



CWDA

Advancing Human Services
for the Welfare of *All* Californians

1991 Realignment

Overview of Presentation

- **Realignment Background – Overview and Structure**
- **Growth Funding**
- **Impact of Elimination of the IHSS Maintenance of Effort (MOE)**

What is 1991 Realignment?

OVERVIEW AND STRUCTURE

- **1991 Realignment is the transfer of funding responsibility for approximately \$2.2 billion (at the time) of health, mental health, and social services costs from the state to counties**
- **In exchange, counties receive dedicated funding sources to cover those transferred costs and some flexibility in spending the funds in order to meet local needs**

Realigned Social Services Program

OVERVIEW AND STRUCTURE

**CalWORKs
Assistance,
Employment
Services**

**Foster Care
Assistance**

**Child Welfare
Services**

**Adoptions
Assistance**

**In-Home
Supportive
Services**

**County
Services Block
Grant**

**County
Administration
(CalWORKs
Eligibility, Foster
Care, CalFresh)**

**California
Children's
Services**

Changes in County Share of Cost

OVERVIEW AND STRUCTURE

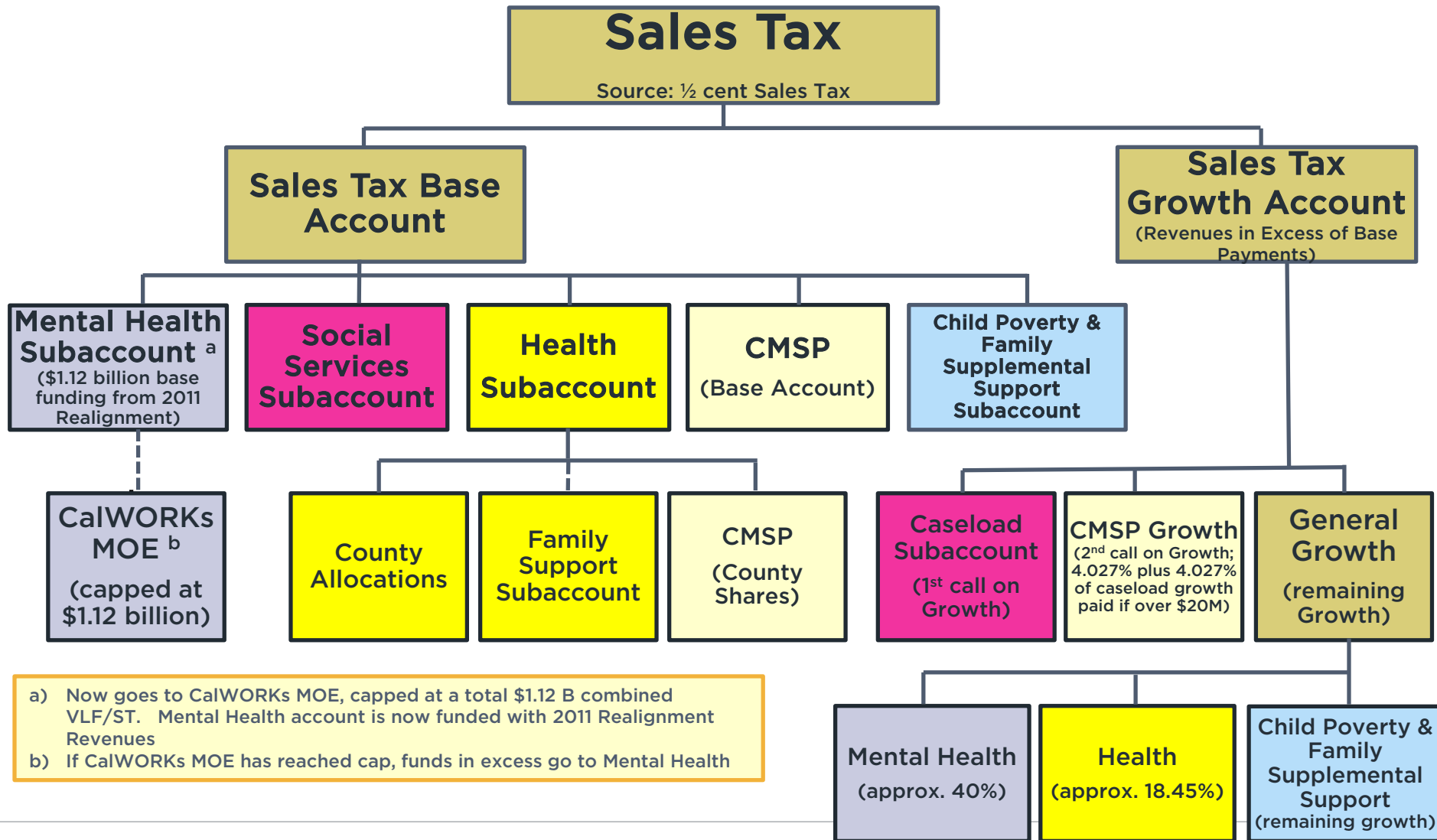
Program	Old Share (non fed)	New Share (non fed)
CalWORKs Assistance	11%	5%
CalWORKs Employment Svcs.	0%	30%
Foster Care Assistance	5%	60%
Child Welfare Services	24%	30%
Adoption Assistance	0%	25%
In-Home Supportive Services	3%	35%
County Services Block Grant	16%	35%
County Administration	50%	30%
California Children's Services	25%	50%

Funding Sources for 1991 Realignment

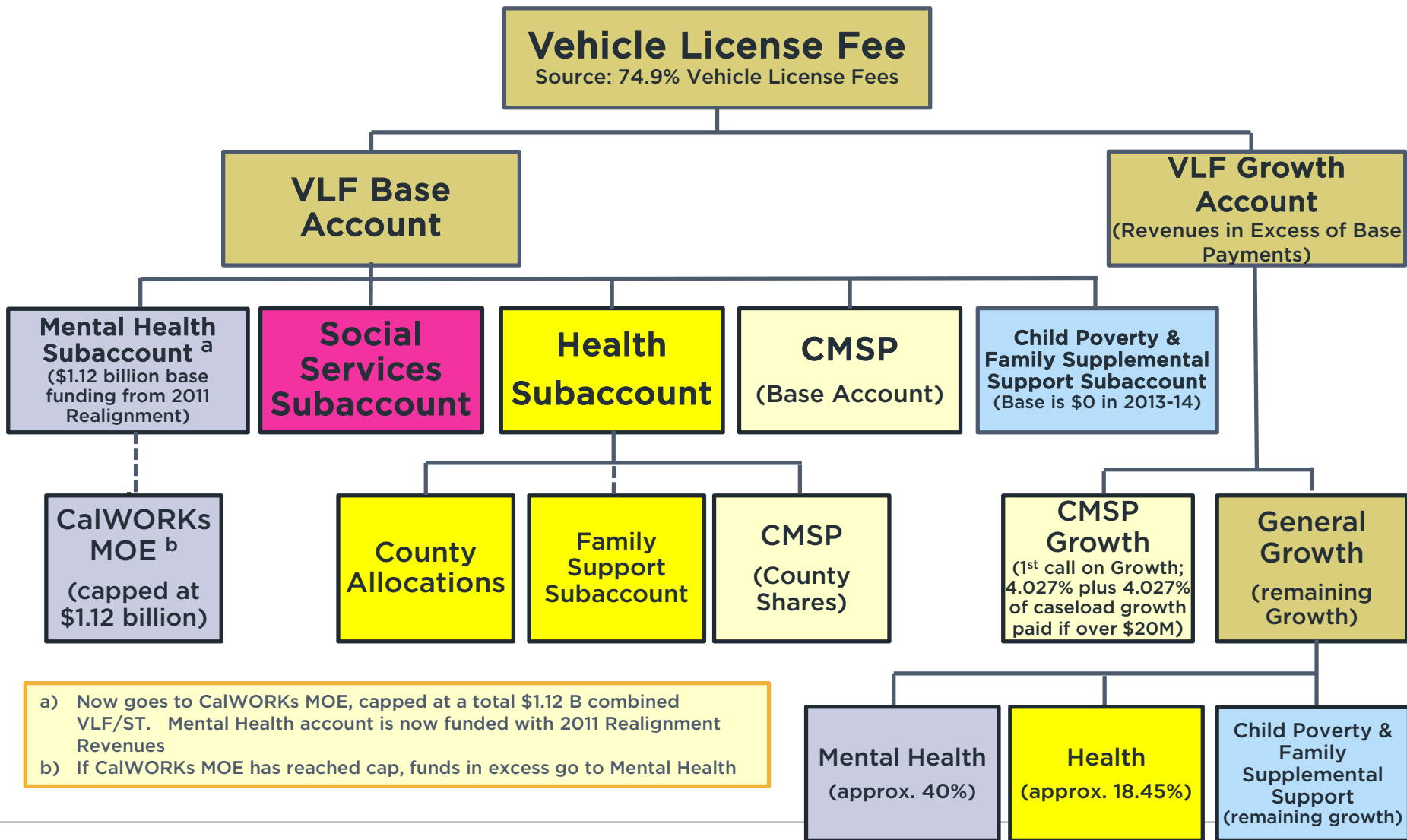
OVERVIEW AND STRUCTURE

- **Two funding sources – ½ cent sales tax and dedicated Vehicle License Fee (VLF) revenue**
- **Every 1991 Realignment subaccount includes funds from both sources**

1991 Realignment - Sales Tax Distributions



1991 Realignment - Vehicle License Fee Distributions



Base Funding

OVERVIEW AND STRUCTURE

- “Rolling” base: base funding + growth funding = next fiscal year’s base
- No base restoration – if base funding level is not met in any fiscal year then next fiscal year’s base starts out lower
- Separate sales tax and VLF bases for each subaccount

Transfer Provisions

OVERVIEW AND STRUCTURE

- **Counties may transfer funds among the Health, Mental Health, and Social Services accounts**
- **Transfers of up to 10% of any account's revenue to the other two accounts is allowed**
- **An additional 10% may be transferred from the Health Account to the Social Services Account in order to offset caseload increases for mandated programs in excess of revenue growth**

Transfer Provisions (cont.)

OVERVIEW AND STRUCTURE

- An additional 10% may be transferred from the Social Services Account to the other two accounts whenever excess revenues exist in the Social Services Account beyond the amount necessary to fund the mandated programs
- Transfer of funds among accounts in effect for one fiscal year – election to transfer must be made each year by BOS

CalWORKs MOE Subaccount

OVERVIEW AND STRUCTURE

- Created as part of 2011 Realignment
- 1991 Realignment revenues that went to Mental Health Subaccount now go to CalWORKs MOE Subaccount up to a capped amount of \$1.12 billion
- Mental Health Subaccount now funded from 2011 Realignment
- CalWORKs MOE Subaccount has reached capped amount, so additional growth funding goes to Mental Health Subaccount

AB 85 Changes to 1991 Realignment

OVERVIEW AND STRUCTURE

- **AB 85 (Ch. 24/13) was one of the ACA implementation bills**
- **Redirected revenues from Health Subaccount**
- **Created two new subaccounts – Family Support and Child Poverty and Family Supplemental Support**
- **Changed and redirected general growth distribution**

Poison Pills

OVERVIEW AND STRUCTURE

- Three poison pills included in original legislation that would make 1991 Realignment inoperative
 1. Medically Indigent Adult (MIA) transfer – if determined to be a mandate, then VLF increase repealed
 2. Proposition 98 – if new $\frac{1}{2}$ cent sales tax revenues counted toward Prop. 98, then new sales tax repealed
 3. If any provision determined to be a reimbursable state mandate, then all of 1991 Realignment rendered inoperative.
- The first two hurdles were cleared, but reimbursable state mandate poison pill remains

Growth Funding Overview

REALIGNMENT GROWTH FUNDING

Growth funding is determined separately for sales tax and VLF revenues

Sales Tax Growth:

- **Caseload growth is only funded from sales tax growth and has first call on sales tax growth revenues**
- **CMSP has second call on sales tax growth revenues**
- **Any sales tax growth revenues available after funding caseload growth and CMSP are distributed as general growth**

Growth Funding Overview (cont.)

REALIGNMENT GROWTH FUNDING

VLF Growth:

- CMSP has first call on VLF growth revenues
- Any VLF growth revenues available after funding CMSP are distributed as general growth

What is Caseload Growth

REALIGNMENT GROWTH FUNDING

- Eight realigned Social Services subaccount programs are subject to caseload growth increases: CalWORKs Assistance, CalWORKs Employment Services, Foster Care Assistance, Adoption Assistance, Child Welfare Services, IHSS (services), County Administration (Foster Care, CalFresh, and CalWORKs Eligibility), and CCS
- Caseload growth reflects changes in expenditures in the eight programs, not actual caseloads
- Caseload growth has first call on sales tax growth revenues to ensure that the entitlement programs get funded first
- Unlike the base, any unfunded caseload growth from one fiscal year carries over to future fiscal years until it is fully paid off

How Caseload Growth is Calculated

REALIGNMENT GROWTH FUNDING

- **County-by-county calculation**
- **Year-over-year increases or decreases in expenditures in each the eight programs are determined**
- **Change in expenditures is then used to calculated the amount of cost change due to 1991 Realignment using the pre- and post-Realignment sharing ratios**
- **The increases and decreases in each program are added together for each county**

How Caseload Growth is Calculated (cont.)

REALIGNMENT GROWTH FUNDING

- If the sum is a positive amount, the county is due that amount in caseload growth funding and a like amount of funding is added to the county's social services account base
- If the sum is a negative amount, the county is "held harmless" – the negative amount is set to zero and not subtracted from the county's social services account base
- The total of all the positive caseload growth amounts becomes the statewide 1991 Realignment caseload growth amount for that fiscal year

Caseload Growth Timing

REALIGNMENT GROWTH FUNDING

- Caseload growth for a fiscal year is calculated based on expenditures from the prior fiscal year compared to expenditures compared to the two-year prior fiscal year
- Example: 2017-18 caseload growth is 2016-17 expenditures over 2015-16 expenditures
- Realignment revenue growth for a fiscal year will not be known until after the end of that fiscal year (i.e., until the following fiscal year)
- Example: Growth revenues to pay 2017-18 caseload growth will not be known until the fall of the 2018-19 fiscal year

Caseload Growth Timing (cont.)

REALIGNMENT GROWTH FUNDING

- **As a result, counties front funding for cost increases in the realigned social services programs for over a year**
- **Example: Cost increases incurred in 2016-17 become caseload growth for 2017-18 that is paid in 2018-19**

General Growth – Pre AB 85

REALIGNMENT GROWTH FUNDING

- Any sales tax growth revenues above that needed to fund caseload growth and all VLF growth revenues were distributed as general growth
- General growth was allocated by formula to the Social Services, Health, and Mental Health subaccounts
- Social Services Subaccount generally received between 8% and 10% of total general growth revenues, with the Health and Mental Health subaccounts approximately splitting the remainder

General Growth – Post AB 85

REALIGNMENT GROWTH FUNDING

- **General growth to Social Services Subaccount was eliminated and to Health Subaccount fixed at 18.4545% each year (unchanged to Mental Health Subaccount)**
- **The logic at the time was that the Social Services Subaccount no longer needed general growth funding because of the IHSS MOE and the 2011 Realignment growth funding available for APS, and the Health Subaccount needed less growth because of the Medi-Cal expansion and reduced indigent care costs**
- **Redirected Social Services and Health subaccounts general growth revenues to the Child Poverty and Supplemental Support Subaccount**

Growth Projections

REALIGNMENT GROWTH FUNDING

- **DOF estimates 1991 Realignment sales tax and VLF revenues for current and budget years in January and May**
- **DOF typically does not do multi-year 1991 Realignment revenue growth projections**

Administration's Current Proposal for Unwinding IHSS MOE

IMPACT OF IHSS MOE ELIMINATION

- Increases county share of cost to previous 35% share of non federal costs immediately, beginning in 2017-18
- Does not propose an increase in the \$12.10 statutory cap on state financial participation in IHSS provider salaries and health benefits
- Consequently, counties would be responsible for 100% of the nonfederal costs of the state minimum wage increase once the state minimum wage exceeds \$12.10 (January 1, 2020)
- This results in a shift of \$623 million in IHSS costs that would otherwise have been paid by the state under the IHSS MOE. These IHSS costs to counties increase to \$1.6 billion by 2022-23

Cashflow Implications

IMPACT OF IHSS MOE ELIMINATION

- Immediate cashflow problem of coming up with an additional \$623 million in 2017-18
- That \$623 million would not be included in the caseload growth calculation until 2018-19 and would not begin to be funded with sales tax revenues for caseload growth until 2019-20
- In the absence of the IHSS MOE, counties would have had to pay a portion of that \$623 million in 2017-18 anyway and would not have received reimbursement of those costs until 2019-20 under the normal caseload growth calculations

1991 Realignment Growth Revenues Insufficient to Fund Cost Shift

IMPACT OF IHSS MOE ELIMINATION

- The estimated rate of 1991 Realignment revenue growth is far exceeded by the rate of IHSS program costs under the Administration's current cost shift proposal
- Based on CWDA's latest calculations that incorporate DOF's out-year 1991 Realignment sales tax revenues, the unfunded Realignment caseload growth increases each year, growing to about \$1 billion in 2023-24

Impacts to Other Realigned Programs

IMPACT OF IHSS MOE ELIMINATION

- The other 1991 Realignment subaccounts have benefitted from the existence of the IHSS MOE in the form of higher general growth
- As a result of the IHSS MOE, the other subaccounts have received over \$400 million more than they otherwise would have if there had been no IHSS MOE

Caseload Growth and IHSS Administration Costs

IMPACT OF IHSS MOE ELIMINATION

- Prior to the IHSS MOE, IHSS Administration was not included in the caseload growth calculation
- Historically it appears that IHSS Administration was included in the Community Services Block Grant
- CSBG program cost increases were covered by general growth
- Since the Social Services Subaccount no longer receives general growth funding, there is discussion of including IHSS Administration in the caseload growth calculation should the IHSS MOE be eliminated

1991 Realignment

Questions?



CWDA

Advancing Human Services
for the Welfare of *All* Californians

cwda.org | [@CWDA_CA](https://twitter.com/CWDA_CA)

925 L STREET, SUITE 350 SACRAMENTO CA, CA 95814