



CWDA
Advancing Human Services
for the Welfare of *All* Californians

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To: Governor Gavin Newsom

The Honorable Toni G. Atkins
President Pro Tempore, California State Senate

The Honorable Anthony Rendon
Speaker, California State Assembly

The Honorable Holly J. Mitchell
Chair, Senate Budget and Fiscal Review Committee

The Honorable Phil Ting
Chair, Assembly Budget Committee

From: Frank J. Mecca, Executive Director

RE: CWDA MAY REVISE BUDGET PRIORITIES IN LIGHT OF COVID-19 PANDEMIC

Thank you for your leadership in recognizing and responding to the current pandemic and its implications for the State of California, especially its most vulnerable residents. As first responders in this crisis, our directors and their staff are seeing every day the effects on foster children and their families, elders and dependent adults, persons with disabilities, and those struggling after job losses. Our CalFresh applications, in particular, have more than doubled in the past three weeks.

CWDA is mindful of the changed revenue picture and of lessons learned from the prior Great Recession in putting forth our revised priorities in the programs that our member human services agencies administer on the state's behalf. We have focused on the areas of greatest need and, in this memo, we organize these requests by each salient area of focus. We think this structure will help target your limited resources in the most effective way.

Thank you for your consideration, and we look forward to working with you and your staff in the coming weeks and months as our state and nation move through this difficult time.

Key Human Services Priorities in Critical Focus Areas

Focus Area 1: Enhance COVID-19 Related Interventions and Workload Prioritization

The Administration has, thus far, made great strides to simplify various program requirements to boost counties' ability to enroll new applicants as demand increases for the key safety net programs: CalFresh, CalWORKs, Medi-Cal and In-Home Supportive Services (IHSS). Some of these methods include a moratorium on discontinuances for existing recipients of aid, delays in processing redeterminations, streamlining application requirements to enable customers to more quickly access programs and reduce red tape for county eligibility workers. We also appreciate that the Administration is examining for the May Revision their caseload projections to try to address the lag between when caseload changes actually occur and when the trends are picked up in the projections and note the importance of funding the new workload resulting from the increased caseload at current costs. This will help ensure that counties can handle the intake and ongoing workload resulting from the unprecedented rapid increase in applications due to the COVID 19 crisis. Additional areas of focus for your upcoming budget work include:

- Workload "Bubble" – The simplifications of program requirements have been critical to ensuring that our customers can obtain and maintain vital services. However, these interim measures create workload bubbles that, if resources are not provided to address, undermine the ability of counties to meet the growing demand for our programs and slow our economic recovery. When these temporary measures expire, counties will need one-time funding for significant catch-up work, including: the "bubble" of renewal processing that will occur due to the six-month suspension of renewals for March, April, and May in CalFresh and CalWORKs; the backlog of court hearings due to court closures and the additional case work to support the children who are unable to exit to permanency due to the court closures and backlogs; the expected increase in hotline reports once shelter-at-home restrictions are eased in child welfare and Adult Protective Services (APS); and the delayed provider orientations and Live Scans in IHSS. Continuing and adequate funding for counties to administer the enhanced sick leave benefits to IHSS providers is also important to ensuring that those provider benefits are maximized when needed – we believe the current assumptions of worker costs and time required are underestimated.
- Federal Advocacy for Critical Nutrition Benefits – Some of the flexibilities that counties need to support our CalFresh clients in this time of crisis are governed at the federal level and we would like to partner with the Legislature and the Administration to pursue these, which include: expanding the ability to use EBT for online purchases and grocery delivery, including prohibiting delivery fees for EBT food purchases and requiring merchants to allow EBT cash purchases in the same transaction; and exempting students from the student eligibility rule through the end

of the school year after the public health emergency ends. Counties also need help in securing relief from federal penalties and actions for failure to meet requirements that are beyond counties' control during this crisis including federal amnesty for Work Participation Rate Penalties in TANF (CalWORKs) through the second fiscal year after the public health emergency ends and a Quality Control hold harmless in SNAP (CalFresh) through the end of the fiscal year after the public emergency ends.

- Manage and Prioritize Workload and Expectations – In light of the ongoing emergency response and push to provide vital services and supports to vulnerable citizens, as well as the uncertainty around how long the crisis will last, it is necessary to work together to prioritize and possibly suspend lower priority administrative work. While these functions are important, it is likely to be some time before we have the ability to conduct all our normal auditing and quality assurance activities. Furthermore, some of the flexibilities that have been critical to ensure that counties can provide vital services also mean that county performance on some metrics may be below standards. We realize that in some programs, like CalWORKs and IHSS, we have the power in state law to prioritize or suspend some activities and in others, such as CalFresh, we have less control. However, we believe it is important to have a conversation about some of the lower priority, labor-intensive activities that we perform that can drain resources and prevent us from getting critical benefits to vulnerable citizens, as well as mitigation for known consequences of policy decisions that have been made in response to the crisis. For example, Counties may need funding for any penalties or corrective action plans as a result of failing to complete renewals timely in CalFresh and CalWORKs due to the temporary deferrals of renewals. We also believe a delay of quality assurance activities for three months post-pandemic and a temporary, 12-month suspension of QA in IHSS will also protect consumers who will likely remain sheltered-at-home due to COVID-19 until a vaccine is made widely available.
- Ensure Medi-Cal Eligibility Staff Have Tools to Serve Clients – The CalHEERS system, created as part of the state's Affordable Care Act implementation, has improved since it went live in 2014, but functionality gaps and manual workarounds require county workers to spend significant time managing system issues rather than serving clients. At a moment when timely, accurate access to health coverage could be a matter of life and death, the workload added by these ongoing CalHEERS problems diverts worker time and administrative funding away from application processing and casework resulting from the public health emergency, as well as regular ongoing Medi-Cal casework. To remedy this situation, CWDA is requesting TBL to direct the CalHEERS project to prioritize system changes needed by county workers and to more appropriately engage CWDA and labor representatives in the governance process.

- Delay Removal of Stage 1 Childcare Funding from the CalWORKs Single Allocation – CWDA is requesting an additional one-year delay in the removal of Stage 1 from the Single Allocation to 2021-22. The removal of Stage 1 will require significant changes to the county-by-county distribution of the remaining Single Allocation funding. Introducing that kind of funding uncertainty at the moment that we are both assisting families suffering from the effects of the COVID-19 pandemic and as the economy enters a recession of unknown severity and duration will be detrimental to the CalWORKs program. Keeping Stage 1 Childcare in the Single Allocation for another fiscal year will further funding stability for counties and allow for maximum flexibility in the use of the Single Allocation.
- Focus Resource Family Approval (RFA) Processing on New Families – Currently, all RFA families must be reassessed annually under state law. In response to the Governor’s statewide order to remain at home, CDSS issued guidance allowing counties to push out these reassessments for up to 180 days past the RFA family’s original due date, while the statewide order remains in effect. We recommend that the Administration and Legislature take action to change RFA reassessments to occur every two years instead of annually, on a permanent basis. This will be of help on both a workload and a policy basis. First, regarding workload, lengthening the assessment period will let counties focus staff resources on initial RFA approvals for children entering foster care. While the number of Emergency Response calls has gone down during the stay-at-home order, we anticipate an increase after the order is lifted and as a result, will need more workers focusing on new caregiver approvals. On an ongoing basis, while the one-year renewal was sensible in the early years of RFA implementation, these practices are now in full effect and a longer period of time is reasonable. It is important to know that changes in a resource family’s circumstance -- such as a new person moving into the home or a change of residence -- automatically trigger the county to update its assessment.

Focus Area 2: Support, Stabilize Safety Net Programs Using Lessons from 2009

In its response to the Great Recession, California made both deep cuts and significant policy changes in the safety net programs that serve as a backstop for our lowest-income individuals and families. As a result, these programs provided less support for these vulnerable Californians, and both the programs and the individuals served took longer to recover from the effects of the recession.

Unfortunately, slow wage growth and a lack of ability to rebuild their own rainy-day funds mean that many of these individuals and families are going to be less able to weather the storm of the current pandemic. Additionally, our foster children and their families and caregivers are in greater need than ever. We appreciate the efforts to support them in both one-time and ongoing ways and suggest additional ways to better serve them below.

This new recession is unprecedented in many ways, but we can draw upon lessons learned in the prior recession to consider how our programs can be counter-recessionary and the effect of cuts and harsh policy decisions reduce our programs' ability to serve those in greatest need. We recommend the Legislature seek our thoughtful investments to shore up programs and ensure services are available as our customers need them, rather than reducing them at the time of greatest need. These key items include:

- Maintain Economic Support for Clients – It is not only important to maintain the infrastructure for providing benefits, but it is also critical to maintain the benefits themselves. Now more than ever, Californians living at the margins are the most at-risk for falling into destitution and homelessness. Deteriorating revenues can make it challenging to increase benefits but avoiding benefit cuts as a budget solution is essential to both the immediate well-being of individuals and the longer-term systemic impacts of deep poverty and homelessness.

Maintenance of economic support must also include Californians who are undocumented. We appreciate the actions of the Administration to provide emergency financial assistance and other supports to connect these families to services. It is important to ensure that nutritional, medical, and cash benefits continue to be available. We also support the expansion of the California Earned Income Tax Credit (CalEITC) to include individuals who file taxes using Individual Taxpayer Identification Numbers (ITINs). The CalEITC is an important tool for addressing poverty and economic insecurity and should also be provided to working immigrants, many of whom are considered essential during this pandemic.

- Subsidized Employment – Funding to enhance the use of the CalWORKs Expanded Subsidized Employment (ESE) Program and suspension of the ESE base funding requirement to enable all counties full access to the program is an important counter-recessionary investment. During every recession, more people apply for CalWORKs benefits as the labor market contracts. Employers lack capacity not only to create new jobs, but to retain existing staff. This is where subsidized employment demonstrates its value. It benefits the client by maintaining links to the labor market and improving job skills, speeding the return to self-sufficiency. And it benefits employers, notably small businesses, by helping cover labor costs to avoid layoffs or encourage hiring. During the Great Recession, the federal American Recovery and Reinvestment Act (ARRA) provided states significant TANF funding for subsidized employment programs, which proved to be a powerful stimulus tool for clients and businesses alike. The CalWORKs ESE Program can play that vital role in California's economic recovery during this recession and should be strengthened and expanded.

- CalWORKs Time Limits – The 48-month and 24-month time limits that were imposed during the Great Recession as a cost-saving measure are counterproductive. There are families who need CalWORKs now as a result of losing employment due to COVID-19, but who already exhausted their 48 months of time on aid during the Great Recession. Expanding the time-limit to the federally allowed 60 months would enhance the financial and housing stability of many families at this critical time. The 24-month time limit on employment services also limits our ability to help clients coming back onto the caseload as a result of the pandemic secure employment again. Both time limits are counterproductive to the goals of CalWORKs and our ability to maximize the stimulative effects of the program.
- Human Services Homelessness Interventions – The COVID-19 virus has exacerbated the homelessness problem. The county human services homelessness programs, including the CalWORKs Housing Support Program (HSP), the APS Home Safe Program, the child welfare Bringing Families Home (BFH) Program the Housing and Disability Assistance Program (HDAP), and the CalWORKs Homeless Assistance (HA) Program can play a central role to keeping homeless rolls from swelling. Evidence has demonstrated the success of these programs. Enhancing funding for and providing flexibilities to use these resources to prevent homeless from occurring in the first place and to provide longer-term housing subsidies will enable counties to mitigate the extreme risk to families and individuals of homelessness, especially during the public health emergency. Extending the flexibilities provided in the CalWORKs HA program in response to the COVID-19 crisis past the June 30, 2020, expiration date is also important to continuing to keep families sheltered and to help counties provide shelter to families who may experience a housing disruption as a result of the continuing economic downturn.

Focus Area 3: Maintain a Strong State/County Partnership to Preserve Critical Child Welfare and Adult Protective Services

The rapid and significant decline in revenues, which the state is experiencing, is also expected to have a profound effect on county Realignment funding, which provides the vast majority of the nonfederal funding for child welfare and adult protective services. These life-saving safety programs are in imminent danger of cuts. A strong state and county partnership is essential to ensuring that the basic safety of our most vulnerable children and adults is preserved.

Through the 1991 and 2011 Realignment legislation and the subsequent Proposition 30 constitutional amendment approved by voters, the State and Counties have long had a closely intersecting relationship that significantly affects many programs that counties administer, including those on the State's behalf. In CWDA's purview, this includes child welfare services, adult protective services, IHSS, CalWORKs, and CalFresh.

The Realignment structure has weathered multiple recessions since enactment, but the current economic nosedive that revenues are experiencing was not contemplated in the enabling legislation or Proposition 30. Under realignment, counties are provided a dedicated source of revenues and are expected to manage the realigned programs within those revenues. In any given fiscal year, those revenues could increase or decrease, depending on the condition of the economy, but the predicate of both 1991 and 2011 Realignment is that overall and over time, those dedicated revenues have been adequate for counties to effectively administer and fund the human services programs and entitlements for which we have responsibility. However, that predicate does not hold when revenues decline as steeply and as rapidly as they currently are.

Furthermore, the existing remedies provided under 1991 and 2011 Realignment for counties when revenues underperform and mandates are unfunded are inadequate, impractical, and counter-productive in light of the severe and unprecedented economic downturn we are now facing. The remedy in 1991 Realignment would be for counties to file a mandate claim for funding, a lengthy and workload intensive process with no guarantee of adequate funding, but that would trigger the “poison pill,” which would blow up and undo all of 1991 Realignment. A Proposition 30 remedy for 2011 Realignment permits counties to only provide services and benefits up to the level of funding provided for those programs and services that have been established since 2011. But the types and levels of reductions that counties will have to make to live within the significantly lower 2011 Realignment revenues are likely to require cuts well into our base funding. In fact, the cuts required to both the 1991 and 2011 realigned programs to live within the revenues would likely so threaten the safety of our clients and compliance with federal requirements and entitlements that the realignment structure itself is inadequate to meet this crisis on its own.

Services in the Realignment programs are in grave danger of significant cuts in service at the worst imaginable time. This is of particular concern in the child welfare and adult protective services areas where, if the bottom falls out of 1991 and 2011 Realignment revenues, counties will be faced with the hard choices of eliminating services to vulnerable adults, capping benefits to nonminor dependents, and scaling back on practices instituted under the Continuum of Care Reform (CCR), in order to meet minimum entitlements. For these reasons, taking steps to shore up the partnership and ensure counties can help our vulnerable citizens is critical in the current pandemic-triggered recession.

Our recommendations include the following:

- Realignment Revenue Declines – We would like to explore ways the state and counties might work together to provide stability for these funds and to avoid massive cuts to the programs most needed during this statewide emergency and concurrent economic downturn. The 1991 and 2011 realigned human services programs are shared state and county programs. We need to work together to prioritize workload and be intentional about how we stabilize these

programs to avoid the impact of the cuts on the most vulnerable and our ability to meet federal requirements. Counties are committed to working with the Administration and the Legislature to determine whether the answer is direct state assistance or other creative solutions.

- Mitigate Sales Tax Payment Deferrals for Small Businesses – Provide counties with funding to backfill revenue delays caused by the sales tax lay-away program. A portion of the sales tax directly funds critical state services under the 1991 and 2011 realignment structures. In addition, delaying the receipt of revenue into the next fiscal year will have dramatic impacts on realignment allocations among counties and between critical programs that could permanently complicate counties' ability to deliver services in both the budget year and future years.
- Fully Fund the CCR "True-up" – Counties have been fronting significant costs to administer CCR since it began in 2017. CWDA and the Administration have worked closely to develop a methodology for determining the appropriate amount of funding owed to counties for this work that is consistent with the requirements of Proposition 30. Failure to provide full funding for the CCR True-up, including funding for RFA work, will jeopardize counties' abilities to continue CCR work as well as undermine the ability for counties to respond to the needs of families in the child welfare system that result from the COVID-19 pandemic.
- Share in FMAP Funding Increases – It is our understanding that the Administration has determined that the temporary 6.2 percentage point increase to the FMAP for Medicaid applies both to services and administrative costs, which benefits our Medi-Cal and IHSS programs. We recognize that the state's fiscal condition is also dire; however, we encourage the Legislature and the Administration to not simply replace state GF investments in Medi-Cal and IHSS Administration on a dollar-for-dollar basis, but to maintain at least some of that GF spending to draw down additional federal funds and grow the overall funding for these programs.
- Backfill for Title IV-E Losses Beyond County Control Due to COVID-19 Response – Some of the much-needed flexibilities provided by the Administration in response to the COVID-19 pandemic and due to the court closures that are preventing Title IV-E findings may result in the loss of federal Title IV-E funding for child welfare assistance. Should that happen, counties will be fully fiscally responsible for the backfill for the lost federal funding. This backfill will have to come from increasingly scarce 2011 Realignment funding, further jeopardizing our ability to maintain existing child welfare and APS services. The court closures are also leading to a backlog within the child welfare system as delays in reunification and adoption finalizations prevent closure of cases and an expected surge in child abuse and neglect reporting when the shelter-in-place orders are lifted leads to higher detentions. This reinforces the trauma already suffered by these children and youth, as well as has potential fiscal consequences for counties due to

higher placement costs and federal penalties. (See the CWDA letter to the Chief Justice dated April 30, 2020 for more details.)

The Governor and Legislators have been thoughtful, bold, and proactive in the response to the COVID-19 emergency. We appreciate the opportunity to submit these priorities for consideration as you conduct the important work of landing a budget that contains thoughtful policy and funding decisions to help the state and counties, and the Californians that we serve together. The programmatic, revenue, and fiscal consequences of the pandemic will be with us for a while, but we know that with the strength of our partnership, we will weather this crisis.

As always, my staff and I are available to answer any questions you and your staff may have. Thank you.

cc: The Honorable Dr. Richard Pan, California State Senate
The Honorable Dr. Joaquin Arambula, California State Assembly
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