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CWDA

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To: All County Social Service Directors and Fiscal Officers

From: CWDA Staff

Pages: 7

RE: State Budget Update #1 – ERRATA – Governor’s 2011-12 Proposed Budget

Governor Brown released his proposed 2010-11 budget today. We have been informed that the detailed budget descriptions for human services programs will not be available from the California Department of Social Services (CDSS) until next week. Therefore, this update provides mostly a high-level summary of the major health and human services proposals based upon the Governor’s Budget Summary (A-Pages) with as much additional detail as we could acquire through briefings with Administration officials. We will provide you our more detailed Budget Update on the 2010-11 Governor’s Budget as soon as we have more information.

OVERALL BUDGET PICTURE

The budget projects a total General Fund (GF) deficit of \$25.4 billion, comprised of a current year (2010-11) shortfall of \$8.2 billion and a budget year (2011-12) shortfall of \$17.2 billion. The Governor proposes to cover the deficit with the following solutions: \$12.5 billion in program cuts, \$12.0 billion in increased revenues, and \$1.8 billion in “other” funds (largely one-time borrowing from special funds). The budget also includes reserve of \$1 billion.

The budget calls for an accelerated timeline. It assumes that all necessary statutory changes to implement budget solutions will be adopted by the Legislature and signed by the Governor by March.

REALIGNMENT

The Governor’s Budget proposes a significant realignment of programs between the state and counties that when fully implemented is estimated to impact \$10 billion of services. The proposal is to be phased in over a number of years (although exactly how long has not be specified), with the first phase beginning in 2011-12. The Governor has stated that he wants to provide as much flexibility as possible to counties in providing the services that are being realigned, but it is unclear from the details currently available what that means for any of the affected programs.

Phase One

Phase One of the realignment proposal will cover public safety programs, which have also been defined to include Child Welfare Services, Foster Care, Adult Protective Services, mental health

services, and substance abuse treatment. For these programs counties will have primary program responsibility with the total amount of *additional* funding responsibility to shift to the counties (and to be covered by the new revenues) as follows. These amounts appear to correspond to the existing GF amounts provided for these programs. In short, under the Governor's proposal, counties will now be picking up the state's share of the funding for these programs, but will be provided new revenues to cover the cost.

<u>Program</u>	<u>2011-12</u>	<u>2014-15</u>
Foster Care and Child Welfare Services	\$1.6 billion	\$1.6 billion
Adult Protective Services	\$55 million	\$55 million
Mental Health Services		
Early Periodic Screening, Diagnosis and Treatment Program	---	\$579 million
Mental Health Managed Care	---	\$183 million
AB 3632 (SED) Services	---	\$104 million
Existing Community Mental Health	---	\$1.1 billion
Substance Abuse Treatment	<u>\$184 million</u>	<u>\$184 million</u>
TOTAL	\$1.8 billion	\$3.8 billion

In addition to the above health and human services programs, programmatic responsibility for some fire and emergency response activities, court security, Vehicle License Fee (VLF) public safety programs, lower-level offenders and parole violators, adult parole, and juvenile justice will also shift from the state to counties beginning in 2011-12.

To fund the additional costs being shifted to the counties, the Governor proposes a ballot initiative for a June special election to extend for five years the existing 1.15 percent rate for the VLF, which generates almost \$1.4 billion, and the existing 1 percent in sales tax, which generates over \$4.5 billion. These taxes would otherwise expire at the end of this fiscal year. The revenues would be dedicated to funding the public safety (including HHS) programs proposed for realignment. When these taxes expire after five years, the Governor intends the state to provide to counties an amount equal to what these two sources generate. In addition, the Governor proposes to use \$861 million of existing Mental Health Services Act (Proposition 63) funds instead of GF for three mental health programs (EPSDT, mental health managed care, and AB 3632) in 2011-12, with these mental health services eventually being funded with the other dedicated revenues.

The budget assumes that the Legislature will approve the programs to be realigned and the underlying funding structure by March 2011. The extension of the existing taxes set to expire at the end of 2010-11 would then be on the ballot in a June special election. All necessary statutory changes would also need to be final no later than June to ensure a smooth transition of programs from the state to the counties.

Phase Two

Implementation of national health care reform is linked with Phase Two of the realignment proposal. Phase Two assumes that the state will become responsible for costs associated with health care programs, including California Children's Services and In-Home Supportive Services, while the counties assume responsibility for CalWORKs, food stamp administration, child support, and child care programs. There is no timing specified for when implementation of Phase Two will begin or any programmatic details available.

HEALTH AND HUMAN SERVICES

Specific significant proposals related to health and human services include the following:

Child Welfare Services and Foster Care

Overall, child welfare services funding is held constant for the 56 non-waiver counties, providing \$1.1 billion total funds for the 56 non-waiver counties. For the two Title IV-E waiver counties, the budget provides \$1.5 billion, a reduction of \$45.8 million total funds (\$5 million GF). The budget assumes continuation of the \$80 million GF veto for the 2011-12 fiscal year.

Transitional Housing Program-Plus – The budget proposes to reduce funding for THP-Plus by \$19.9 million by reducing funds for housing services to 18 and 19 year old former foster youth, effective July 1, 2011, and assumes this population will be served through the AB 12, a bill co-sponsored by CWDA that will extend benefits to former foster youth age 18 starting in January 1, 2012, and age 19 on January 1, 2013. THP-Plus is funded entirely by state GF and serves emancipated foster youth ages 18-24. The interaction between this proposal and AB 12 implementation is unclear at this point, given the differing implementation time frames. The proposed budget would leave \$16 million remaining for THP-Plus.

CalWORKs

The proposed budget includes GF savings of \$1.5 billion as a result of the following CalWORKs changes:

Maintain Single Allocation Reduction and Discontinue 2009 Exemptions – The budget proposes to maintain the \$377 million Single Allocation reduction in 2011-12 that was originally taken in 2009-10, as well as the flexibility to use CalWORKs Mental Health/Substance Abuse funding for other CalWORKs program components. However, the temporary WTW exemptions for families with young children enacted in 2009 would be allowed to expire on June 30, 2011. CDSS indicates that counties may still grant individuals good cause.

Repeal Long-Term Reforms – The budget proposes to repeal the long-term reforms that are currently scheduled to take effect on July 1, 2011. These reforms include self sufficiency reviews, a 48-month time limit with 12-month sit-out, child-only time limits, and graduated sanctions.

Establish 48-Month Time Limit and Reform Safety Net – The budget proposes a 48-month time limit for most CalWORKs families, which would result in 115,000 families (including 230,000 children) being eliminated from the program in 2011-12. Any month of aid received by any member of an assistance unit would be counted toward the 48-month time limit. The 48-month time limit would be retroactive to 1998. Child-only benefits would continue beyond the 48-month time limit for families with unaided adult recipients of SSI/SSP and non-needy caretaker relatives. Child-only benefits would also continue for families **fully meeting the federal work participation rate requirements, including undocumented parents of citizen children**. This proposal would result in \$698.1 million in savings in 2011-12, and would be effective July 1, 2011.

Reduce CalWORKs Grants by 13 Percent – Effective June 1, 2011, the budget proposes to reduce all CalWORKs grants by 13 percent, to achieve savings of \$13.9 million in 2010-11 and \$405 million in 2011-12. Roughly 7,000 families would lose eligibility as a result of this proposal.

The proposed changes to CalWORKs time limits and grant levels are estimated to reduce the 2011-12 caseload projection to 458,000 families, a 21.3 percent decrease from the 2010-11 estimate.

Child Care

Restore Stage 3 Child Care – The budget proposes \$58 million to fund child care services for Stage 3 families through December 31, 2010, and \$52.6 million to restart Stage 3 child care services for Stage 3 families effective April 2011. The budget also proposes to continue funding for Stage 3 in the budget year.

Eliminate Services for 11- and 12-Year olds – The budget proposes \$60 million in savings to eliminate eligibility for subsidized child care for 11 and 12-year olds.

Reduce Eligibility to 60 Percent of the State Median Income (SMI) – The budget proposes \$79 million in savings to reduce eligibility for non-CalWORKs child care to 60 percent of the SMI, from the current 75 percent of the SMI.

Unallocated Across the Board Reduction – The budget proposes a \$577.5 million unallocated reduction in all child care programs, reflecting a 34 percent reduction in state funding. The Administration indicates that the current rate and fee structure would be eliminated, and individual APs would establish co-payment and family fee structures that would reflect the reduced funding level for that agency.

In-Home Supportive Services

The budget contains a number of proposals to reduce expenditures in the program effective July 1, 2011.

Across-the-Board Service Reductions – The budget proposes an 8.4 percent across-the-board cut to all services for all recipients for GF savings of \$127.5 million. This would be in addition to the 3.6 percent cut scheduled to take place on February 1, 2011, for a total reduction of 12 percent. IHSS recipients would be able to submit a “supplemental care application” to the county for an exemption to the cut. The process is not yet defined and DSS has indicated that this would require county staff to conduct a desk review of the application prior to granting approval. The budget also proposes to make the 3.6 percent across-the-board reduction permanent by removing the current statutory sunset date (June 30, 2012).

Elimination of Domestic and Related Services to Certain Recipients: The proposal would eliminate domestic and related services to:

1. **Minor Children: IHSS recipients under age 18 with a parent who is able and available would become ineligible for domestic and related services.** This proposal would impact approximately 7,100 minor recipients for a reduction of \$4.8 million (\$1.5 million GF).
2. Recipients who are living with others in a shared-housing situation: CDSS indicates the proposal would impact all recipients living with others, not just recipients who live with their provider. This raises significant legal questions since in many cases there is no legal obligation for other individuals to provide care. This proposal is expected to impact 269,000 recipients, and will cut IHSS services by \$714 million (\$235 million GF).

New Physician Certification: The budget would institute a new state-issued physician certification form to be required of all new and existing IHSS recipients to be eligible for the program. The form would require the physician to certify that an individual requires assistance with certain tasks to remain in their own home. The budget assumes 43,000 recipients would lose IHSS services as a result of this new requirement, for a savings of \$366 million (\$120.4 million GF).

Eliminates Funding to Advisory Committees: The budget eliminates the mandate and funding for local IHSS Advisory Committees for a savings of \$3.1 million (\$1.6 million GF).

County Administration – The budget reduces county administration by \$7.7 million (\$3.1 million GF) reflecting lower caseload due to the aforementioned budget cuts. The budget also continues the existing five percent base cut to IHSS social workers and county operations totaling \$15.0 million (\$5.3 million GF). With respect to county administrative costs to implement the additional 8.4 percent across-the-board cut, the new physician certification, and domestic and related service reductions, the Administration has informed us that funding is provided, however no additional details are yet available.

CalFresh (formerly Food Stamps)

Funding for Caseload Increases – The budget proposes a net increase of \$110.9 million (\$46.8 million GF) for CalFresh Administration, which primarily reflects funding for the projected caseload increase in 2011-12, as well as expanding Modified Categorical Eligibility to all CalFresh households.

Child Support

There is a child support proposal in the budget that has an impact on county human services budgets.

Suspend County Share of Collections – The budget proposes to suspend the county share of child support collections in 2011-12. The county share of collections is estimated to be \$24.4 million in 2011-12. Currently, child support collections are used to offset the federal, state and county shares of assistance costs for child support cases on assistance. Under this proposal, the entire non-federal portion of child support collections would benefit the General Fund and the county reimbursement would be eliminated. In effect, this changes the sharing ratios for those child support cases.

SSI/SSP

The budget proposes to reduce SSI/SSP grants for individuals to the federal minimum levels permitted, resulting in an average grant reduction of \$15, from \$845 to \$830. This proposal would result in net savings of \$14.7 million GF in 2010-11 and \$177.3 million GF) in 2011-12.

Medi-Cal Administration and Program

Medi-Cal caseload is estimated to grow 1.75 percent, from 7.5 million beneficiaries in 2010-11 to 7.65 million beneficiaries in 2011-12. Total program expenditures are proposed to be \$41.6 billion (\$13 billion GF).

County Administration – The budget assumes \$1.3 billion in base funding for county administration, equal to the current-year level. This number will be updated in May based on caseload updates and the county budget surveys. The budget proposes to continue suspension of the cost-of-doing-business increase for county operations in 2011-12, at an estimated savings of \$23.6 million total funds (\$11.8 million GF).

Service Reductions – The budget proposes \$1.7 billion in program cuts in four areas: limitations on service utilization, increased beneficiary cost-sharing, elimination of benefits, and provider payment reductions.

The budget also seeks funding sources other than GF for some costs, including a proposal to seek voter approval to use \$1 billion in Proposition 10 (First 5) funds for medical care for children up to age five, and a proposal to extend the existing hospital fee through June 30, 2011, for GF savings of \$160 million.

1. Limitations on Service Utilization – The budget proposes to place utilization controls on certain services, including hearing aids (\$1,510), durable medical equipment (\$1,604), incontinence supplies (\$1,659), urological supplies (\$6,435), and wound care (\$391). It would limit the number of prescriptions to 6 per month for adults, with the exception of life-saving drugs, and would limit doctor visits including clinics to 10 per year for adults. Total savings associated with these proposals is \$217.4 million GF in 2011-12.
2. Beneficiary Cost Sharing – The budget proposes a series of copayments, including \$5 for adult dental visits, \$3 or \$5 for prescriptions for adults and children, \$50 for emergency or non-emergency hospital visits for adults and children, and \$100 per day/\$200 per stay for hospitalization for adults and children. When fully implemented in 2011-12, would save the state an estimated \$557.1 million GF.
3. Elimination of Benefits – The budget proposal includes elimination of Adult Day Health Care services, the Multipurpose Senior Services Program (MSSP), and over-the-counter cold and cough medicine (for adults). The Adult Day Health Care elimination would affect an estimated 27,000 recipients per month who receive services in about 330 centers statewide. Reduces costs by \$212.4 million GF in 2011-12.
4. Provider Payment Reductions – The budget proposes to reduce payments by 10 percent for physicians, pharmacy, clinics, medical transportation, home health, Adult Day Health Care, and certain hospitals and nursing facilities. The proposal also includes a 10 percent reduction for long-term care facilities including nursing homes. The proposal would save an estimated \$709.4 million GF when fully implemented in 2011-12 and would require federal approval of a state plan amendment. The budget assumes that the state will prevail in litigation that is pending regarding prior rate reduction attempts.

Healthy Families Program

The budget proposes several changes to Healthy Families benefits to control costs, including:

- Elimination of vision benefit, for \$11 million GF savings.
- Increase premiums for families with incomes above 150 percent of the Federal Poverty Level (FPL). For those between 150 and 200 percent of FPL, premiums would increase from \$16 to \$30 per child with a maximum of \$90. For those between 200 and 250 percent of FPL, premiums would increase from \$24 to \$42 per child with a maximum of \$126. These proposals would save an estimated \$22 million GF.
- Increase co-payments from \$15 to \$50 for emergency room visits and from \$0 to \$100 per day/\$200 per stay for hospital inpatient, conforming to the proposal for Medi-Cal cost-sharing. This would save \$5.5 million GF.

The budget also proposes to make permanent a temporary tax on managed care plans, which will save \$97.2 million GF.

Automation

SAWS – The budget proposes continue funding the SAWS projects at the requested levels including continuation of the LEADER Replacement System (LRS) and an allowance of \$800,000 in 2011/12 for changes necessary to implement AB 12.

CMIPS II – The budget includes increases to CMIPS II to incorporate program changes and extend the timeframe for implementation. We have been informed that the proposal includes additional funding to support county preparation activities over the extended time period, but we do not yet have detail on the amount of that funding.

CWS/CMS – The proposed budget decreases funding for on-going maintenance and operations slightly (\$368,000 in 2010/11 and \$1,120,000 in 2011/2012 from current funding levels). At this time we do not have detail information to determine if these reductions will have any impact on county operations.

The complete summary of the Governor's proposed 2011-12 budget released today by the Department of Finance can be found at the following link. The realignment portion begins on page 15 and health and human services portion begins on page 95.

<http://www.ebudget.ca.gov/pdf/BudgetSummary/FullBudgetSummary.pdf>