angeles County for start-up costs as it intends to begin its CARE program a year prior to its original start date. The administration is proposing funding for county behavioral department to ramp up to \$151.5 million General Fund in 2025-26 and ongoing. The figure

below shows the administration’s multiyear spending plan for CARE Act implementation across HHS agencies and the Judicial Branch, incorporating the May Revision revised cost estimates. The figure separates out the *additional* funding amounts proposed at May Revision from to the amounts proposed in the Governor’s January budget for a particular category of expenditure.

Summary of Total Proposed CARE Program Funding

General Fund (In Millions)

Entity	Purpose	2022-23	2023-24	2024-25	2025-26 and Ongoing
Judicial Branch					
Judicial Branch	Court Operations	\$ 5.9	\$ 23.8	\$ 50.6	\$ 68.5
Judicial Branch	Court Operations (MR) ¹	\$ -	\$ 8.9	\$ 4.7	\$ -
Judicial Branch	Legal Representation	\$ 0.3	\$ 6.1	\$ 21.8	\$ 31.5
Judicial Branch	Legal Representation (MR) ²	\$ -	\$ 16.8	\$ 29.8	\$ 32.9
<i>Totals, Judicial Branch</i>		<i>\$ 6.1</i>	<i>\$ 55.6</i>	<i>\$ 106.9</i>	<i>\$ 132.9</i>
Health Entities					
CalHHS	Training	\$ 5.0	\$ -	\$ -	\$ -
DHCS	Training, Data Collection, and Other Activities	\$ 20.2	\$ 6.1	\$ 6.1	\$ 6.1
DHCS	County Grants	\$ 57.0	\$ 16.5	\$ 66.5	\$ 108.5
DHCS	County Grants (MR) ³	\$ -	\$ 50.8	\$ 54.5	\$ 43.0
<i>Totals, Health Entities</i>		<i>\$ 82.2</i>	<i>\$ 73.4</i>	<i>\$ 127.1</i>	<i>\$ 157.6</i>
Total CARE Program Funding		\$ 88.3	\$ 128.9	\$ 233.9	\$ 290.5

¹ One-time start-up funding to support Los Angeles County

² Includes additional funding for Los Angeles County

³ Includes a one-time \$15 million start-up grant to Los Angeles County in 2023-24

Recommend Adopting Updated Estimate. Given this proposal reflects updated costs for a significant policy adopted by the Legislature last year, we recommend the Legislature adopt the proposal with the modifications noted below. While the budget problem is an important consideration this year, our estimates and initial assessment do not yet suggest that reductions to existing ongoing policy and programs are necessary.

Continue to Recommend the Legislature Require Additional Cost Reporting and Revisit the Cost Estimates Prior to Cohort Two Implementation. We find the efforts by the administration to engage county stakeholders has helped it to more accurately estimate costs of county behavioral departments to implement the CARE Act, such that the revised cost estimates appear to be reasonable. However, as noted in our [January analysis](#), given that CARE Act implementation has yet to begin, there remains significant uncertainty about the program's costs, particularly in future years in light of the phased-in county implementation of the program. We continue to recommend that the Legislature consider requesting the administration to report, prior to the second cohort of counties beginning its implementation, on cost and programmatic data from the first cohort of counties. Such reporting would help the Legislature make more informed decisions on the programmatic and budgetary impacts of the program in its future-year budget deliberations.